


KIM HENG
OFFSHORE & MARINE HOLDINGS LIMITED

(Incorporated in the Republic of Singapore on 29 April 2013)
(Company Registration Number: 201311482K)

OFFER DOCUMENT DATED 14 JANUARY 2014

(Registered by the Singapore Exchange Securities Trading Limited acting as agent on behalf of the Monetary Authority of Singapore on 14 January 2014)

This document is important. If you are in any doubt as to the action you should take, you should consult your legal, financial, tax, or other professional adviser(s).

Canaccord Genuity Singapore Pte. Ltd. (the "**Sponsor**") has made an application to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for permission to deal in, and for quotation of, all the ordinary shares (the "**Shares**") in the capital of Kim Heng Offshore & Marine Holdings Limited (the "**Company**") already issued, the Invitation Shares (as defined herein) which are the subject of this Invitation (as defined herein), the ESOS Shares (as defined herein) and the PSP Shares (as defined herein) on Catalist (as defined herein). The dealing in and quotation of our Shares will be in Singapore dollars.

Companies listed on Catalist may carry higher investment risk when compared with larger or more established companies listed on the Main Board of the SGX-ST. In particular, companies may list on Catalist without a track record of profitability and there is no assurance that there will be a liquid market in the shares or units of shares traded on Catalist. You should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with your professional adviser(s).

This Invitation is made in or accompanied by this Offer Document that has been registered by the SGX-ST acting as agent on behalf of the Monetary Authority of Singapore (the "Authority"). We have not lodged or registered this Offer Document in any other jurisdiction.

Neither the Authority nor the SGX-ST has examined or approved the contents of this Offer Document. Neither the Authority nor the SGX-ST assumes any responsibility for the contents of this Offer Document, including the correctness of any of the statements or opinions made or reports contained in this Offer Document. The SGX-ST does not normally review the application for admission but relies on the Sponsor confirming that our Company is suitable to be listed on Catalist and complies with the Catalist Rules (as defined herein). Neither the Authority, nor the SGX-ST has, in any way, considered the merits of the Shares or units of Shares being offered for investment.

The registration of this Offer Document by the SGX-ST does not imply that the Securities and Futures Act (Chapter 289) of Singapore, or any other legal or regulatory requirements, or requirements under the SGX-ST's Catalist Rules, have been complied with. Acceptance of applications will be conditional upon, *inter alia*, the issue of the Invitation Shares and the listing and quotation of all our existing issued Shares and the Invitation Shares. Monies paid in respect of any application accepted will be returned to you at your own risk, without interest or any share of revenue or other benefit arising therefrom, if the admission and listing do not proceed, and you will not have any claims against us, the Vendor, and the Sponsor, Underwriter and Placement Agent (as defined herein).

Investing in our Shares involves risks which are described in the section entitled "Risk Factors" of this Offer Document.

After the expiration of six (6) months from the date of registration of this Offer Document, no person shall make an offer of securities, or allot, issue or sell any of our Shares, on the basis of this Offer Document; and no officer or equivalent person or promoter of our Company will authorise or permit the offer of any of our Shares or the allotment, issue or sale of any of our Shares, on the basis of this Offer Document.

Invitation in respect of 174,000,000 Invitation Shares comprising 160,000,000 New Shares and 14,000,000 Vendor Shares as follows:

(i) 3,000,000 Offer Shares at S$0.25 each by way of public offer; and
(ii) 171,000,000 Placement Shares at S$0.25 each by way of placement,

payable in full on application.

Sponsor, Underwriter and Placement Agent

CANACCORD Genuity

CANACCORD GENUITY SINGAPORE PTE. LTD.
(Incorporated in the Republic of Singapore)
(Company Registration Number: 200713620D)

Corporate Profile

With over 40 years of experience, Kim Heng Offshore & Marine Holdings Limited is an established integrated offshore and marine value chain services provider. Strategically located in Singapore, the Group offers a one-stop comprehensive range of products and services that caters to different stages of offshore oil and gas projects from oil exploration to field development and oil production. Kim Heng has built its brand over the years and currently caters to world renowned customers from over 25 countries in the regions of Southeast Asia, USA, Latin America, Australasia, Middle East and Europe

Offshore Rig Services & Supply Chain Management

Offshore Rig Services

Construction and fabrication works of sections or components of drilling rigs & drillships

- Fabrication and assembly of sections or components of drilling rigs and drillships such as upper columns & hulls, drill floors, high pressure pipes, as well as removal & installation of thrusters & anchor chains

Installation of offshore production modules and systems

- Fabrication & installation of offshore pipelines, mooring systems, topsides & jackets, offshore steel buoys, baskets & containers, and provide maintenance services for risers

Afloat repairs, maintenance and refurbishment of offshore rigs, platforms & vessels

- Afloat repair, conversion and refurbishment of offshore rigs, pipelay barges, power barges and vessels as well as provision of pipelay installation support services alongside our shipyards and at anchorages within and outside port limits
- Services include steel and piping renewal, retrofitting and conversion, blasting and painting, and electrical & mechanical works to offshore vessels and platforms

Supply of offshore drilling and production equipment

- Supply of general oilfield equipment, specialising in tubular products such as drill pipes, drill collars, tubings, casings, conductor pipes, and other specialty tubes, which are designed and manufactured to withstand corrosion, high pressure and high temperatures associated with drilling and production

Supply Chain Management

Provision of offshore supply vessels and heavy-lift equipment

- Operation and management of a fleet of owned and chartered marine support vessels comprising tugs (including anchor handling tugs) and barges (including flat top barges, flat top ballastable barges, accommodation barges and crane barges fitted with side walls or stanchions) for marine transportation, heavylift operations, dredging operations, cargo transfers, vessel salvage and tug & barge operations

Provision of logistics, general shipping and crew management

- Handling of the delivery, import and export of goods, documentation and customs clearance by land, rail, ocean freight or air freight
- Provision of open and/or covered warehousing and storage solutions to our customers for equipment in transit with a specialty in expediting the transport of equipment and spares from shore to offshore rigs at remote locations

Vessel Sales & Newbuild

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

Geographical Reach

1

2

» Supporting Infrastructure

Pandan Shipyard

(Land Area: 34,125m², Waterfront: 137m)

Penjuru Shipyard

(Land Area: 19,512m², Waterfront: 68m)

Yards and fabrication workshops are well-equipped with crawler, gantry and overhead travelling cranes, forklifts, prime movers, CNC cutting, welding and drilling machines

» Vessels & Equipment

8	28	16	15	6
TUGS	BARGES	CRANES	TRAILERS	PRIME MOVERS

	FY2012	1H2013
Revenue (S$M)	86.7	41.0
Gross Profit Margin (%)	42.9	42.4
Net Profit (S$M)	17.3	8.0
Net Profit Margin (%)	19.9	19.6

FY2012 Earnings Per Share

3.1 cents

1H2013 Gearing Ratio

0.3

» Competitive Strengths

- Comprehensive range of products and services in the offshore O&G and marine industry
- Established track record spanning over four decades
- Licensed waterfront shipyard facilities
- Production and warehouse facilities and heavy-lift equipment that meet the needs of our customers
- Well-established business relationships with our customers and suppliers
- Competent and experienced management team
- Experienced, trained and suitably certified workforce

» Corporate Milestones

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

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

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

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

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

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

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

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

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

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

2008
- Completed first retrofitting of a pipelaying barge

2009
- Constructed and delivered the first accommodation and pipelay barge

2013
- Completed first re-activation and refurbishment of a jack-up rig at Pandan Crescent Yard

2014
- Planned expansion of yard facilities, vessel fleet and business & service offerings

» Industry Overview*

- **Singapore**
  Preferred location choice by many drilling contractors due to its status as an offshore industrial cluster where many major offshore original equipment manufacturers are located

- Our Directors believe the marine and offshore engineering segment will continue to grow on the back of sustained high oil prices and robust levels of offshore activities

- **Southeast Asia**
  Spillover opportunities from Malaysian yards in technologically demanding areas such as enhanced oil recovery, asset integrity, integrated operations and deepwater exploration

- Domestic O&G production in Vietnam planned to increase to 470,000 barrels of oil equivalent per day by 2025, with production expected to grow annually at a rate of 10% starting in 2016

- **Australia**
  Anticipated increase in demand for offshore EPC services resulting from increased activities in the Australian market

- **Middle East**
  The capex for Middle East O&G companies expected to increase from US$34.8 billion in 2013 to US$39.8 billion in 2014

** Please refer to the section entitled "Prospects, Business Strategies and Future Plans - Prospects" of this Offer Document for the source of the information.*

» Investment Merits

- Established brand name in the offshore O&G and marine industry with a track record of over 40 years
- Key institutionals – Lead investor, Credence Capital Fund II and pre-IPO investor, Zana Asia Fund
- Strategic waterfront yard facilities backed by wide range of vessels and equipment
- One-stop solutions provider, primarily to rig and offshore platform owners in the offshore O&G and marine value chain
- Engagement with leading global blue-chip customers such as Transocean Ltd, Seadrill Limited, Noble Corporation, McDermott International, Inc. and Saipem S.p.A.
- Experienced management team who possess long-standing business relationships with customers & suppliers
- Exposure to the robust E&P industry, in particular the regional offshore drilling / rig sector in the region
- Engineering capabilities coupled with technically skilled workforce

» Future Plans

Enhancement of yard facilities and expansion of fleet

- Enhancement plan may include setting up a new fabrication and engineering workshop, construction of a quayside jetty and/or carrying out wharf improvements
- Vessel newbuild projects and/or vessel acquisitions for charter, sale, or to support our internal operations, which may include the new building of an accommodation barge to support the offshore drilling and production operations of our customers

Expansion and diversification of our business and service offerings in the offshore O&G industry

- Growth opportunities in the provision of turnkey refurbishment and modification works for mature offshore rigs aged over 30 years
- Exploring potential M&As, JVs and/or strategic alliances

CONTENTS

BOARD OF DIRECTORS	:	Tan Keng Siong Thomas	Executive Chairman and CEO
		Yeo Seh Hong	Executive Director and COO
		Tan Chow Boon	Non-Executive Director
		Douglas Owen Chester	Lead Independent Director
		Ho Boon Chuan Wilson	Independent Director
		Ong Sie Hou Raymond	Independent Director
COMPANY SECRETARIES	:	Joanna Lim Lan Sim, ACIS Pan Mi Keay, ACIS	
REGISTERED OFFICE	:	9 Pandan Crescent Singapore 128465	
SHARE REGISTRAR AND SHARE TRANSFER OFFICE	:	**Tricor Barbinder Share Registration Services** 80 Robinson Road #02-00 Singapore 068898	
SPONSOR, UNDERWRITER AND PLACEMENT AGENT	:	**Canaccord Genuity Singapore Pte. Ltd.** 77 Robinson Road #21-02 Singapore 068896	
INDEPENDENT AUDITORS AND REPORTING ACCOUNTANTS	:	**KPMG LLP** 16 Raffles Quay #22-00 Hong Leong Building Singapore 048581 Partner-in-charge: Lucas Tran (a member of the Institute of Singapore Chartered Accountants)	
SOLICITORS TO THE INVITATION	:	**Stamford Law Corporation** 10 Collyer Quay #27-00 Ocean Financial Centre Singapore 049315	
LEGAL ADVISERS TO OUR COMPANY ON INDONESIA LAW	:	**Ali Budiardjo, Nugroho, Reksodiputro** Graha CIMB Niaga 24th Floor Jl. Jenderal Sudirman Kav.58 Jakarta 12190 Indonesia	
SOLICITORS TO THE SPONSOR, UNDERWRITER AND PLACEMENT AGENT	:	**Harry Elias Partnership LLP** SGX Centre 2, #17-01 4 Shenton Way Singapore 068807	
PRINCIPAL BANKERS	:	**United Overseas Bank Limited** 80 Raffles Place Singapore 048624 **DBS Bank Ltd** 12 Marina Boulevard Marina Bay Financial Centre Tower Three Singapore 018982 **Malayan Banking Berhad** Maybank Tower 2 Battery Road Singapore 049907	

RECEIVING BANKER	:	**United Overseas Bank Limited** 80 Raffles Place Singapore 048624
VENDOR	:	**Tan Sek Khoon** 6 Eng Kong Road Singapore 599083

In this Offer Document and the accompanying Application Forms, unless the context otherwise requires, the following definitions apply throughout where the context so admits:

Group Companies

"Alpine Progress"	:	Alpine Progress Shipping Pte. Ltd., a company incorporated in Singapore and a wholly owned subsidiary of Kim Heng Offshore
"Company"	:	Kim Heng Offshore & Marine Holdings Limited. The terms "*we*", "*our*", "*our Company*" or "*us*" have correlative meanings
"Group"	:	Our Company and our Subsidiaries, following the completion of the Restructuring Exercise, treated for the purpose of this Offer Document as if the group structure had been in existence since 1 January 2010
"Group Companies"	:	Our Company and our Subsidiaries
"Kim Heng Marine"	:	Kim Heng Marine & Oilfield Pte Ltd, a company incorporated in Singapore and a wholly owned subsidiary of Kim Heng Offshore
"Kim Heng Maritime"	:	Kim Heng Maritime Pte Ltd, a company incorporated in Singapore and a wholly owned subsidiary of Kim Heng Offshore
"Kim Heng Offshore"	:	Kim Heng Offshore & Marine Pte. Ltd., a company incorporated in Singapore and a wholly owned subsidiary of our Company
"Kim Heng Shipbuilding"	:	Kim Heng Shipbuilding & Engineering Pte. Ltd., a company incorporated in Singapore and a wholly owned subsidiary of Kim Heng Offshore
"Kim Heng Tubulars"	:	Kim Heng Tubulars Pte Ltd, a company incorporated in Singapore and a wholly owned subsidiary of Kim Heng Offshore
"Subsidiaries"	:	Alpine Progress, Kim Heng Marine, Kim Heng Maritime, Kim Heng Offshore, Kim Heng Shipbuilding and Kim Heng Tubulars

Other Companies, Corporations and Organisations

"Authority" or "MAS"	:	The Monetary Authority of Singapore
"Canaccord Genuity", "Sponsor", "Underwriter" or "Placement Agent"	:	Canaccord Genuity Singapore Pte. Ltd.
"CDP"	:	The Central Depository (Pte) Limited
"CPF"	:	The Central Provident Fund
"IRAS"	:	Inland Revenue Authority of Singapore
"JTC"	:	JTC Corporation

"KH Group"	:	KH Group Holdings Pte. Ltd., an investment holding company wholly owned by Thomas Tan, our Executive Chairman and CEO and a Controlling Shareholder of our Company
"MOM"	:	Ministry of Manpower
"MPA"	:	Maritime and Port Authority of Singapore
"Participating Banks"	:	United Overseas Bank Limited and its subsidiary, Far Eastern Bank Limited (the "**UOB Group**"), DBS Bank Ltd. (including POSB) ("**DBS Bank**") and Oversea-Chinese Banking Corporation Limited ("**OCBC Bank**"), and each a "**Participating Bank**"
"PSA"	:	PSA International Pte Ltd
"Share Registrar"	:	Tricor Barbinder Share Registration Services
"SGX-ST" or "Exchange"	:	Singapore Exchange Securities Trading Limited
"Solicitors to the Invitation"	:	Stamford Law Corporation
"Solicitors to the Sponsor, Underwriter and Placement Agent"	:	Harry Elias Partnership LLP
"TSKI"	:	TSKI Pte. Ltd., an investment holding company ultimately owned by SK Tan

General

"1H"	:	The six (6) month financial period ended 30 June
"2H"	:	The six (6) month financial period ended 31 December
"Act" or "Companies Act"	:	The Companies Act (Chapter 50) of Singapore as amended, supplemented or modified from time to time
"Application Forms"	:	The printed application forms to be used for the purpose of the Invitation and which form part of this Offer Document
"Application List"	:	The list of applications for subscription and/or purchase, as the case may be, of the Invitation Shares
"Articles of Association"	:	The articles of association of our Company
"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; (ii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and

(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 30.0% or more

"associated company" : In relation to a corporation, means:

(a) any corporation in which the corporation or its subsidiary has, or the corporation and its subsidiary together have, a direct interest of not less than 20.0% but not more than 50.0% of the aggregate of the nominal amount of all the voting shares; or

(b) any corporation, other than a subsidiary of the corporation or a corporation which is an associated company by virtue of paragraph (a), the policies of which the corporation or its subsidiary, or the corporation together with its subsidiary, is able to control or influence materially

"ATM" : Automated teller machine

"Audit Committee" : The audit committee of our Company as at the date of this Offer Document, unless otherwise stated

"Awards" : The contingent award of Shares which may be granted under the Kim Heng PSP

"Board" or "Board of Directors" : The board of Directors of our Company as at the date of this Offer Document, unless otherwise stated

"business trust" : Has the same meaning as in section 2 of the Business Trusts Act (Chapter 31A) of Singapore

"Catalist" : The Catalist Board of the SGX-ST

"Catalist Rules" : The SGX-ST Listing Manual Section B: Rules of Catalist, as amended, supplemented or modified from time to time

"CEO" : Chief Executive Officer

"CFO" : Chief Financial Officer

"Committee" : A committee of Directors who are duly authorised and appointed by the Board pursuant to the Kim Heng ESOS or the Kim Heng PSP to administer the Kim Heng ESOS or the Kim Heng PSP, as the case may be

"COO" : Chief Operating Officer

"Controlling Shareholder"	:	In relation to a corporation, (a) a person who has an interest in the voting shares of a corporation and who exercises control over the corporation; or (b) a person who has an interest of 15.0% or more of the aggregate of the nominal amount of all the voting shares in a corporation, unless he does not exercise control over the corporation
"Directors"	:	The directors of our Company as at the date of this Offer Document, unless otherwise stated
"Electronic Applications"	:	Applications for the Offer Shares made through an ATM or through the IB website of one of the relevant Participating Banks or through the mobile banking interface of DBS Bank, subject to and on the terms and conditions of this Offer Document
"entity"	:	Includes a corporation, an unincorporated association, a partnership and the government of any state, but does not include a trust
"Entity at Risk"	:	(a) our Company; or (b) a subsidiary of our Company that is not listed on the SGX-ST or an approved exchange; or (c) an associated company that is not listed on the SGX-ST or an approved exchange, provided that our Group or our Group and the Interested Person(s), has control over the associated company
"EPS"	:	Earnings per Share
"ESOS Shares"	:	The new Shares which may be allotted and issued from time to time pursuant to the Options which may be granted under the Kim Heng ESOS
"Executive Director(s)"	:	The executive Director(s) of our Company as at the date of this Offer Document, unless otherwise stated
"Executive Officer(s)"	:	The executive officer(s) of our Group as at the date of this Offer Document, unless otherwise stated
"FY"	:	Financial year ended or ending 31 December, as the case may be
"GST"	:	Goods and services tax
"IB"	:	Internet banking

"Independent Director(s)"	:	The non-executive independent Director(s) of our Company as at the date of this Offer Document, unless otherwise stated
"Interested Person"	:	(a) a Director, CEO or Controlling Shareholder of our Company; or (b) an Associate of any such Director, CEO or Controlling Shareholder
"Interested Person Transaction"	:	A transaction between an Entity at Risk and an Interested Person
"Invitation"	:	The invitation by our Company and the Vendor to the public in Singapore to subscribe for and/or purchase the Invitation Shares at the Invitation Price, subject to and on the terms and conditions of this Offer Document
"Invitation Price"	:	S$0.25 for each Invitation Share
"Invitation Shares"	:	The 174,000,000 Shares, comprising 160,000,000 New Shares and 14,000,000 Vendor Shares, which are the subject of this Invitation
"IPO"	:	Initial public offering
"Kim Heng ESOS"	:	The employee share option scheme of our Company known as "Kim Heng Employee Share Option Scheme 2013" which was adopted by our Company on 26 December 2013, the terms of which are set out in Appendix G of this Offer Document
"Kim Heng PSP"	:	The performance share plan of our Company known as "Kim Heng Performance Share Plan 2013" which was adopted by our Company on 26 December 2013, the terms of which are set out in Appendix H of this Offer Document
"Latest Practicable Date"	:	17 December 2013, unless otherwise stated, being the latest practicable date prior to the lodgement of this Offer Document with the SGX-ST (acting as agent on behalf of the Authority)
"Lead Independent Director"	:	The Lead Independent Director of our Company as at the date of this Offer Document, unless otherwise stated
"Management and Underwriting Agreement"	:	The management and underwriting agreement dated 14 January 2014 entered into between our Company, the Vendor and Canaccord Genuity pursuant to which Canaccord Genuity agreed to sponsor and manage the Invitation and underwrite the Offer Shares, details as described in the section entitled "Management, Underwriting and Placement Agreements" of this Offer Document
"Market Day"	:	A day on which the SGX-ST is open for trading in securities
"New Shares"	:	The 160,000,000 New Shares for which our Company invites applications to subscribe for pursuant to the Invitation, subject to and on the terms and conditions of this Offer Document

"Nominating Committee"	:	The nominating committee of our Company as at the date of this Offer Document, unless otherwise stated
"Non-Executive Director(s)"	:	The non-executive Director(s) of our Company (including Independent Director(s)) as at the date of this Offer Document, unless otherwise stated
"NTA"	:	Net tangible assets (less minority interests)
"Offer"	:	The offer by our Company and the Vendor to the public in Singapore for subscription and/or purchase of the Offer Shares at the Invitation Price, subject to and on the terms and conditions set out in this Offer Document
"Offer Document"	:	This offer document dated 14 January 2014 issued by our Company in respect of the Invitation
"Offer Shares"	:	The 3,000,000 Invitation Shares which are the subject of the Offer
"Options"	:	The options(s) which may be granted pursuant to the Kim Heng ESOS
"Participant"	:	A participant who has been granted an Option and/or an Award (as the case may be), under the Kim Heng ESOS and/or the Kim Heng PSP (as the case may be)
"PAT"	:	Profit for the year/period
"PBT"	:	Profit before tax
"PER"	:	Price earnings ratio
"Period Under Review"	:	The period which comprises FY2010, FY2011, FY2012 and 1H2013
"Placement"	:	The placement of the Placement Shares by the Placement Agent on behalf of our Company and the Vendor for subscription and/or purchase at the Invitation Price, subject to and on the terms and conditions set out in this Offer Document
"Placement Agreement"	:	The placement agreement dated 14 January 2014 entered into between our Company, the Vendor and Canaccord Genuity pursuant to which Canaccord Genuity agreed to subscribe and/or purchase or procure subscribers and/or purchasers for the Placement Shares, details as described in the section entitled "Management, Underwriting and Placement Agreements" of this Offer Document
"Placement Shares"	:	The 171,000,000 Invitation Shares which are the subject of the Placement
"Pre-IPO Investors"	:	Double Happiness Global Limited, Teo Kok Kheng Jeffrey, Yarwood Engineering and Trading Limited, Tan Cheng Hiang Rosalind Mrs Rosalind Lim and Ronald Lim Cheng Aun

"PSP Shares"	:	The Shares transferred or new Shares which may be allotted and issued from time to time pursuant to the vesting of Awards which may be granted under the Kim Heng PSP
"Remuneration Committee"	:	The remuneration committee of our Company as at the date of this Offer Document, unless otherwise stated
"Restructuring Exercise"	:	The restructuring exercise undertaken in connection with the Invitation, as described in the section entitled "Restructuring Exercise" of this Offer Document
"Securities Account"	:	The securities account maintained by a Depositor with CDP, but does not include a securities sub-account
"Securities and Futures Act" or "SFA"	:	Securities and Futures Act (Chapter 289) of Singapore, as amended, modified or supplemented from time to time
"Service Agreements"	:	The service agreements entered into between our Company and each of Thomas Tan and Yeo Seh Hong, as set out in the section entitled "Directors, Management and Staff – Service Agreements" of this Offer Document
"SFR"	:	Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore, as amended, modified or supplemented from time to time
"SGXNET"	:	The corporate announcement system maintained by the SGX-ST for the submission of announcements by listed companies
"Share(s)"	:	Ordinary share(s) in the capital of our Company
"Share Split"	:	The sub-division of every one (1) Share in the capital of our Company into 550 Shares
"Shareholders"	:	Registered holders of Shares, except where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares, mean the Depositors whose Securities Accounts are credited with Shares
"Substantial Shareholder"	:	A person who has an interest or interests in one or more voting shares in our Company and the total votes attached to that share, or those shares, is not less than 5.0% of the total votes attached to all the voting shares of our Company
"USA"	:	United States of America
"Vendor"	:	SK Tan
"Vendor Shares"	:	The 14,000,000 existing Shares owned by the Vendor for which the Vendor invites applications to purchase at the Invitation Price, subject to and on the terms and conditions set out in this Offer Document

Currencies, Units and Others

"AUD"	:	Australia dollars, the lawful currency of Australia
"EUR"	:	Euro, the lawful currency of a group of European Union nations whose national currency is the euro
"RM"	:	Malaysia ringgit, the lawful currency of Malaysia
"S$" and "cents"	:	Singapore dollars and cents respectively, the lawful currency of the Republic of Singapore
"USD" or "US$"	:	United States dollars, the lawful currency of the USA
"N.A."	:	Not applicable
"%" or "per cent."	:	Per centum or percentage

For the purpose of this Offer Document, the following persons' names in the second column below are also known by the names set out in the first column.

"Credence"	:	Credence Capital Fund II (Cayman) Limited
"SK Tan"	:	Tan Sek Khoon
"Thomas Tan"	:	Tan Keng Siong Thomas

The terms "Depositor", "Depository Agent" and "Depository Register" shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

The term "entity" shall have the same meaning ascribed to it in Section 2 of the SFA, while the terms "related corporation", "related entity", "subsidiary", "subsidiary entity" and "substantial interest-holder" shall have the same meanings ascribed to them respectively in Paragraph 1 of the Fourth Schedule of the SFR.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

Any discrepancies in tables included herein between the total sum of amounts listed and the totals shown are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Unless otherwise indicated, any reference in this Offer Document, the Application Forms and/or the Electronic Applications to any statute or enactment is a reference to that statute or enactment for the time being amended or re-enacted. Any word defined under the Act, the SFA, the SFR or any statutory modification thereof and used in this Offer Document, the Application Forms and/or the Electronic Applications shall, where applicable, have the meaning ascribed to it under the Act, the SFA, the SFR or any statutory modification thereof, as the case may be.

Any reference in this Offer Document, the Application Forms and/or the Electronic Applications to Shares being allotted to an applicant includes allotment to CDP for the account of that applicant.

Any reference to a time of day in this Offer Document, the Application Forms and/or the Electronic Applications shall be a reference to Singapore time, unless otherwise stated.

Any reference to “we”, “us”, “our”, “ourselves” or other grammatical variations thereof in this Offer Document is a reference to our Company, our Group or any member of our Group as the context requires.

References in this Offer Document to Appendix or Appendices are references to an appendix or appendices respectively to this Offer Document.

The information on our website or any website directly or indirectly linking to such websites does not form part of this Offer Document and should not be relied on.

To facilitate a better understanding of our business, the following glossary provides an explanation of certain terms and abbreviations used in this Offer Document. The terms and abbreviations and their assigned meanings should not be treated as being definitive of their meanings, and may not correspond to standard industry or common meanings or usage, as the case may be, of these terms and abbreviations.

"ABS"	:	American Bureau of Shipping, a classification society which is engaged in the development and verification of standards for the design, construction and operational maintenance of marine-related facilities
"accommodation barge"	:	A flat bottomed vessel with housing built on deck to provide living quarters for workers
"afloat repairs"	:	Repairs undertaken while the vessel is afloat and anchored at a location, typically, a jetty or anchorage, and not drydocked
"anchor handling tugs"	:	Tugs fitted with anchor handling winches to perform both towing and positioning of drilling rigs. These are shorter than anchor handling tug supply vessels and do not carry cargo
"barge"	:	A flat bottomed non self-propelled steel vessel used for the transportation and loading or unloading of cargoes. Customarily used in commercial ship canals and in ports where conventional ships are unable to load or unload at the quay due to shallow waters
"berth"	:	A place typically along a wharf where a vessel may go alongside to load or unload its cargoes
"bhp" or "brake horse power"	:	A measure of engine power
"bunker"	:	Fuel oil used aboard ships
"BV"	:	Bureau Veritas S.A., a global company in testing, inspection and certification services
"charter"	:	A contract for the use or hire of a vessel
"charterer"	:	A person or firm hiring a vessel under a charter
"classification societies"	:	Non-governmental organizations that establish and maintain technical standards for the construction and operation of ships and offshore structures, validate that construction is in accordance with such standards, and perform regular surveys to ensure compliance with such standards and with international and/or national statutory regulations on behalf of flag administrations
"certificate of origin"	:	A document to evidence the country of manufacture
"certificate of warranty"	:	A document covering the period where a manufacturer will provide maintenance and replacement of defective parts free of charge

"crane barge"	:	A flat bottomed vessel equipped with a crane specialised in lifting heavy loads
"drillship"	:	A vessel that has been fitted with drilling apparatus, which is most often used for exploratory offshore drilling of new oil or gas wells in deep water
"drill string assembly"	:	Components to connect sections of pipes during drilling operations
"DWT"	:	Deadweight tonnage, a measure of the total load which a ship is carrying or can safely carry, including its cargo, provisions, fuel, stores, bunker, crew and spares
"EPC"	:	Engineering, procurement and construction, used to describe a contract between a company and contractor to perform detailed engineering, procurement of materials, construction of structures and transport to site (preparatory activities to commence operations)
"E&P"	:	Exploration and production
"FPSO"	:	A floating, production, storage and offloading vessel (usually a tanker) used in the offshore O&G industry for the production, storage and offloading of oil and gas from offshore oil and gas fields
"FSO"	:	A floating, storage and offloading vessel (usually a tanker) used in the offshore O&G industry for the storage and offloading of oil and gas from offshore oil and gas fields
"GL"	:	Germanischer Lloyd, a German classification society
"jacket"	:	Supporting steel structure for an offshore production platform
"jack-up rig"	:	A type of offshore rig structure that rests on the seabed via structural extensions
"lighters"	:	Self-propelled boats, typically made of wood, used to ferry small numbers of passengers and light weight goods to and from vessels in a port, harbour or anchorage
"load line"	:	A line indicating the maximum depth to which a vessel, other than a passenger vessel, may be immersed in circumstances prescribed by the International Maritime Organisation
"Marginal Field"	:	An oilfield which is nearing its end of commercial life and/or with small reserves (below 25 million barrels)
"Mill Test and Inspection Certificate"	:	A document issued by a manufacturer confirming that the product has met quality control requirements
"mooring"	:	Securing with a mooring line

"newbuilding"	:	A vessel under construction and/or on order list
"NKK"	:	Nippon Kaiji Kyokai, a Japanese ship classification society
"non-destructive test certificate"	:	A document attesting the method of welding inspection carried out for purpose of checking welding defects
"O&G"	:	Oil and gas
"OSV"	:	Offshore support vessel
"pipelaying barge"	:	A flat-bottomed vessel used to install pipes
"Pipe Tally Length"	:	A standard that determines the length of a pipe
"Quality Clearance Certificate"	:	A document that confirms that the products or service work have satisfied all applicable quality checks
"SBM"	:	Single buoy mooring, which refers to a loading buoy anchored offshore, serving as a mooring point and hose connection point for tankers to load or discharge gas or liquid cargo
"semi-submersible"	:	A floating mobile offshore drilling unit that has pontoons and columns and is capable of being partially submerged in water to a predetermined depth using ballastable water pumps, the design of which is commonly used in a number of specific offshore roles such as for offshore drilling rigs, safety vessels, oil production platforms and heavy lift cranes
"Ship Security Plan"	:	A set of requirements to ensure the overall safety of the vessel and crew
"tender rig"	:	A vessel which allows for drilling operations to be performed from a modularised drilling package which is lifted onto a wellhead platform, without the need for a permanently installed drilling package
"Threading Certificate"	:	A document to evidence that a pipe has been properly threaded so that it can join with another pipe
"tug" or "tugboat"	:	A vessel used for towage, typically with powerful engines and easy manoeuvrability and which is commonly used for berthing and unberthing operations

Types of Charters

"time charter"	:	A charter by which a shipowner provides the services of a vessel, its master and crew for a specified time period to carry the charterer's cargo from and to such ports as the charterer may direct, subject to the terms of the charter. The remuneration paid by the charterer to the shipowner is called 'hire', and the vessel stays in the possession of the shipowner who remains responsible for its management and maintenance and the costs thereof.
"voyage charter"	:	A charter by which a shipowner provides the services of a vessel, its master and crew to carry specified goods on a defined voyage or voyages. The remuneration paid to the shipowner is called 'freight' and is calculated either based on the quantity of cargo carried, or an agreed lump sum. The vessel stays in the possession of the shipowner who remains responsible for its management and maintenance and the costs thereof.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements contained in this Offer Document, statements made in press releases and oral statements that may be made by us, our Directors, Executive Officers, employees or other authorised persons acting on our behalf, or on the Vendor's behalf, which are not statements of historical fact, constitute "*forward-looking statements*". You can identify some of these forward-looking statements by terms such as "*expects*", "*believes*", "*plans*", "*intends*", "*estimates*", "*anticipates*", "*may*", "*will*", "*would*", "*could*" and "*forecast*" or similar words and phrases. However, you should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial position, business strategies, plans and prospects are forward-looking statements.

These forward-looking statements, including without limitation, statements as to:

(a) our revenue and profitability;

(b) expected growth in demand;

(c) expected industry trends and development;

(d) anticipated expansion plans; and

(e) other matters discussed in this Offer Document regarding matters that are not historical facts,

are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by these forward-looking statements. These risks, uncertainties and other factors include, among others:

(a) changes in political, social, economic, business and financial and stock or securities market conditions and the regulatory environment in Singapore and the relevant jurisdictions in which we conduct business;

(b) risks that we may be unable to execute or implement our business strategies and future plans;

(c) changes in currency exchange or interest rates;

(d) the successful implementation of the anticipated growth strategies and/or future expansion plans of our Group;

(e) changes in the availability and prices of raw materials and goods which we require to operate our business;

(f) changes in customers' preferences;

(g) changes in the competitive climate and our ability to compete under such circumstances from time to time;

(h) changes in our future capital needs and the availability of financing and capital to fund such needs; and

(i) other factors beyond our control.

Some of these risk factors are discussed in more detail in this Offer Document, in particular, in the sections entitled "Risk Factors", "Management's Discussion and Analysis of Results of Operations and Financial Position" and "Prospects, Business Strategies and Future Plans – Trend Information and Order Book" of this Offer Document. These forward-looking statements are applicable only as at the date of this Offer Document.

Given the risks and uncertainties that may cause our actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward-looking statements in this Offer Document, undue reliance must not be placed on these statements which apply only as at the date of this Offer Document.

Neither our Company, our Directors, the Vendor, the Sponsor, Underwriter and Placement Agent nor any other person represents or warrants that our Group's actual future results, performance or achievements will be as discussed in those statements. Further, our Company, our Directors, the Vendor, and the Sponsor, Underwriter and Placement Agent disclaim any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances for any reason, even if new information becomes available or other events occur in the future.

Our Company is, however, subject to the provisions of the SFA and the Catalist Rules regarding corporate disclosure. In particular, pursuant to Section 241 of the SFA, if after this Offer Document is registered but before the close of the Invitation, our Company becomes aware of:

(a) a false or misleading statement or matter in this Offer Document;

(b) an omission from this Offer Document of any information that should have been included in it under Section 243 of the SFA; or

(c) a new circumstance that has arisen since this Offer Document was lodged with the SGX-ST, acting as agent on behalf of the Authority and would have been required by Section 243 of the SFA to be included in this Offer Document, if it had arisen before this Offer Document was lodged,

and that is materially adverse from the point of view of an investor, we may, in consultation with the Sponsor, Underwriter and Placement Agent, lodge a supplementary or replacement offer document with the SGX-ST acting as agent on behalf of the Authority.

This Offer Document does not constitute an offer, solicitation or invitation to subscribe for and/or purchase the Invitation Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. No action has been or will be taken under the requirements of the legislation or regulations of, or of the legal or regulatory requirements of any jurisdiction, except for the lodgement and/or registration of this Offer Document in Singapore in order to permit a public offering of the Invitation Shares and the public distribution of this Offer Document in Singapore. The distribution of this Offer Document and the offering of the Invitation Shares in certain jurisdictions may be restricted by the relevant laws in such jurisdictions. Persons who may come into possession of this Offer Document are required by our Company, the Vendor, the Sponsor, Underwriter and Placement Agent to inform themselves about, and to observe and comply with, any such restrictions at their own expense and without liability to our Company, the Vendor, and the Sponsor, Underwriter and Placement Agent.

Persons to whom a copy of this Offer Document has been issued shall not circulate to any other person, reproduce or otherwise distribute this Offer Document or any information herein for any purpose whatsoever nor permit or cause the same to occur.

LISTING ON CATALIST

The Sponsor has made an application to the SGX-ST for permission to deal in, and for the listing and quotation of, all our Shares already issued (including the Vendor Shares), as well as the New Shares, the ESOS Shares and the PSP Shares on Catalist. The dealing in, and quotation of, our existing Shares (including the Vendor Shares), the New Shares, the ESOS Shares and the PSP Shares will be in Singapore dollars.

Companies listed on Catalist may carry higher investment risk when compared with larger or more established companies listed on the Main Board of the SGX-ST. In particular, companies may list on Catalist without a track record of profitability and there is no assurance that there will be a liquid market in the shares or units of shares traded on Catalist. You should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with your professional adviser(s).

The Invitation is made in or accompanied by this Offer Document that has been registered by the SGX-ST acting as agent on behalf of the Authority. We have not lodged or registered this Offer Document in any other jurisdiction.

Neither the Authority nor the SGX-ST has examined or approved the contents of this Offer Document. Neither the Authority nor the SGX-ST assumes any responsibility for the contents of this Offer Document, including the correctness of any of the statements or opinions made or reports contained in this Offer Document. The SGX-ST does not normally review the application for admission but relies on the Sponsor confirming that our Company is suitable to be listed on Catalist and complies with the Catalist Rules. Neither the Authority nor the SGX-ST has in any way considered the merits of our existing issued Shares (including the Vendor Shares) and the Invitation Shares being offered for investment.

Admission to Catalist is not to be taken as an indication of the merits of the Invitation, our Company, our Subsidiaries, our existing issued Shares (including the Vendor Shares), the New Shares, the ESOS Shares and the PSP Shares.

A copy of this Offer Document has been lodged with and registered by the SGX-ST, acting as agent on behalf of the Authority. The registration of this Offer Document by the SGX-ST acting as agent on behalf of the Authority, does not imply that the SFA, or any other legal or regulatory requirements, or requirements under the Catalist Rules, has been complied with.

Acceptance of applications will be conditional upon, *inter alia,* the allotment and issuance of the New Shares and upon permission granted by the SGX-ST to deal in, and for the listing and quotation of all our existing issued Shares (including the Vendor Shares), the New Shares, the ESOS Shares and the PSP Shares. If such permission is not granted for any reason, monies paid in respect of any application accepted will be returned to you at your own risk, without interest or any share of revenue or other benefit arising therefrom, and you will not have any claims against us, our Directors, the Vendor or the Sponsor, Underwriter and Placement Agent. No Shares shall be allotted on the basis of this Offer Document later than six (6) months after the date of registration of this Offer Document by the SGX-ST, acting as agent on behalf of the Authority.

After the expiration of six (6) months from the date of registration of this Offer Document, no person shall make an offer of securities, or allot, issue or sell any of our Shares, on the basis of this Offer Document; and no officer or equivalent person or promoter of our Company will authorise or permit the offer of any of our Shares or the allotment, issue or sale of any of our Shares, on the basis of this Offer Document.

Our Company and the Vendor are subject to the provisions of the SFA, SFR and the Catalist Rules regarding corporate disclosure. In particular, pursuant to Section 241 of the SFA, if after this Offer Document is registered but before the close of the Invitation, our Company and the Vendor become aware of:

(a) a false or misleading statement in this Offer Document;

(b) an omission from this Offer Document of any information that should have been included in it under the SFA, SFR, or the Catalist Rules; or

(c) a new circumstance that has arisen since this Offer Document was lodged with the SGX-ST, acting as agent on behalf of the Authority which would have been required by the SFA, SFR, or the Catalist Rules to be included in this Offer Document if it had arisen before this Offer Document was lodged,

and that is materially adverse from the point of view of an investor, our Company and the Vendor may lodge a supplementary or replacement offer document with the SGX-ST, acting as agent on behalf of the Authority pursuant to Section 241 of the SFA.

Where prior to the lodgement of the supplementary or replacement offer document, applications have been made under this Offer Document to subscribe for and/or purchase the Invitation Shares and:

(a) where the Invitation Shares have not been issued to the applicants, our Company (for itself and on behalf of the Vendor) shall either:

    (i) within two (2) days (excluding any Saturday, Sunday or public holiday) from the date of lodgement of the supplementary or replacement offer document, give the applicants notice in writing of how to obtain, or arrange to receive, a copy of the same and provide the applicants with an option to withdraw their applications, and take all reasonable steps to make available within a reasonable period the supplementary or replacement offer document to the applicants who have indicated they wish to obtain, or who have arranged to receive, a copy of the supplementary or replacement offer document;

    (ii) within seven (7) days from the date of lodgement of the supplementary or replacement offer document, give the applicants the supplementary or replacement offer document, as the case may be, and provide the applicants with an option to withdraw their applications; or

    (iii) treat the applications as withdrawn and cancelled, in which case the applications shall be deemed to have been withdrawn and cancelled, and our Company (for itself and on behalf of the Vendor) shall, within seven (7) days from the date of lodgement of the supplementary or replacement offer document, pay the applicants all monies the applicants have paid on account of their applications for the Invitation Shares, without interest or a share of revenue or other benefit arising therefrom at the applicant's own risk; or

(b) where the Invitation Shares have been allotted, issued and/or transferred to the applicants, our Company (as well as on behalf of the Vendor) shall either:

    (i) within two (2) days (excluding any Saturday, Sunday or public holiday) from the date of lodgement of the supplementary or replacement offer document, give the applicants notice in writing of how to obtain, or arrange to receive, a copy of the same and provide the applicants with an option to return to our Company and the Vendor, the Invitation Shares which they do not wish to retain title in, and take all reasonable steps to make available within a reasonable period the supplementary or replacement offer document to the applicants who have indicated they wish to obtain, or who have arranged to receive, a copy of the supplementary or replacement offer document;

    (ii) within seven (7) days from the date of lodgement of the supplementary or replacement offer document, give the applicants the supplementary or replacement offer document, as the case may be, and provide the applicants with an option to return to our Company and the Vendor the Invitation Shares which they do not wish to retain title in; or

(iii) treat the issue of the Invitation Shares as void, in which case the issue shall be deemed void and we (as well as on behalf of the Vendor) shall within seven (7) days from the date of lodgement of the supplementary or replacement offer document, pay the applicants all monies the applicants have paid on account of their applications for the Invitation Shares, without interest or share of revenue or other benefit arising therefrom at the applicant's own risk.

An applicant who wishes to exercise his option under paragraph (a)(i) or (ii) to withdraw his application shall, within 14 days from the date of lodgement of the supplementary or replacement offer document, notify our Company of this, whereupon our Company (as well as on behalf of the Vendor) shall, within seven (7) days from the receipt of such notification, pay to him all monies paid by him on account of his application for the Invitation Shares, without interest or any share of revenue or other benefit arising therefrom and at his own risk, and he shall have no claim against us or the Sponsor, Underwriter and Placement Agent.

An applicant who wishes to exercise his option under paragraph (b)(i) or (ii) to return the Invitation Shares issued to him shall, within 14 days from the date of lodgement of the supplementary or replacement offer document, notify our Company of this and return all documents, if any, purporting to be evidence of title to those Invitation Shares, to our Company, whereupon our Company (as well as on behalf of the Vendor) shall, within seven (7) days from the receipt of such notification and documents, if any, pay to him all monies paid by him for those Invitation Shares without interest or any share of revenue or other benefit arising therefrom and at his own risk, and the issue of those Invitation Shares shall be deemed to be void and he shall not have any claim against us or the Sponsor, Underwriter and Placement Agent.

Pursuant to Section 242 of the SFA, the Authority may, in certain circumstances issue a stop order (the "**Stop Order**") to our Company, directing that no Shares or no further Shares to which this Offer Document relates, be allotted or issued or transferred. Such circumstances will include a situation where this Offer Document contains any statement or matter which, in the Authority's opinion, is (i) false or misleading, (ii) omits any information that should have been included in it under the SFA, or (iii) does not, in the Authority's opinion, comply with the requirements of the SFA.

In the event that the Authority issues a Stop Order and applications to subscribe for and/or purchase the Invitation Shares have been made prior to the Stop Order, then:

(a) where the Invitation Shares have not been allotted, issued and/or transferred to the applicants, the applications for the Invitation Shares shall be deemed to have been withdrawn and cancelled and our Company (as well as on behalf of the Vendor) shall, within 14 days from the date of the Stop Order, pay to the applicants all monies the applicants have paid on account of their applications for the Invitation Shares; or

(b) where the Invitation Shares have been issued to the applicants, the issue of the Invitation Shares shall be deemed to be void and we shall (for ourselves and on behalf of the Vendor), within 14 days from the date of the Stop Order, pay to the applicants all monies paid by them for the Invitation Shares.

Where monies are to be returned to applicants for the Invitation Shares, they shall be paid to the applicants without any interest or share of revenue or benefit arising therefrom at the applicants' own risk, and the applicants will not have any claim against our Company, the Vendor or the Sponsor, Underwriter and Placement Agent.

This Offer Document has been seen and approved by our Directors and the Vendor and they collectively and individually accept full responsibility for the accuracy of the information given in this Offer Document and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Offer Document constitutes full and true disclosure of all material facts about the Invitation and our Group, and our Directors and the Vendor are not aware of any facts, the omission of which would make any

statement in this Offer Document misleading. Where information in this Offer Document has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of our Directors and the Vendor has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Offer Document in its proper form and context.

Neither our Company, the Vendor, the Sponsor, Underwriter and Placement Agent nor any other parties involved in the Invitation is making any representation to any person regarding the legality of an investment in our Shares by such person under any investment or other laws or regulations. No information in this Offer Document should be considered as being business, legal or tax advice regarding an investment in our Shares. Each prospective investor should consult his own legal, financial, tax or other professional adviser(s) regarding an investment in our Shares. The Invitation Shares are offered for subscription and/or purchase solely on the basis of the information contained and the representations made in this Offer Document.

No person has been or is authorised to give any information or to make any representation not contained in this Offer Document in connection with the Invitation and, if given or made, such information or representation must not be relied upon as having been authorised by us, the Vendor or the Sponsor, Underwriter and Placement Agent. Neither the delivery of this Offer Document, the Application Forms nor any document relating to the Invitation shall, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change in the affairs of our Company or our subsidiaries or in any statement of fact or information contained in this Offer Document since the date of this Offer Document. Where such changes occur and are material or are required to be disclosed by law, we will promptly make an announcement of the same to the SGX-ST and if required under the SFA, a supplementary or replacement offer document will be issued and made available to the public after a copy thereof has been lodged with the SGX-ST acting as agent on behalf of the Authority. All applicants should take note of any such announcement and/or supplementary or replacement offer document and, upon the release of such an announcement and/or supplementary or replacement offer document, shall be deemed to have notice of such changes.

Save as expressly stated in this Offer Document, nothing herein is, or may be relied upon as, a promise or representation as to the future performance or policies of our Company or our subsidiaries.

This Offer Document has been prepared solely for the purpose of the Invitation and may not be relied upon by any persons other than the applicants in connection with their application for the Invitation Shares or for any other purpose.

This Offer Document does not constitute an offer, solicitation or invitation to subscribe for and/or purchase the Invitation Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation.

Copies of this Offer Document and the Application Forms and envelopes may be obtained on request, subject to availability, during office hours from:

Canaccord Genuity Singapore Pte. Ltd.
77 Robinson Road #21-02
Singapore 068896

and where available, from members of the Association of Banks in Singapore, members of the SGX-ST and merchant banks in Singapore.

An electronic copy of this Offer Document is also available on the SGX-ST website at http://www.sgx.com.

The Application List will open immediately upon the registration of this Offer Document by the SGX-ST acting as agent on behalf of the Authority and will remain open until 12.00 noon on 20 January 2014 or for such further period or periods as our Directors and the Vendor may, in consultation with the Sponsor, Underwriter and Placement Agent, in their absolute discretion decide, subject to any limitation under all applicable laws. In the event a supplementary or replacement offer document is lodged with the SGX-ST acting as agent on behalf of the Authority, the Application List will remain open for at least 14 days after the lodgement of the supplementary or replacement offer document.

Details of the procedures for applications to subscribe for and/or purchase the Invitation Shares are described under the section entitled "Terms, Conditions and Procedures for Application and Acceptance" as set out in Appendix F of this Offer Document.

An indicative timetable is set out below for your reference:

Indicative Date and Time	Event
14 January 2014, 5.00 p.m.	Commencement of the Invitation
20 January 2014, 12.00 noon	Close of Application List
21 January 2014	Balloting of applications, if necessary (in the event of over-subscription for the Offer Shares)
21 January 2014	Commence returning or refunding of application monies to unsuccessful or partially successful applicants
22 January 2014, 9.00 a.m.	Commence trading on a "ready" basis
27 January 2014	Settlement date for all trades done on a "ready" basis

The above timetable is only indicative as it assumes that the date of closing of the Application List is 20 January 2014, the date of admission of our Company to Catalist is 22 January 2014, the SGX-ST's shareholding spread requirement will be complied with and the Invitation Shares will be issued and fully paid-up prior to 9.00 a.m. on 22 January 2014. **The actual date on which our Shares will commence trading on a "ready" basis will be announced when it is confirmed by the SGX-ST.**

The above timetable and procedure may be subject to such modifications as the SGX-ST may, in its discretion, decide, including the decision to permit commencement of trading on a "ready" basis and the commencement date of such trading.

Investors should consult the SGX-ST's announcement of the "ready" trading date on the internet (at the SGX-ST website http://www.sgx.com) or newspapers, or check with their brokers on the date on which trading on a "ready" basis will commence.

In the event of any changes in the closure of the Application List or the time period during which the Invitation is open, we will publicly announce the same:

(i) through a SGXNET announcement to be posted on the SGX-ST website http://www.sgx.com; and

(ii) in a major English language newspaper in Singapore, such as The Straits Times or The Business Times.

We will provide details of the results of the Invitation (including the level of subscription for the Invitation Shares and the basis of allotment of the Invitation Shares pursuant to the Invitation), as soon as it is practicable after the closure of the Application List through the channels described in (i) and (ii) above.

We reserve the right to reject or accept, in whole or in part, or to scale down or ballot any application for the Offer Shares, without assigning any reason therefor, and no enquiry and/or correspondence on our decision will be entertained. In deciding the basis of allotment, due consideration will be given to the desirability of allotting our Shares to a reasonable number of applicants with a view to establish an adequate market for our Shares.

Prior to the Invitation there has been no public market for the Invitation Shares. The Invitation Price is determined by our Company and the Vendor in consultation with the Sponsor, Underwriter and Placement Agent after taking into consideration, *inter alia*, prevailing market conditions and estimated market demand for the Invitation Shares as determined through a book-building process. The Invitation Price is the same for all Invitation Shares and is payable in full on application.

Offer Shares

The Offer Shares are made available to members of the public in Singapore for subscription and/or purchase at the Invitation Price. The terms, conditions and procedures for application and acceptance are described in Appendix F of this Offer Document.

In the event of an under-subscription for the Offer Shares as at the close of the Application List, that number of Offer Shares not subscribed for and/or purchased shall be made available to satisfy excess applications for the Placement Shares to the extent there is an over-subscription for the Placement Shares as at the close of the Application List.

In the event of an over-subscription for the Offer Shares as at the close of the Application List and/or the Placement Shares are fully subscribed or over-subscribed and/or purchased as at the close of the Application List, the successful applications for the Offer Shares will be determined by ballot or otherwise as determined by our Directors, in consultation with the Sponsor and approved by the SGX-ST, if required.

Placement Shares

The Placement Shares are made available to retail and institutional investors who apply through their brokers or financial institutions. Application for the Placement Shares may only be made by way of Placement Shares Application Forms. The terms, conditions and procedures for application and acceptance are described in Appendix F of this Offer Document.

In the event of an under-subscription for the Placement Shares as at the close of the Application List, that number of Placement Shares not subscribed for and/or purchased shall be made available to satisfy excess applications for the Offer Shares to the extent that there is an over-subscription for the Offer Shares as at the close of the Application List.

Save as disclosed in the section entitled "Ownership Structure" of this Offer Document, none of our Directors or Substantial Shareholders intends to subscribe for and/or purchase the Invitation Shares in the Invitation.

To the best of our knowledge, we are not aware of any person who intends to subscribe for and/or purchase more than 5.0% of the Invitation Shares. However, through a book-building process to assess market demand for our Shares, there may be person(s) who may indicate interest to subscribe for and/or purchase more than 5.0% of the Invitation Shares. If such person(s) were to make an application for more than 5.0% of the Invitation Shares pursuant to the Invitation and is subsequently allotted such number of Shares, we will make the necessary announcements at an appropriate time. The final allotment of Shares will be in accordance with the shareholding spread and distribution guidelines as set out in Rule 406(1) of the Catalist Rules.

No Shares shall be allotted, issued and/or transferred on the basis of this Offer Document later than six (6) months after the date of registration of this Offer Document by the SGX-ST acting as agent on behalf of the Authority.

The following summary highlights certain information found in greater detail elsewhere in this Offer Document and should be read in conjunction with the full text of this Offer Document. As it is a summary, it does not contain all the information that prospective investors should consider before investing in our Shares. Prospective investors should read the entire Offer Document carefully, especially the section entitled "Risk Factors" of this Offer Document, before deciding to invest in our Shares.

OUR COMPANY

Our Company was incorporated in Singapore on 29 April 2013 under the Act as a private company limited by shares, under the name "Namilton Pte. Ltd.". Pursuant to the Restructuring Exercise, which was completed on 22 May 2013, our Company became the holding company of our subsidiaries, namely Alpine Progress, Kim Heng Marine, Kim Heng Maritime, Kim Heng Offshore, Kim Heng Shipbuilding and Kim Heng Tubulars. On 28 June 2013, our name was changed to "Kim Heng Offshore & Marine Holdings Pte. Ltd." to better reflect our Group's business activities. On 27 December 2013, our name was changed to "Kim Heng Offshore & Marine Holdings Limited" in connection with the conversion of our Company to a public company limited by shares. Please refer to the section entitled "Restructuring Exercise" of this Offer Document for further details.

OUR BUSINESS

We are principally engaged in the following businesses:

- Offshore Rig Services and Supply Chain Management
  - (a) Offshore Rig Services
    - (i) Construction and fabrication work of sections or components of drilling rigs
    - (ii) Installation of offshore production modules and systems
    - (iii) Afloat repairs, maintenance and refurbishment of offshore rigs, platforms and vessels
    - (iv) Supply of offshore drilling and production equipment
  - (b) Supply Chain Management
    - (i) Provision of offshore supply vessels (including chartering of marine support vessels) and heavy-lift equipment
    - (ii) Provision of logistics, including freight forwarding and warehousing, and general shipping and crew management
- Vessel Sales and Newbuild

Please refer to the sections entitled "General Information on Our Group – Business Overview" and "General Information on Our Group – Business Processes" of this Offer Document for further details.

OUR COMPETITIVE STRENGTHS

Our Directors believe that our competitive strengths are as follows:

- Comprehensive range of products and services in the offshore O&G and marine industry
- Established track record
- Licensed waterfront shipyard facilities

- Production and warehouse facilities and heavy-lift equipment that meet the needs of our customers
- Well-established business relationships with our customers and suppliers
- Competent and experienced management team
- Experienced, trained and suitably certified workforce

Please refer to the section entitled "General Information on Our Group – Competitive Strengths" of this Offer Document for further details.

OUR BUSINESS STRATEGIES AND FUTURE PLANS

Our business strategies and future plans include the following:

- Undertake capital expenditure to enhance our yard facilities and expand our fleet
- Expansion and diversification of our business and service offerings through, *inter alia*, investments, acquisitions and/or joint ventures

Please refer to the section entitled "Prospects, Business Strategies and Future Plans" of this Offer Document for further details.

OUR CONTACT DETAILS

Our registered office and principal place of business is located at 9 Pandan Crescent, Singapore 128465. Our Singapore telephone and facsimile numbers are (65) 6777 9990 and (65) 6778 9990, respectively. Our Company's Registration Number is 201311482K. Our internet address is http://www.kimheng.com.sg. **Information contained on our website does not constitute part of this Offer Document.**

FINANCIAL HIGHLIGHTS

You should read the following summary financial information in conjunction with the full text of this Offer Document, including the "Independent Auditors' Reports on the Combined Financial Statements of Kim Heng Offshore & Marine Holdings Limited and its Subsidiaries for the Financial Years Ended 31 December 2010, 2011 and 2012 and Six Months Period Ended 30 June 2013" as set out in Appendix A of this Offer Document, and the section entitled "Management's Discussion and Analysis of Results of Operations and Financial Position" of this Offer Document.

Selected items from the combined statements of comprehensive income of our Group

For the purpose of the selected items from the combined statements of comprehensive income of our Group, the term "Period Under Review" herein refers to FY2010, FY2011, FY2012, 1H2012 and 1H2013.

	← Audited →			← Unaudited →	
(S$'000)	**FY2010**	**FY2011**	**FY2012**	**1H2012**	**1H2013**
Total revenue	80,600	69,388	86,728	50,924	40,956
Total operating expenses	(90,982)	(60,721)	(67,858)	(39,037)	(31,927)
Profit/(Loss) before taxation	(9,961)	20,913	21,102	12,862	9,285
Income tax (expense)/credit	770	(2,385)	(3,817)	(2,301)	(1,256)
Profit/(Loss) for the year	(9,191)	18,528	17,285	10,561	8,029
Other comprehensive income	(108)	53	(21)	(6)	12
Total comprehensive income for the year	(9,299)	18,581	17,264	10,555	8,041
EPS (cents) [(1)]	(1.7)	3.4	3.1	1.9	1.5
EPS as adjusted for the Invitation (cents)[(2)]	(1.3)	2.6	2.4	1.5	1.1

Notes:

(1) For comparative purposes, EPS is calculated based on profit for the year and the pre-Invitation share capital of our Company of 550,000,000 Shares.

(2) For comparative purposes, EPS is calculated based on profit for the year and the post-Invitation share capital of our Company of 710,000,000 Shares.

Selected items from the combined statements of financial position of our Group

(S$'000)	**Audited As at 31 December 2012**	**Unaudited As at 30 June 2013**
Non-current assets	60,648	64,416
Current assets	26,142	25,457
Current liabilities	31,431	29,697
Non-current liabilities	11,998	17,358
Total equity	43,361	42,818
NTA	43,361	42,818
NTA per Share (cents)[(1)]	7.9	7.8

Note:

(1) For comparative purposes, the NTA per Share is calculated based on the pre-Invitation share capital of our Company of 550,000,000 Shares.

Invitation size	:	174,000,000 Invitation Shares comprising 160,000,000 New Shares and 14,000,000 Vendor Shares. The Invitation Shares, upon issue and allotment, will rank *pari passu* in all respects with the existing issued Shares (including the Vendor Shares).
Invitation Price	:	S$0.25 for each Invitation Share.
The Offer	:	The Offer comprises an Invitation by our Company and the Vendor to the public in Singapore to subscribe for the 3,000,000 Offer Shares at the Invitation Price, subject to and on the terms and conditions of this Offer Document. In the event that any of the Offer Shares are not taken up, they will be made available to satisfy excess applications for the Placement Shares.
The Placement	:	The Placement comprises an offering by the Placement Agent on behalf of our Company and the Vendor of 171,000,000 Placement Shares at the Invitation Price, subject to and on the terms and conditions of this Offer Document. In the event that any of the Placement Shares are not taken up, they will be made available to satisfy excess applications for the Offer Shares.
Purpose of the Invitation	:	Our Directors believe that the listing of our Company and the quotation of our Shares on Catalist will enhance our public image locally and internationally as well as enable us to tap the capital markets to fund our business growth. The Invitation will also provide members of the public, our management, our employees, our business associates and others who have contributed to the success of our Group with an opportunity to participate in the equity of our Company. In addition, the proceeds from the Invitation will provide us with additional capital to finance our business expansion.
Listing Status	:	Prior to the Invitation, there has been no public market for our Shares. Our Shares will be quoted on Catalist in Singapore Dollars, subject to the admission of our Company to Catalist and permission for dealing in, and for quotation of, our Shares being granted by the SGX-ST and the Authority not issuing a Stop Order.
Risk Factors	:	Investing in our Shares involves risks which are described in the section entitled “Risk Factors” of this Offer Document.
Use of Proceeds	:	Please refer to the section entitled “Use of Proceeds from the Invitation and Expenses Incurred” of this Offer Document for further details.

We are exposed to a number of possible risks that may arise from political, social, economic, business, market and financial factors and developments that may have an adverse impact on our future performance.

Prospective investors should carefully consider and evaluate each of the following risk factors and all other information contained in this Offer Document before deciding to invest in our Shares. Before deciding to invest in our Shares, you should seek professional advice from the relevant advisers about your particular circumstances. To the best of our Directors' knowledge and belief, all risk factors which are material to investors in making an informed judgement of our Group have been set out below. If any of the following considerations, uncertainties or material risks develops into actual events, our business, financial condition and/or results of operations could be materially and adversely affected. In such cases, the trading price of our Shares could decline due to any of these considerations, uncertainties or material risks, and investors may lose all or part of their investment in our Shares.

This Offer Document also contains forward-looking statements having direct and/or indirect implications on our future performance. Our actual results may differ materially from those anticipated by these forward-looking statements due to certain factors, including the risks and uncertainties faced by us, as described below and elsewhere in this Offer Document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business and financial performance are dependent on the state of the offshore O&G industry

A significant portion of our customers are operating in the global offshore O&G industry. Accordingly, our business and financial performance are dependent on the level of activity and capital expenditure in, the offshore exploration, development and production of oil and natural gas. Such activities and level of capital expenditure are significantly affected by fluctuations in oil and natural gas prices, as well as expectations of changes in these prices in the future.

The prices of oil and natural gas are volatile and are affected by various factors including, but not limited to:

(i) actual and perceived changes in demand and supply of oil and gas;

(ii) global economic factors and growth;

(iii) costs of exploration, production and delivery of oil and gas;

(iv) conflict or instability in the Middle East and/or other major oil and gas producing regions;

(v) government policies and regulations, including energy and resources policies and environmental and safety regulations; and

(vi) weather conditions which may affect the level of activity in the O&G industry.

In the event of a reduction in the level of activity in the exploration, development and production of oil and natural gas as a result of any changes in capital spending in the offshore O&G industry or otherwise, our results of operations, financial position and prospects may be adversely affected.

We operate in competitive industries

We operate in a competitive environment in all segments of our business and face intense competition in (i) the provision of offshore rig services and supply chain management services in the offshore O&G and marine sectors, and (ii) the vessel sales and newbuild market. We face competition from shipyards in Singapore and other countries such as Indonesia, Malaysia and the PRC.

Some of our competitors may be equipped with better resources, facilities, capabilities and technical expertise, and may be able to provide a more comprehensive range of services than us. Our competitors may also be more aggressive in their pricing to capture or retain market share, or may have lower operating costs and overheads, and as such may be willing to undertake projects at lower profit margins. Some of our competitors may also have a larger customer base, stronger relationships with customers and suppliers and/or greater financial strength.

In addition, a significant portion of our business relates to the provision of integrated services to offshore drilling contractors. In the event that the number of rigs transiting through Singapore decreases, or if rig operators or owners decide to service their rigs in other countries instead of Singapore, the demand for our products and services will decrease and hence our financial performance may be adversely affected.

Some of our customers are multinational companies with significant bargaining power in negotiating price, credit and other commercial terms. Depending on our relative negotiation strengths, there is no assurance that we will be able to consistently obtain terms which had been historically available to us and hence, maintain our gross profit margin.

In the event that we are unable to compete effectively or have to accept projects at lower profit margins, our financial condition or results of operations could be materially and adversely affected. Please refer to the section entitled "General Information on our Group – Competition" of this Offer Document for further information.

We are dependent on key management staff

Our success is dependent, to a large extent, on the continued efforts, skills and services of our Executive Chairman and CEO, Thomas Tan, who is responsible for formulating and implementing our business plans and driving our growth and corporate development. He is supported by our Executive Director and COO, Yeo Seh Hong, and our Executive Officers. There is no assurance that we will be able to retain their services. Please refer to the section entitled "Directors, Management and Staff" of this Offer Document for details of their qualifications and working experience. The loss of services of one or more of these individuals without suitable and/or timely replacements and an inability to attract or retain new qualified personnel will have a material adverse impact on our operations and financial performance.

In particular, our Executive Chairman and CEO, Thomas Tan, was a director of an Australian company, T-D Joint Venture Pty Ltd in 2009, when winding up applications on the grounds of insolvency commenced. Liquidation proceedings are still ongoing and there is a risk that Thomas Tan may be subject to penalties under the Australian Corporations Act 2001 (Cth) and may not be able to continue in his role as our Executive Chairman and CEO. The loss of Thomas Tan's services without adequate and timely replacement could have a material adverse impact on our operations and financial performance. Please refer to the section entitled "General and Statutory Information" of this Offer Document for further details.

We may be subject to risks associated with the highly regulated industries in which our customers operate

The offshore O&G and marine industries are highly regulated. In particular, our customers who are involved in the exploration, development and production of oil and natural gas are required to comply with the laws, regulations, policies and directives relating to, among others, environmental protection, safety, energy, investment and taxation promulgated by various governmental authorities. The demand for our Group's services and the potential for growth of our business will be affected if our customers cannot obtain the necessary licences to engage in exploration, development and production activities in the relevant areas or if such licences are suspended, revoked or due to any changes in laws, regulations or operating requirements. This may result in delays or cancellations of their participation in exploration,

development or production projects. In addition, major industrial accidents such as the Deepwater Horizon oil spill in May 2010 may result in the suspension of offshore exploration activities which may lead to a decline in the level of activity in the offshore O&G industry. This may result in a decrease in demand for our products and services and consequently adversely affect our financial performance and profitability.

We are dependent on the availability of an adequately skilled workforce

Due to the specialised nature of our services, we are required to maintain a skilled workforce. Skilled personnel with the appropriate experience in our industry are limited and competition for such personnel is intense. There is no assurance that we will be able to attract personnel with the requisite skills or experience or that we are able to retain the skilled personnel whom we have trained, or whether suitable and timely replacements can be found for skilled personnel who leave us. If we are unable to continue to attract and retain skilled employees, the quality and timeliness of our projects, and consequently our ability to compete effectively and our financial performance, will be adversely affected.

We are affected by increases in labour costs, labour shortages and the changes in policies and regulations on the employment of foreign workers

Foreign labour costs accounted for approximately 5.5%, 4.9%, 3.9% and 4.6% of our Group's total costs in FY2010, FY2011, FY2012 and 1H2013 respectively. Wages in Singapore are generally higher as compared to neighbouring countries such as Malaysia, Thailand, Indonesia and the PRC. Due to the relative lack of local workers in our industry and the lower cost of hiring foreign workers, we are reliant on foreign labour. To ensure that we remain competitive, we recruit a significant number of skilled workers from Malaysia, India, Myanmar and Bangladesh. As at the Latest Practicable Date, approximately 77.0% of our employees are foreigners. The supply of skilled workers is subject to demand and supply conditions in the labour market and the local and foreign governments' labour regulations.

The employment of foreign workers is subject to the payment of levies. In the past, the Singapore government has increased the foreign workers' levy rates in stages. In the Singapore government's Budget 2013, the government announced further increases in the foreign workers' levies for work permit and S Pass holders for all sectors in 2014 and 2015. The Singapore government also announced the increase in the S Pass qualifying salary criteria from S$2,000 to S$2,200 per month and the reduction in the Dependency Ratio Ceiling ("**DRC**"). For the marine sector, the current DRC for work permit holders is 1 local to 5 foreigners. This ratio will be reduced to 1 local to 4.5 foreigners and 1 local to 3.5 foreigners with effect from 1 January 2016 and 1 January 2018 respectively. Please refer to the section entitled "Appendix B – Government Regulations" for further information on the employment of foreign workers. These measures would pose restrictions in the hiring of foreign workers and increase the costs of hiring foreign workers.

At present, we may only source work permit holders from Malaysia, India, Myanmar, Bangladesh and PRC. Any changes to the regions from which we may source workers holding work permits or any increase in the minimum monthly income of the S Pass workers would negatively affect our business operations. Further, any changes in the policies of the foreign workers' countries of origin may affect the supply of foreign labour and cause disruptions to our business and operations.

There is no assurance that the Singapore government will not further tighten its policies and regulations on the employment of foreign workers in the future. Labour costs have also increased as a result of the prevailing inflation, increased standard of living and greater demand for skilled foreign workers by the O&G and marine industries. If we are unable to manage or control these costs or pass on the costs to our customers, our profitability will be adversely affected. In addition, if we are unable to hire sufficient local workers to support the shortage of foreign workers, or if hiring local workers increases our cost of labour significantly, we may be unable to fulfil customers' demands in a timely manner or our costs of labour may increase and our operations and financial performance may be adversely affected. We may be forced to move our operations overseas if the costs of labour increases significantly and the costs of moving may affect our financial performance in the short term.

We may not be able to renew our lease over our main yard facility at 9 Pandan Crescent, Singapore 128465 ("9 Pandan Crescent")

Our current lease over our main yard facility at 9 Pandan Crescent expires on 31 December 2015 and there is a risk that it may not be renewed by JTC. We are currently in negotiations with JTC over the terms of a renewal of the lease. In the event that the lease is not renewed, or if the terms of renewal are not commercially viable to us, there is no guarantee that we will be able to find replacement yard facilities in a timely manner and on terms acceptable to us. If we are unable to secure a replacement yard facility, our business and financial performance may be materially and adversely affected.

There is no assurance that we will be able to continue using our yard facility at 48 Penjuru Road, Singapore 609152 ("48 Penjuru Road")

Our licence over the property at 48 Penjuru Road can be converted into a 30-year lease commencing retrospectively from 22 November 2006 if we make fixed investments of S$19.275 million on the property. We were given 3 years from 22 November 2006 to make such fixed investments and as at the Latest Practicable Date have only made approximately S$8.7 million of fixed investments on the property. We are currently in negotiations with JTC to extend the time given to make the fixed investments. In the event that we are unable to agree on the extension of time or are unable to make the fixed investments during the extended period of time, there is no guarantee that JTC will continue to allow us to use the property at 48 Penjuru Road and we may not be able to find replacement yard facilities in a timely manner and on terms acceptable to us. If we are unable to secure a replacement yard facility, our business and financial performance may be materially and adversely affected.

JTC may reduce the total offered lease term based on the fixed investments we have made thus far. Based on the fixed investments we have made on the property thus far, JTC may offer us a reduced lease term of 13 years commencing retrospectively from 22 November 2006, such lease to terminate on 21 November 2019. In the event that the lease is not renewed, or if the terms of renewal are not commercially viable to us, there is no guarantee that we will be able to find replacement yard facilities in a timely manner and on terms acceptable to us. If we are unable to secure a replacement yard facility, our business and financial performance may be materially and adversely affected.

Our operating activities in Singapore may be limited by our operating space

Our operating activities in Singapore may be limited by the availability of suitable sea-front yard facilities for our business operations, especially for our afloat repair and fabrication services. Our facility at 9 Pandan Crescent has a 137 metre waterfront while our facility at 48 Penjuru Road has a 68 metre waterfront. In the event that there is an increase in demand for our services which we are unable to meet due to the physical constraints of our operating space, our customers may procure the services of our competitors. This would restrict the growth of our revenue and our financial performance.

We require various licences and permits

We are required to obtain various licences and permits to carry out our business. Please refer to the section entitled "General Information on our Group – Licences, Permits and Government Regulations" of this Offer Document for more details.

The licences and permits are generally subject to conditions stipulated in such licenses and permits and/or relevant laws and regulations under which such licences and permits are issued. Failure to comply with such conditions, laws or regulations could result in us being penalised or the revocation or non-renewal of the relevant licence or permit. Accordingly, we have to constantly monitor and ensure our compliance with such conditions imposed, if any. A failure to comply with such conditions may result in the revocation or non-renewal of any of the licences and permits and which may impact our ability to carry out our business and operations. As such, our business, results of operations and financial performance may be materially and adversely affected.

We are exposed to increases in the costs of materials

The costs of certain materials such as bunker fuel, equipment components and steel may fluctuate in accordance with changes in global supply and demand. In the event of any significant rise in the prices of such materials, and we are unable to pass on such increased costs to our customers, our business and financial performance and condition may be adversely affected.

In the event that we enter into newbuilding contracts with our customers, our customers may have the right to vary and/or terminate the newbuilding contracts. In the event of a termination of a newbuilding contract as a result of us raising the contract price in order to cover the increased costs of materials, we are required to refund the instalment payments which have been paid by the customer, together with accrued interest. We may also be subject to additional claims for damages and/or specific performance. In the event of a termination of a significant newbuilding contract, our business and financial performance would be adversely affected.

We are affected by the supply of offshore vessels in the industry

The supply of offshore vessels in the industry is determined by the independent assessment of demand and supply by offshore support operators. In the event that offshore support operators overestimate the demand for vessels, there will be excess supply of vessels in the industry. This will lower charter rates and depress the values of our Group's vessels, which will adversely affect our financial performance.

We are exposed to the inherent risks in the offshore O&G and maritime businesses

As our business activities extend beyond the shores of Singapore, we are inevitably exposed to risks inherent in the global O&G and maritime businesses. These risks include labour unrest, political uncertainty, piracy, war, seizure of property and equipment, frustration of contracts, economic or financial crisis, international sanctions, import and export regulations and imposition of taxes. The global maritime industry is highly cyclical and volatile in terms of charter rates and vessel market values, resulting from periodically recurring fluctuations in the global supply of and demand for vessel capacity. The occurrence of any of these risks may adversely affect the operation and financial performance of our Group.

Our charter contracts may be terminated upon the occurrence of certain events, such as non-performance by the charterer

We offer our vessels on a variety of time charter or voyage charter contracts. Depending on the requirements of our customers, the duration of time charter contracts may range from one year to five years and voyage charter contracts may range from less than one week to three months.

Our charter contracts may, however, be terminated upon the occurrence of certain events. Such events may include non-performance, loss or seizure of the vessel, events of force majeure, cessation or abandonment of offshore operations by the charterer or upon notice of termination being given by the charterer for any reason whatsoever. In addition, the charter rates under the charter contracts may also be reduced or become non-collectable due to various reasons such as non-performance, work stoppage by the crew of the vessel, breakdown or other accidents involving the vessel, or any other reason which may render the vessel unavailable for deployment for a specified period of time. If any of such events occur, our revenue and profitability will be adversely affected. In addition, if for whatever reason we are unable to re-deploy any vessels within a reasonable timeframe upon termination of existing charter contracts, or if there are protracted negotiations over the terms of the charter contracts, or in the event the charter contracts are renewed at less favourable terms, our revenue and profitability will be materially and adversely affected.

Our business is generally project-based and we face the risk of any delay or premature termination of our secured projects and/or we may not be able to secure new projects

It is an industry norm for a company providing services to offshore O&G operators to render its services on a project-basis. Works outsourced to external service providers by offshore O&G operators will usually be done on a tender basis, and hence long term contracts are uncommon in the offshore O&G industry. Upon completion of the project, there is no guarantee that the relevant operator will continue using the same service provider. We therefore have to continuously and consistently secure new customers and/or new projects.

Customers may also postpone the handover and delivery of our projects due to unforeseen circumstances. Such delays in project timing may affect our ability to efficiently manage workspace and allocate resources for the execution of subsequent projects. In such situations, the contracts generally provide for us to be compensated for the costs of demobilisation. However the amount of compensation paid may not be adequate for us to offset the costs incurred, including costs payable to our sub-contractors and/or suppliers.

Our revenue and profit may therefore be subject to some degree of volatility if we are unable to secure new projects and/or if our secured projects are delayed or prematurely terminated because of factors including changes in our customers' businesses, a reduction of the number of customers, poor market conditions and/or lack of funds on the part of the offshore O&G operators or operators of projects. In such an event, our business and financial performance will be materially and adversely affected.

We may be subject to potential litigation or we may need to incur additional costs or liquidated damages in the event of disputes, claims, defects or delays

We typically provide warranty periods ranging from one to two years for newbuilding projects. During this warranty period, we are required to rectify defects at no cost to the customers. If we are required to rectify defects during the warranty period which result in substantial additional costs being borne by us, the profitability of the relevant project will be reduced.

We may encounter disputes with our customers and/or subcontractors in relation to, *inter alia*, non-compliance with contract specifications, defects in workmanship and materials used, or non-fulfilment of contracts. In such an event, our customers may demand for compensation and we may be required to pay liquidated damages. There can be no assurance that any of such disputes and claims will not result in protracted litigation. In the event that we are unable to reach a settlement with the customer and/or the subcontractor, we may have to incur expenses related to such claims and compensation, which will have a negative impact on our profits, cash flow and financial position. In the event of such occurrence, we may have to incur expenses related to such claims and compensation, thereby adversely affecting our financial performance.

We have in the past been engaged in contractual disputes with our subcontractors, which had resulted in us engaging alternate subcontractors to complete the subcontracted work scope. As at the Latest Practicable Date, one of our subcontractors has filed a civil suit against us for an aggregate amount of S$0.8 million, and another of our subcontractors has served several letters of demand on us for an aggregate amount of S$0.95 million. Please refer to the section entitled "General and Statutory Information – Litigation" of this Offer Document for further details on these disputes.

Customers may require us to perform certain works not specified in the contract or to carry out changes not in the agreed upon specifications. In order to facilitate the completion of a project within stipulated deadlines, these variation orders may need to be carried out before the additional charges for these variation works are agreed between our customers and us. In the event that disagreements arise or litigation occurs over the additional charges to be levied for the variation works, and should our Group have to bear a portion of the additional costs incurred or waive certain additional charges, our profits will be materially and adversely affected. Further, in the event that such disputes or disagreements result in litigation, we may incur additional legal costs without achieving a successful claim. If these develop into actual events or litigation becomes protracted, our business and financial performance may be adversely affected.

We are exposed to the risk of rising fuel prices

Bunker fuel used in our own operations comprised 2.0%, 6.9%, 6.9%, 4.6% and 4.6% of our cost of sales in FY2010, FY2011, FY2012, 1H2012 and 1H2013 respectively. The price and supply of fuel is unpredictable and fluctuates as a result of events which are beyond our control. Fuel is required to operate machinery at our facilities and vessels which we use to support our internal operations. Any increase in fuel prices will correspondingly increase our operational costs. If we are unable to manage the volatility in fuel prices or pass on the higher fuel costs to our customers, our profit margin will be significantly reduced and our financial performance will be affected. This may have a larger impact on our longer-term contracts, such as our long-term charter contracts where the charter rates have been fixed. In such long-term charter contracts, we would have to assume the risk of any increase in the price of fuel. Should we increase our charter rates, the demand for our chartering services may also be significantly reduced, which may in turn adversely affect our financial performance.

Our business operations are capital-intensive and we may be dependent on external financing

We need to make regular capital investments in our facilities to sustain our growth, maintain our equipment, comply with environmental laws and regulations and remain competitive. In the event that our operating cash flow is not sufficient to support our operational needs, we may utilize a mix of equity funding and external borrowings to finance our operations and expansion. The banks and other financial institutions providing the funding do not guarantee continuation of financial support. In the event that a bank or financial institution withdraws financing facilities extended to our Group, our Group's cash flow and financial position may be adversely affected.

We may not be able to meet our delivery schedules

A number of factors may affect our ability to deliver our products and services on the contractual delivery dates, including significant inclement weather conditions. We are also dependent on our suppliers for the timely delivery of certain key materials, equipment and components which are of suitable quality.

Prior to contracting a new order, we typically secure binding offers for some of the main components which require a long lead-time. However, we may encounter situations where we are unable to deliver our products and/or services on schedule due to, amongst other reasons, late delivery or shortage of materials, equipment and components from our suppliers, as well as design or scope adjustments. Our vessel building and/or EPC contracts may provide for the payment of liquidated damages for late delivery. Any substantial delay in the completion and delivery of our products and services may result in us being liable to pay our customers liquidated damages under the relevant agreement. Liability for liquidated damages is typically capped at a maximum of 10% of the contract value, which our Directors believe to be in line with industry standards. Whilst there have been certain instances of delay in delivery by our Group beyond the relevant grace period in the past, to date these have been accepted by our customers without any penalty to us. There is however no assurance that we will not experience significant delays in delivery in the future. In the event that we are not able to meet our delivery schedules, we may be liable to pay our customers certain liquidated damages. Our customers may also elect to terminate their contracts with us, which will adversely affect our reputation and financial performance.

We may be affected by higher rental costs

Our operations involve the use of waterfront facilities. Due to an increasing shortage of such facilities in Singapore, rental rates for such facilities have increased. We pay market rates for our lease and licence at 9 Pandan Crescent and 48 Penjuru Road respectively, and such rates have increased over the Period Under Review. In addition, our lease at 9 Pandan Crescent expires on 31 December 2015. If we are unable to renew our leases at rental rates which are commercially viable to us or if we are unable to manage or control these costs or pass on the costs to our customers, our profitability will be adversely affected.

Interruptions of our operations caused by disruptions to our shipyard facilities will affect our financial position and results

Our business may be affected by disruptions due to causes such as natural disasters, fires, worksite accidents or equipment breakdown at our shipyards. The occurrence of power failure or power surges at our shipyards may also result in damage to our equipment or facilities or cause production halts or delays in our fabrication processes and project schedules. In particular, we were issued a stop-work order by the Ministry of Manpower for one week at our 9 Pandan Crescent facility in November 2008 following a workplace fatality. Such disruptions may have a material adverse impact on our operations, and in turn, adversely affect our business and financial performance. Although we have taken general insurance coverage in respect of damage to our facilities, our existing insurance may nonetheless be insufficient to fully compensate us for actual losses or damages, and our financial condition will be adversely affected. Furthermore, if these disruptions lead to an inability to complete projects on schedule, our reputation and relationship with customers and our future business may be adversely affected.

In addition, there are two underground oil pipelines belonging to a third party which run underneath our yard at 48 Penjuru Road. The existence of the two oil pipelines were not known to us when the land was first licensed to us in 2006. Notwithstanding the mitigating measures which have been agreed between the relevant parties, we may face disruptions to our business activities and our growth plans if the pipelines leak or if the third party is required to remove the pipelines. In such instances, our reputation and relationship with customers, future business plans and financial performance may be adversely affected.

We are affected by the performance and quality of our sub-contracted works

We sub-contract certain types of work, such as mechanical, electrical, blasting and painting and piping works to third parties or sub-contractors to augment our capabilities. We are exposed to the timely delivery and the quality required of the sub-contracted works. On a regular basis, we review our sub-contractors' performance and conduct due diligence assessment on the sub-contractors' previous projects and available manpower. We also place management supervision on site to manage the sub-contractor and to ensure the sub-contractor performs at the level we require. However, should our sub-contractors fail to adhere to our specification or default on their contractual obligations, our ability to deliver the project on time will be compromised, and we may be exposed to liabilities under the main contracts with our customers. In addition, we may not be able to find alternative sub-contractors to complete the work in a timely fashion and we may be subject to higher costs from alternative sub-contractors, which will adversely affect our financial performance.

We may be affected by project cost overruns

In our preparation for tender submissions for projects, we carry out internal costing and budgeting estimates based on the scope of work, labour and material costs and third party costs. The accuracy of the internal costing and budgeting estimates is subject to our experience and expertise in understanding and accessing the complexity and engineering challenges of each project.

However, unforeseen circumstances such as unanticipated price fluctuations of raw materials, changes or damages during fabrication processes, increases in labour costs and omissions in estimation in our internal costing may arise. As these circumstances may require additional costs and work which were not factored in the contract value, they may lead to cost overruns which may erode our profit margin for the project. If these develop into actual events, our financial performance will be adversely affected.

In the event that any of the above circumstances shall occur and if we are unable to manage such cost overruns, our profitability and financial performance will be adversely affected.

We are dependent on our major customers

We are dependent on our major customers. We have entered into master service agreements ("**MSAs**") with some of our major customers which govern the terms and rates for future transactions with them. The duration of such MSAs may be indefinite and can be terminated on 30 days notice, or may last for a period of approximately 2 to 3 years, and are subject to renewal upon expiry. In particular, we have entered into an MSA with our major customer, Transocean Limited, which accounted for 3.6%, 28.9%, 38.6% and 31.6% of our revenue for FY2010, FY2011, FY2012 and 1H2013 respectively. Please refer to the section entitled "General Information on our Group – Major Customers" of this Offer Document for more details on our major customers.

Notwithstanding that we may have entered into MSAs with some of our customers, as the MSAs are non-exclusive, we have to bid for each project. There is no assurance that our major customers will continue to engage our services at current levels. Although we have enjoyed long-standing relationships with many of our major customers, in the event where our major customers cease or significantly reduce engaging us for their projects, or if the MSAs which we have entered into with our customers are terminated, and we are unable to secure projects of comparable size and project margins from other customers, our business and financial performance and condition may be materially and adversely affected. In addition, there is no assurance that the terms of any renewal of MSAs will not be less favourable to us than the existing terms. In the event that the MSAs are not renewed, or if the terms of renewal are not commercially viable to us, our business and financial performance may be materially and adversely affected.

We are dependent on our major suppliers

In FY2012 and 1H2013, our top three suppliers accounted for 28.4% and 42.0% of our purchases respectively. These suppliers supply bunker and towage services to us. Please refer to the section entitled "General Information on our Group – Major Suppliers" of this Offer Document for more details on our major suppliers. We have not entered into long term contracts with our major suppliers. In the event our major suppliers are not able to continue their supplies to us and we are not able to source for sufficient alternative supplies and at competitive rates or in a timely manner, our reputation, business, financial performance and condition may be materially and adversely affected.

We are exposed to potential liability arising from damage, personal injury or death due to accidents

Due to the nature of our operations, there is a risk of accidents occurring on our premises or in relation to our vessels which may cause property damage, personal injury or death either to our employees or to third parties such as resident contractors or sub-contractors on our premises or to third parties outside our premises, for example, in ports or places where our vessels operate. These accidents may occur due to various reasons including the non-compliance with safety rules and regulations. Depending on the severity of such accidents, we may be subject to inquiries and investigations by the relevant authorities and/or be issued stop-work orders. In the event that we are found to be liable for such accidents, penalties or damages may be imposed against us. On 18 November 2008, an accident resulting in the death of one of our employees occurred. The Ministry of Manpower carried out investigations to determine the cause of accident and we were fined S$100,000 for contravening Section 12(1) of the Workplace Safety and Health Act, Chapter 354A. On 14 July 2010, two of our employees were involved in an accident in which they were thrown off a tug boat when setting off for sea. One of the employees was rescued by fellow colleagues and suffered severe injuries while the other employee drowned. No charges were filed by the Ministry of Manpower and we made a full and final settlement under the Work Injury Compensation Act, Chapter 354.

If any accidents are not covered by our insurance policies, or claims arising from such accidents are in excess of our insurance coverage or if any of our insurance claims are contested by any insurance company, we may be required to pay for such compensation, which may have a material and adverse impact on our financial performance. In addition, the payment by our insurers of such insurance claims may result in increases in premiums payable by us for our insurance policies. This will also increase the costs of our operations and adversely affect our financial performance.

Our products are subjected to stringent international quality codes and standards and certification for quality control

We fabricate structures which are commonly used as parts of vessels or equipment for the O&G industries. In addition, we also carry out repair works for equipment on vessels. Such vessels and equipment function in harsh environmental conditions. As such, our products must meet the highest standards with respect to corrosion prevention, chemical tolerance, stress tolerance and safety. To ensure that such structures fabricated by us meet the necessary standards, we are required to ensure that our products comply with stringent quality control codes and standards prescribed by international professional bodies and institutions for our industry. Please refer to the section entitled "General Information on Our Group – Quality Control and Assurance" of this Offer Document for further details. In the event that our products do not meet the required quality control codes and standards, we will be required to re-work or replace the defective products which will result in project costs overrun and adversely affect our reputation. This in turn may have a material adverse effect on our business and financial performance.

We have experienced and may continue to experience negative working capital

We had negative working capital of S$40.7 million, S$13.0 million, $5.3 million and $4.2 million as at the end of FY2010, FY2011, FY2012 and 1H2013 respectively. The negative working capital position was mainly due to (i) dividends paid and payable to shareholders; (ii) re-classification of non-current portion of loans to current liabilities as at 31 December 2010 due to a breach of loan covenants; (iii) non-recurring impairment of other receivables from our related party and allowance for inventory obsolescence in FY2010 and FY2011; and (iv) the general mismatch between the tenor of credit facilities taken to finance our fleet renewal and expansion and the useful lives of such fixed assets. There were no breach of loan covenants as at 31 December 2011, 31 December 2012, 30 June 2013 and as at the Latest Practicable Date.

We are subject to the risk that our current assets and cash generated from operations will be insufficient to meet our obligations under the current liabilities. In such event, additional capital, debt or other forms of financing may be required to fund our working capital. If any of the aforesaid events occur and we are unable, for any reason, to raise additional capital, debt or other financing for our working capital requirements, our business, operating results, liquidity and financial position will be adversely affected. Please refer to the sections entitled "Management's Discussion and Analysis of Results of Operations and Financial Position – Review of Financial Position" and "Management's Discussion and Analysis of Results of Operations and Financial Position – Liquidity and Capital Resources" of this Offer Document for more information.

Global and regional economic, social and political conditions may reduce demand for our services

Our business activities are principally carried out in Singapore, with a significant portion of our customers originating from foreign jurisdictions, such as, USA, Middle East, Europe, Asia and Australia. Changes in economic, social and political conditions globally or in these countries, such as wars, armed conflicts, social and political unrest and upheavals, government actions, restrictions, regulations or civil commotions, may adversely affect the demand for our products and services.

We are exposed to risk in respect of outbreaks of H1N1 influenza, bird flu, virus and/or other communicable diseases which, if uncontrolled, could affect our financial performance and prospects

Any outbreak of the H1N1 influenza, bird flu, and/or other communicable diseases, if uncontrolled, could affect our operations, as well as the operations of our customers, sub-contractors and suppliers. Further, in the event that any of our employees or any of the employees of our sub-contractors or suppliers are infected with other communicable diseases, we or our sub-contractors or suppliers may be required to shut down all or part of our and/or their operations to prevent the spread of the disease. This could prevent or delay completion of projects. Failure to meet our customers' expectations could damage our reputation, and may as a result, lead to loss of business and affect our ability to attract new business. An outbreak of the H1N1 influenza, bird flu and/or other communicable diseases could therefore have an adverse impact on our business and results of operations.

Our business may be adversely affected by negative developments in the global markets

Since the global economic downturn in late 2008, there have been negative developments in the global financial markets, including, the downgrading by major international credit rating agencies of sovereign debts issued by some of the European Union member countries and the difficult conditions in the global credit and capital markets. These challenging market conditions have given rise to reduced liquidity, greater volatility, widening of credit spreads, lack of price transparency in credit markets, a reduction in available financing, government intervention and a lack of market confidence. These factors, combined with declining business and consumer confidence, have resulted in global economic uncertainties.

It is difficult to predict how long these developments will last. Further, there can be no assurance that measures implemented by governments around the world to stabilise the credit and capital markets will improve market confidence and the overall credit environment and economy. This may have a negative impact on the offshore O&G and marine industries. In the event that there is any deterioration in these industries, or in the global or regional economic conditions, vessel owners may defer the building or procurement of new vessels and/or the execution of maintenance and repair and conversion work on existing vessels. This may result in a decrease in our business activities, and as a result, our operations and financial position may be adversely affected.

In addition, a global economic downturn could adversely affect our ability to obtain short-term and long-term financing. It could also result in an increase in the cost of our bank borrowings and a reduction in the amount of banking facilities currently available to us, our suppliers and/or our customers. The inability of our Group, our suppliers and/or our customers to access capital efficiently on time, or at all, may impact our ability to complete existing projects and/or secure new projects. It may also inhibit our existing or potential customers from undertaking new O&G and marine projects. This could have an adverse effect on our business, profitability and prospects.

In the event that recovery in the global economy is halted or reversed, our business operations and financial performance may be adversely affected.

We are subject to the risk of insufficient insurance coverage

We have taken up various insurance policies for various risks including public liability insurance, burglary and theft insurance, fire insurance, equipment insurance, motor insurance, vessel insurance and insurance for workmen's compensation claims. In addition, we have taken up group hospitalisation and surgical, medical, personal accident and travel insurance for our employees. However, there can be no assurance that all risks can be adequately insured against or at all or that any insured sum will be paid. There are also certain types of risks that are not covered by our insurance policies because they are either uninsurable or not economically insurable. In addition, we are not insured against loss of key personnel and business interruption. In the event that such events were to occur, we will incur additional expenses and our operations and financial position may be adversely affected.

We are exposed to the credit risks of and defaults in payments by our customers

Our cash flow, financial position and profitability are, to a certain extent, dependent on the creditworthiness of our customers. We are exposed to payment delays and/or defaults by our customers. There is no guarantee on the timeliness of customer's payments and whether they will be able to fulfil their payment obligations. In the event that our customers are unable to settle substantial trade receivables on a timely basis and/or there is any material default in payment by our customers, our cash flow, profitability and financial performance will be adversely affected.

We may require additional financing to fund our projects and future growth

Although we have identified our future growth plans as set out in the section entitled "Prospects, Business Strategies and Future Plans" of this Offer Document, the proceeds from the Invitation will not be sufficient to cover the estimated costs of implementing all these plans. We may also find future opportunities to grow through acquisitions which we have not identified at this juncture. Under such circumstances, we may need to obtain debt or equity financing to implement these growth opportunities.

Additional equity financing may result in dilution to our Shareholders. If such financing does not generate a commensurate increase in earnings, our EPS will be diluted, and this could lead to a decline in our Share price.

Additional debt financing may, apart from increasing interest expense and gearing, result in any of the following:-

(a) limit our ability to pay dividends or require us to seek consents from the relevant financial institutions for the payment of dividends;

(b) increase our vulnerability to general adverse economic and industry conditions;

(c) require us to dedicate a substantial portion of our cash flows from operations to payments on our debt, thereby reducing the availability of our cash flows to fund capital expenditure, working capital and other requirements;

(d) require us to maintain certain financial ratios, failing which repayment of debt may be accelerated;

(e) limit our flexibility in planning for, or reacting to, changes in our business and our industry; and/or

(f) restrict our ability to undertake or require us to obtain consents from the relevant financial institutions for corporate restructuring, additional financing or other fundraising activities.

Furthermore, our borrowing facilities bear interests at fixed and variable rates. Any significant increase in prevailing interest rates at the time of refinancing of our borrowing facilities could have a material and adverse effect on our business and financial performance.

There is no assurance that we will be able to obtain additional debt and/or equity financing on terms that are acceptable to us or at all. Any inability to secure additional debt and/or equity financing may materially and adversely affect our business, implementation of our business strategies and future plans and results of operations. In addition, the financial institutions providing the funding do not guarantee continuation of financial support. In the event that a financial institution withdraws financing facilities extended to us, our cash flow and financial position may be adversely affected.

We are exposed to foreign exchange fluctuations

Our revenue is predominantly denominated in S$ and US$ which constituted 63.4% and 35.7% respectively of our revenue over the Period Under Review, with the balance denominated in EUR.

Our purchases are predominantly denominated in S$ which constituted 88.8%, 88.4%, 81.8% and 91.2% of our purchases in FY2010, FY2011, FY2012 and 1H2013 respectively, with the balance mainly denominated in US$. Our expenses are also predominately denominated in S$ which constituted 94.1%, 97.9%, 97.0% and 98.6% of our expenses in FY2010, FY2011, FY2012 and 1H2013 respectively, with the balance denominated in US$. Foreign exchange risks arise mainly from a mismatch between the currency of our sales and the currency of our purchases and expenses. We may suffer foreign currency losses if there are significant adverse fluctuations in currency exchange rates between the time of our purchases and payments in foreign currencies and the time of our sales and receipts. We may suffer foreign exchange transaction losses if there is a weakening of US$ against S$, and this will have an adverse impact on our financial performance.

We have US$ denominated bank accounts. As our reporting currency is in S$, it faces translation risk as any significant adverse fluctuation in the exchange rate between US$ against S$ will have a negative effect on our financial statements.

In addition, as our reporting currency is in S$, the financial statements of our subsidiary, Kim Heng Tubulars, which is in US$, will need to be translated to S$ for consolidation purposes. As such, any material fluctuations in foreign exchange rates will result in translation gains or losses on consolidation. Any such translation gains or losses will be recorded as translation reserves or deficits as part of our shareholders' equity.

We do not currently have any formal policy for hedging against foreign exchange exposure. We will continue to monitor our foreign exchange exposure and may employ forward currency contracts to manage our foreign exchange exposure should the need arise. Prior to implementing any formal hedging policies, we will seek the approval of our Board on the policy and put in place adequate procedures which shall be reviewed and approved by our Audit Committee. Thereafter, all hedging transactions entered into by our Group will be in accordance with set policies and procedures. Please refer to the section entitled "Management's Discussion and Analysis of Results of Operations and Financial Position – Foreign Exchange Management" of this Offer Document for further details.

We are subject to risks associated with our overseas operations

Although our business operations are principally based in Singapore, we may from time to time, also undertake projects overseas. We are therefore subject to the prevailing political, economic, social and legal risks associated with operating in the overseas jurisdictions. These include:

- unexpected changes in legal or regulatory requirements;
- the implementation of trade barriers;
- the procurement of relevant licences and/or government approvals (as the case may be);
- difficulties in staffing;
- difficulties in managing foreign operations, including the collection of receivables;
- social, economic and political instability;
- fluctuations in currency exchange rates;
- longer payment cycles;
- potentially adverse tax consequences;
- legal uncertainties regarding our liability under foreign laws and enforcement of foreign judgements;
- cost of compliance with changes in foreign laws;
- labour conditions; and
- controls on the repatriation of capital or profits.

Any of the above risks in the overseas countries can adversely affect our operations in such overseas territories and consequently, our financial performance.

We may face difficulties in executing our business strategies

As described in the section entitled "Prospects, Business Strategies and Future Plans" of this Offer Document, we intend to enhance our yard facilities, expand our fleet, and expand and diversify our business and service offerings in the offshore O&G and marine industry. These expansion plans will involve significant costs of investment as well as additional working capital requirements. The success of these plans depends on many factors, some of which are not within our control, and we may experience delays in the implementation of these strategies for various reasons, including capital shortfalls, failure of third party suppliers and subcontractors to deliver services and products in a timely manner and their

inability to meet their respective implementation schedules, as well as the existence of favourable economic and political conditions and the commercial viability of our expansion plans. In the event that our business strategies are not satisfactorily implemented, the growth of our business may be adversely affected.

Attacks by pirates or terrorist attacks could adversely affect our performance

Our operations and vessels may be located across different jurisdictions and outside of port limits, and may therefore be susceptible to attacks by pirates or terrorists. In the event that our operations or vessels are attacked, destroyed, hijacked or interrupted by pirates or terrorist attacks, which may result in damage and/or loss or injury to our vessels, equipment or crew exceeding our existing insurance coverage, or which is not covered by the existing insurance policies we have taken up, our business, results of operations and financial performance may be adversely affected.

RISKS RELATING TO OWNERSHIP OF OUR SHARES

Investment in shares quoted on Catalist involves a higher degree of risk and can be less liquid than shares quoted on the Main Board of the SGX-ST

An application has been made for our Shares to be admitted to Catalist, a listing platform designed primarily for fast-growing and emerging or smaller companies to which a higher investment risk tends to be attached as compared to larger or more established companies listed on the Main Board of the SGX-ST. An investment in shares quoted on Catalist may carry a higher risk than an investment in shares quoted on the Main Board of the SGX-ST and the future success and liquidity in the market of our Shares cannot be guaranteed.

Our Controlling Shareholders, Thomas Tan and Credence will retain significant control over our Group after the Invitation, which will allow them to influence the outcome of matters submitted to Shareholders for approval

Upon the completion of the Invitation, we anticipate that our Controlling Shareholders, Thomas Tan and Credence will own approximately 42.1% and 17.6% of our post-Invitation issued share capital, respectively. As a result, they will be able to exercise significant influence over matters requiring Shareholders' approval, including the election of directors and the approval of significant corporate transactions. They will collectively also have veto power with respect to any Shareholders' action or approval requiring a majority vote, except where they are required by the Catalist Rules or other applicable regulations to abstain from voting. Such concentration of ownership may also have the effect of delaying, preventing or deterring a takeover or change in control of our Group, which could conflict with the interests of our public Shareholders.

There has been no prior market for our Shares

Prior to this Invitation, there has been no public market for our Shares. There can be no assurance that an active trading market for our Shares will develop or, if developed, will be sustained, or that the market price for the Shares will not decline below the Invitation Price. Accordingly, you may be unable to sell your Shares at or above the Invitation Price. The Invitation Price may not be indicative of the market price for our Shares after the completion of this Invitation.

Investors in our Shares would face immediate and substantial dilution to the book value per Share and may experience future dilution

The Invitation Price of our Shares is substantially higher than the NTA per Share based on the unaudited consolidated statement of financial position of our Group as at 30 June 2013, adjusted for the issue of Shares pursuant to the Investment Agreement as set out in the section entitled "Restructuring Exercise" of this Offer Document and the estimated net proceeds of the Invitation, and based on the post-Invitation issued share capital of approximately 11.9 cents. If we were liquidated for NTA immediately following the Invitation, each Shareholder subscribing to the Invitation would receive less than the price they paid for their Shares or it is possible that investors may lose all of their investment in our Shares. Details of the immediate dilution of our Shares incurred by new investors are described under the section entitled "Dilution" of this Offer Document. Further, if we were to raise funds in the future by way of a placement of Shares or rights issue or other equity-linked securities, and if any Shareholders are unable or unwilling to participate in such fundraising, such Shareholders will suffer dilution in their shareholdings.

We may experience fluctuations in our operating results

We may experience fluctuations in our operating results, caused by factors such as delays in project completion and the securing of new contracts. Hence, our Group's operating results in a particular period may fluctuate in comparison to an earlier comparable period, which may not fall within the expectations of stock market analysts or investors. This in turn could have an impact on the trading price of our Shares. Our past operating results may not be indicative of our future financial performance.

The price of our Shares may be volatile, which could result in substantial losses for investors purchasing Shares in this Invitation

The market price of our Shares may fluctuate significantly and rapidly in response to, *inter alia*, the following factors, some of which are beyond our control:

- variations in our operating results;
- changes in securities analysts' recommendations, perceptions or estimates of our financial performance;
- changes in market valuations and share prices of companies with similar businesses to our Company that may be listed in Singapore;
- gain or loss of an important business relationship;
- fluctuations in stock market prices and volume;
- our involvement in material litigation;
- additions or departures of key personnel;
- announcements by us of significant acquisitions, strategic alliances or joint ventures;
- success or failure of our management in implementing business and growth strategies; and
- changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors.

For these reasons, among others, our Shares may trade at prices that are higher or lower than the NTA per Share. To the extent that there is any retention of operating cash flows for investment purposes, working capital requirements or other purposes, these retained funds, while increasing the value of our underlying assets, may not correspondingly increase the market price of our Shares. Any failure on our part to meet market expectations with regard to future earnings may adversely affect the market price for our Shares.

In addition, our Shares are not capital-safe products and there is no guarantee that holders of our Shares can realise a higher amount or even the principal amount of their investment.

The price of our Shares may be adversely affected by any future sale of our Shares by our Company or existing Shareholders

Any future sale or issuance of a large number of our Shares in the public market or perception thereof can have a downward pressure on our Share price. These factors also affect our ability to sell additional equity securities in the future, at a time and price we deem appropriate. Except as otherwise described under the section entitled "Ownership Structure - Moratorium" of this Offer Document, there are no restrictions imposed on our Substantial Shareholders to dispose of their shareholdings.

In addition, our Share price may be under downward pressure if certain Shareholders sell their Shares upon the expiry of their moratorium periods.

Negative publicity may adversely affect our Share price

Negative publicity involving our Group, any of our Directors, Substantial Shareholders or Executive Officers may adversely affect the market perception or the share performance of our Company, whether or not they are justified. Examples of negative publicity include publicity on our unsuccessful attempts in joint ventures, takeovers or involvement in insolvency proceedings.

The actual performance of our Company may differ materially from the forward-looking statements in this Offer Document

This Offer Document contains forward-looking statements, which are based on a number of assumptions which are subject to significant uncertainties and contingencies, many of which are outside our control. Furthermore, our revenue and financial performance are dependent on a number of external factors, including demand for our services which may decrease for various reasons, such as increased competition within the industry or changes in applicable laws and regulations. We cannot assure you that these assumptions will be realised and our actual performance will be as projected.

We may not be able to pay dividends in the future

Our ability to declare dividends to our Shareholders will depend on our future financial performance and distributable reserves, which, in turn, will depend on us successfully implementing our strategies and on financial, competitive, regulatory, technical and other factors, general economic conditions, demand for and selling prices of our products and services, our capital expenditure plans and other factors specific to our industry or specific projects, many of which are beyond our control. In the event that we enter into any loan agreements in the future, covenants therein may also limit when and how much dividends we can declare and pay. As such, there is no assurance that we will be able to pay dividends to our Shareholders after the completion of the Invitation.

The estimated net proceeds to be raised from the Invitation (comprising the New Shares and the Vendor Shares), after deducting the estimated expenses incurred in connection with the Invitation, including listing fees, professional fees, underwriting and placement commission and other miscellaneous expenses of approximately S$3.7 million, will be approximately S$39.8 million. We will not receive any proceeds from the sale of the Vendor Shares in the Invitation. The net proceeds attributable to the Vendor from the sale of the Vendor Shares (after deducting the Vendor's share of the expenses in relation to the Invitation of approximately S$0.1 million) will be approximately S$3.4 million. The net proceeds to be raised by our Company from the issue of the New Shares (after deducting our share of the estimated expenses in connection with the Invitation to be borne by us of approximately S$3.6 million) will be approximately S$36.4 million.

The allocation of each principal intended use of proceeds to be raised by our Company from the Invitation and our estimated listing expenses is set out below:

	Amount (S$'000)	Estimated amount for each dollar of the gross proceeds from the issue of the Invitation Shares (cents)
Use of the proceeds from the issue of New Shares		
Capital expenditure for enhancement of yard facilities and fleet expansion	20,000	50.00
Expansion of business scope via investments, acquisitions and strategic alliances	7,000	17.50
General working capital	9,400	23.50
Net proceeds from the issue of New Shares	36,400	91.00
Expenses to be borne by our Company[(1)]		
Listing and processing fees	43	0.11
Professional fees and expenses	1,620	4.05
Underwriting and placement commission[(2)] and brokerage[(3)]	1,300	3.25
Miscellaneous expenses	637	1.59
Gross proceeds from the issue of New Shares	40,000	100.00

Notes:

(1) Of the total estimated listing expenses to be borne by our Company, approximately S$1.8 million has been or will be capitalised against share capital and the balance of the estimated listing expenses has been or will be charged to the profit and loss statement.

(2) The amount of the underwriting and placement commission per Invitation Share agreed upon between our Company, the Vendor and Canaccord Genuity is 3.25% of the Invitation Price payable by our Company and the Vendor for each Offer Share and Placement Share. Please refer to the section entitled "Management, Underwriting and Placement Agreements" of this Offer Document for more details.

(3) Brokerage will be paid by our Company and the Vendor on the Offer Shares in the proportion in which the Offer Shares are offered by our Company and the Vendor to members of the SGX-ST, merchant banks and members of the Association of Banks in Singapore in respect of accepted applications made on Application Forms bearing their respective stamps, and to the Participating Banks in respect of successful applications made through Electronic Applications, at the rate of 0.25% of the Invitation Price for each Offer Share for UOB Group and OCBC Bank and 0.75% of the Invitation Price for each Offer Share (subject to a minimum amount of S$10,000) for DBS Bank. Please refer to the section entitled "Management, Underwriting and Placement Agreements" of this Offer Document for more details.

The foregoing discussion represents our Company's reasonable estimate of our allocation of the net proceeds to be raised by our Company from the issue of the New Shares based on our current plans and reasonable estimates regarding our anticipated expenditures. Actual expenditures may vary from these estimates and our Company may find it necessary or advisable to reallocate the net proceeds within the categories described above or to use portions of the net proceeds for other purposes. In the event that any part of our proposed uses of the net proceeds from the issue of the New Shares does not materialise or proceed as planned, our Directors will carefully evaluate the situation and may reallocate the intended funding to other purposes and/or hold such funds on short term deposits for so long as our Directors deem it to be in the interest of our Company and our Shareholders, taken as a whole. Any change in the use of the net proceeds will be subject to the Catalist Rules and appropriate announcements will be made by our Company on SGXNET and if deviations are material, Shareholders' approval will be obtained where necessary.

We will make periodic announcements on the use of the net proceeds from the issue of the New Shares as and when the funds are materially disbursed, and provide a status report on the use of the net proceeds from the issue of the New Shares in our annual report(s). Pending the deployment of the net proceeds from the issue of New Shares as aforesaid, the funds will be placed in short-term deposits with financial institutions, used to invest in short-term money market instruments and/or used for working capital requirements as our Directors may deem appropriate.

Please refer to the section entitled "Prospects, Business Strategies and Future Plans – Business Strategies and Future Plans" of this Offer Document for further details on our plans above. Any remaining financing requirement in respect of the activities highlighted above will be funded though internally generated funds and/or external borrowings at our discretion.

In the reasonable opinion of our Directors, there is no minimum amount which must be raised from the Invitation.

Save as disclosed in the section entitled "Prospects, Business Strategies and Future Plans – Business Strategies and Future Plans" of this Offer Document, we do not have any intention to use the net proceeds from the issue of the New Shares to purchase assets outside the ordinary course of business.

None of the proceeds to be raised by our Company from the issue of the New Shares will be used to discharge, reduce or retire any indebtedness of our Group.

Pursuant to the Management and Underwriting Agreement, our Company and the Vendor has appointed Canaccord Genuity to manage the Invitation and underwrite the Offer Shares. Canaccord Genuity will receive a fee from our Company for its services rendered in connection with the Invitation.

Pursuant to the Management and Underwriting Agreement, the Underwriter agreed to underwrite the Offer Shares on the terms and conditions therein, and our Company and the Vendor agreed to pay to the Underwriter an underwriting commission of 3.25% of the Invitation Price for the total number of Offer Shares, in the proportion in which the number of Invitation Shares offered by each of them pursuant to the Invitation bears to the total number of Invitation Shares. Payment of the commission shall be made whether or not any allotment, issue or transfer of the Offer Shares is made to the Underwriter or its nominees, except that no underwriting commission shall be payable for any portion of the Offer Shares which have been applied to satisfy excess applications for Placement Shares. The Underwriter may, in its absolute discretion, appoint one or more sub-underwriters to underwrite the Offer Shares.

For Offer Shares, brokerage will be paid by our Company and the Vendor out of the underwriting commission (except the minimum brokerage fee levied by DBS Bank), to the members of the Association of Banks in Singapore (other than DBS Bank), members of the SGX-ST and merchant banks in Singapore in respect of successful applications made on Application Forms bearing their respective stamps, and to the Participating Banks in respect of successful applications made through Electronic Applications at their respective ATMs or IB websites, at the rate of 0.25%, and in the case of DBS Bank, 0.75%, of the Invitation Price for each Offer Share. In addition, DBS Bank levies a minimum brokerage fee of S$10,000 that will be paid by our Company and the Vendor.

Pursuant to the Placement Agreement entered into between our Company, the Vendor and Canaccord Genuity as the Placement Agent, the Placement Agent agreed to subscribe for and/or purchase, or procure subscriptions for and/or purchase the Placement Shares at the Invitation Price at a placement commission of 3.25% of the Invitation Price for each Placement Share payable by our Company and the Vendor, in the proportion in which the number of Invitation Shares offered by each of them pursuant to the Invitation bears to the total number of Invitation Shares. The Placement Agent may, at its absolute discretion, appoint one or more sub-placement agents for the Placement Shares.

Subscribers and/or purchasers of Placement Shares may be required to pay a brokerage of up to 1.0% of the Invitation Price (plus the prevailing goods and services tax, if applicable) to the Placement Agent or any sub-placement agent that may be appointed by the Placement Agent.

The Vendor paid Canaccord Genuity a finder's fee of 1.5% in respect of his sale of 60,000 Shares to Double Happiness Global Limited for a total consideration of $7,200,000.

Save as aforesaid, no commission, discount or brokerage, has been paid or other special terms granted by our Company or the Vendor within the two (2) years preceding the date of this Offer Document or is payable to any Director, promoter, expert, proposed Director or any other person for subscribing or purchasing or agreeing to subscribe or agreeing to procure or procuring or agreeing to procure subscriptions or purchases for any shares in, or debentures of, our Company or our subsidiaries.

If there shall have been, since the date of the Management and Underwriting Agreement and prior to the close of the Application List:

(a) any breach of the representations, warranties or undertakings by our Company or the Vendor in the Management and Underwriting Agreement or Placement Agreement which comes to the knowledge of Canaccord Genuity; or

(b) any occurrence of certain specified events which comes to the knowledge of Canaccord Genuity; or

(c) any adverse change, or any development involving a prospective adverse change, in the condition (financial or otherwise) of our Company or of our Group as a whole; or

(d) any introduction or prospective introduction of or any change or prospective change in any legislation, regulation, order, policy, rule, guideline or directive in Singapore or elsewhere (whether or not having the force of law) and including, without limitation, any directive or request issued by the Authority, the Securities Industry Council or the SGX-ST or relevant authorities elsewhere, in the interpretation or application thereof by any court, government body, regulatory authority or other competent authority in Singapore or elsewhere; or

(e) any change, or any development involving a prospective change, in local, national, regional or international financial (including stock market, foreign exchange market, inter-bank market or interest rates or money market), political, industrial, economic, legal or monetary conditions, taxation or exchange controls (including without limitation, the imposition of any moratorium, suspension or restriction on trading in securities generally on the SGX-ST due to exceptional financial circumstances or otherwise, adverse changes in foreign exchange controls in Singapore or overseas or any combination of any such changes or developments or crisis, or any deterioration of any such condition); or

(f) any imminent threat or occurrence of any local, national, regional or international outbreak or escalation of hostilities, insurrection, terrorist attacks or armed conflict (whether or not involving financial markets) in any jurisdiction; or

(g) any regional or local outbreak of disease that may have an adverse effect on the financial market; or

(h) any other occurrence of any nature whatsoever,

which has resulted or is in the reasonable opinion of the Sponsor likely to result in the issue of a Stop Order by the Authority; or a material adverse fluctuation or material adverse conditions in the stock market in Singapore or overseas; or is likely to materially prejudice the success of the Invitation (whether in the primary market or in respect of dealings in the secondary market); or it becoming impracticable, inadvisable, inexpedient or uncommercial to proceed with any of the transactions contemplated under the Management and Underwriting Agreement or Placement Agreement; or the business, trading position, operations or prospects of our Company or our Group as a whole being materially and adversely affected; or results or is likely to result in the issue of a notice of refusal to an admission of our Company to Catalist by the SGX-ST to the Sponsor at any point prior to the listing of our Shares; or makes it uncommercial or otherwise contrary to or outside the usual commercial practices in Singapore for the Sponsor or the Underwriter to observe or perform or be obliged to observe or perform the terms of the Management and Underwriting Agreement, Canaccord Genuity may at any time prior to the close of the Application List rescind or terminate the Management and Underwriting Agreement.

Canaccord Genuity may terminate the Management and Underwriting Agreement if:

(a) at any time up to the close of the Application List, a notice of refusal to an admission to Catalist is issued by the SGX-ST to the Sponsor; or

(b) at any time after the lodgement of this Offer Document with the SGX-ST acting as agent on behalf of the Authority but before the close of the Application List, our Company and/or the Vendor fail and/or neglect to lodge a supplementary or replacement offer document (as the case may be) if we become aware of:

    (i) a false or misleading statement in this Offer Document;

    (ii) an omission from this Offer Document of any information that should have been included in it under the Catalist Rules or the SFA; or

(iii) a new circumstance that has arisen since this Offer Document was lodged with the SGX-ST acting as agent on behalf of the Authority and would have been required by the Catalist Rules or the SFA to be included in the Offer Document if it had arisen before this Offer Document was lodged,

that is materially adverse from the point of view of an investor; or

(c) the Shares have not been listed on Catalist on or before 22 January 2014 (or such other date as our Company and the Vendor, in consultation with the Sponsor and the Underwriter may agree, subject to the prior approval of the SGX-ST); or

(d) at any time our Company and the Vendor release or discharge the Sponsor from its obligations under or pursuant to the mandate letter appointing the Sponsor in relation to preparing our Company for admission to Catalist (the "**Mandate Letter**").

The obligations of the Placement Agent under the Placement Agreement are conditional upon the Management and Underwriting Agreement not being terminated or rescinded pursuant to the provisions of the Management and Underwriting Agreement. In the case of the non-fulfilment of any of the conditions in the Management and Underwriting Agreement or the release or discharge of Canaccord Genuity from its obligations under or pursuant to the Management and Underwriting Agreement, the Placement Agreement shall be terminated and the parties shall be released from their respective obligations under the Placement Agreement.

In the event that the Management and Underwriting Agreement and/or the Placement Agreement is terminated, our Company reserves the right, at our absolute discretion, to cancel the Invitation.

Save as disclosed above, our Company and the Vendor do not have any material relationship with Canaccord Genuity.

Our Company currently does not have a formal dividend policy and has not distributed any dividends since its incorporation on 29 April 2013. The dividend that our Directors may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined below as well as any other factors deemed relevant by our Directors:

(a) the level of our cash and retained earnings;

(b) our actual and projected financial performance;

(c) our projected levels of capital expenditure and other investment plans;

(d) our working capital requirements and general financing conditions; and

(e) restrictions on payments of dividends imposed on us by our financial arrangements (if any.)

We will declare dividends if any, and make payment of such dividends in S$.

In determining future dividends, our Directors will take into account all factors they deem relevant, including those listed in (a) to (e) above. In the event that our Directors deem that it would be prudent to retain profits in our Group, especially when economic conditions are not favourable, a lower dividend or no dividend may be declared. There can be no assurance that any dividends will be paid in the future or of the amount or timing of any dividends that will be paid in future.

Any final dividends paid by us must be approved by an ordinary resolution of our Shareholders at a general meeting and must not exceed the amount recommended by our Directors. Our Directors may, without the approval of our Shareholders, also declare an interim dividend. We must pay all dividends out of profits or pursuant to Section 69 of the Act which permits us to apply our accumulated profits to pay dividends in the form of Shares.

The dividends that have been declared and paid by our subsidiaries for the Period Under Review are as follows:

Financial Year/Period	Dividend declared[1]
FY2010	Nil
FY2011	S$2,000,000[2]
FY2012	S$9,460,000
1H2013	S$3,000,000

Notes:

(1) As at the Latest Practicable Date, S$182,000 out of the S$3,000,000 dividend declared for 1H2013 has yet to be paid. Save as disclosed, all dividends declared by our subsidiaries in respect of the Period Under Review have been paid.

(2) The dividend declared and paid for FY2011 differs from the dividend shown in the "Independent Auditors' Reports on the Combined Financial Statements of Kim Heng Offshore & Marine Holdings Limited and its Subsidiaries for the Financial Years Ended 31 December 2010, 2011 and 2012 and Six Months Period Ended 30 June 2013" as set out in Appendix A of this Offer Document, due to foreign exchange rate differences.

Save as disclosed above, no dividends have been declared or paid by our Company or our subsidiaries for the Period Under Review. Past dividend payments by our Group should not be taken as an indication of whether any, or how much dividends may be paid by us in the future. For information relating to taxes payable on dividends, please refer to the section entitled "Taxation" as set out in Appendix E of this Offer Document.

The following table shows the cash and cash equivalents as well as capitalisation and indebtedness of our Group as at 30 June 2013 and 30 November 2013:

(i) based on our unaudited consolidated statement of financial position as at 30 June 2013;

(ii) based on our unaudited consolidated management accounts as at 30 November 2013; and

(iii) based on our unaudited consolidated management accounts as at 30 November 2013 and as adjusted to give effect to the Restructuring Exercise and the application of the net proceeds from the Invitation.

(S$'000)	As at 30 June 2013	As at 30 November 2013	As adjusted
Cash and cash equivalents	3,363	3,690	40,090
Indebtedness			
Current			
- secured and guaranteed	8,643	6,548	6,548
- secured and non-guaranteed	–	–	–
- unsecured and guaranteed	–	–	–
- unsecured and non-guaranteed	–	–	–
Non-current			
- secured and guaranteed	5,902	2,717	2,717
- secured and non-guaranteed	–	–	–
- unsecured and guaranteed	–	–	–
- unsecured and non-guaranteed	–	–	–
Total indebtedness	14,545	9,265	9,265
Total shareholders' equity	42,818	48,418	84,818
Total capitalisation and indebtedness	57,363	57,683	94,083

On 17 December 2013, we had drawn down a secured and guaranteed vessel loan of S$816,000 (of which the current portion amounted to S$191,207, with the balance categorised under our non-current indebtedness). Save as disclosed, and except for the scheduled monthly repayments of our borrowings, changes in our working capital and retained earnings arising from the day-to-day operations in the ordinary course of our business, there were no material changes to our cash and cash equivalents, shareholders' equity and indebtedness since 1 December 2013 and up to the Latest Practicable Date.

Borrowings and Finance Leases

As at the Latest Practicable Date, our total credit facilities (utilised and unutilised) were as follows:

Type of facilities	Facilities granted (S$'000)	Utilised (S$'000)	Unutilised (S$'000)	Interest rates per annum[1]	Maturity profile
Term loans	3,931	3,931	–	2.20 – 6.50%	1 to 3.08 years
Hire purchase	3,867	3,867	–	1.88 – 3.48%	1 to 5.33 years
Short term revolving credit facilities	4,500	1,467	3,033	Overdraft: 5.00% Trade Receipts: 2.26 – 5.25%	Overdraft: on demand Trade receipts: 120 days Letter of credit: 90 days
Performance bond/ bankers' guarantee[2]	1,500	910	590	–	1 to 3.73 years
Corporate credit card[3]	300	23	277	24.00%	–
Total	14,098	10,198	3,900		

Notes:

(1) Based on the banker's cost of funds.

(2) Our Group's performance bonds/bankers' guarantees as at the Latest Practicable Date were issued to (i) a customer in Indonesia in respect of secured contracts, and are equivalent to approximately 5.0% of the value of the contracts. These are expected to be released between 0.6 to 3.5 years from the Latest Practicable Date; and (ii) certain suppliers on a yearly basis, typically based on the volume of transactions.

(3) Outstanding amounts not paid within the monthly payment cycle on the corporate credit card are charged an interest of up to 24.00% of the outstanding amount.

The above credit facilities are secured by one or several of (i) short term bank deposits, (ii) mortgage over our property at 9 Pandan Crescent, (iii) legal pledge on our Group's fixed assets, (iv) corporate guarantees provided by our Group, and (v) personal guarantees provided by Thomas Tan, SK Tan and Chen Biqing. Please refer to the section entitled "Interested Person Transactions – Present and Ongoing Interested Person Transactions" of this Offer Document for further details of the securities provided by our Director and his Associates.

To the best of our Directors' knowledge, as at the Latest Practicable Date, we are not in breach of any of the terms and conditions or covenants associated with any credit arrangement or bank loan which could materially affect our financial position and results or business operations, or the investments of our Shareholders.

Save as disclosed above, as at the Latest Practicable Date, our Group has no other borrowings or indebtedness in the nature of borrowings. Please refer to the section entitled "Management's Discussion and Analysis of Results of Operations and Financial Position – Capital Expenditures, Divestments Commitments and Contingent Liabilities" of this Offer Document for details on our contingent indebtedness.

Our Company (Company registration number 201311482K) was incorporated in Singapore on 29 April 2013 under the Act as an exempt private company limited by shares, under the name "Namilton Pte. Ltd.". On 28 June 2013, we changed our name to "Kim Heng Offshore & Marine Holdings Pte. Ltd.". On 27 December 2013, we converted into a public company limited by shares and changed our name to "Kim Heng Offshore & Marine Holdings Limited".

As at the date of incorporation, our issued and paid-up capital was S$1.00 comprising 1 Share. Pursuant to the completion of the Restructuring Exercise, our issued and paid-up capital was increased to S$36,133,121 comprising 550,000,000 Shares.

The details of changes in our issued share capital in the three (3) years preceding the Latest Practicable Date are set out in the section entitled "General and Statutory Information – Share Capital" of this Offer Document.

Pursuant to the resolutions of our Shareholders passed on 26 December 2013, our Shareholders approved, *inter alia*, the following:

(a) the Share Split;

(b) the conversion of our Company into a public company limited by shares and the consequential change of our name to "Kim Heng Offshore & Marine Holdings Limited";

(c) the listing and quotation of all the existing issued Shares (including the Vendor Shares), the New Shares, the ESOS Shares and the PSP Shares on Catalist;

(d) the adoption of a new set of Articles of Association;

(e) the issue of the New Shares pursuant to the Invitation, which when allotted, issued and fully paid-up, will rank *pari passu* in all respects with the existing issued and fully paid-up Shares;

(f) the adoption of the Kim Heng ESOS and the Kim Heng PSP as set out in the sections entitled "Kim Heng Employee Share Option Scheme 2013" and "Kim Heng Performance Share Plan 2013" of this Offer Document, "Rules of the Kim Heng Employee Share Option Scheme 2013" as set out in Appendix G of this Offer Document and "Rules of the Kim Heng Performance Share Plan 2013" as set out in Appendix H of this Offer Document, and the authorisation of our Directors, pursuant to Section 161 of the Act, to allot and issue Shares upon the exercise of Options and the release of Awards granted under the Kim Heng ESOS and the Kim Heng PSP respectively;

(g) the issue of Options under the Kim Heng ESOS at a discount to Market Price (subject to a maximum discount of 20.0%); and

(h) the authorisation of our Directors, pursuant to Section 161 of the Act and the Catalist Rules, to (i) allot and issue Shares in our Company; and/or (ii) issue convertible securities and any Shares in our Company pursuant to the convertible securities, whether by way of rights issue, bonus issue or otherwise, at any time and upon such terms and conditions, whether for cash or otherwise and for such purposes and to such persons as our Directors shall in their absolute discretion deem fit, provided that the aggregate number of Shares and/or convertible securities which may be issued pursuant to such authority shall not exceed 100.0% of the issued and paid-up share capital of our Company immediately after the Invitation excluding treasury shares and that the aggregate number of Shares and/or convertible securities to be issued other than on a pro-rata basis to the existing Shareholders of our Company shall not exceed 50.0% of the issued and paid-up share capital of our Company immediately after the Invitation excluding treasury shares. Unless revoked or varied by our Company in general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of our Company or the date by which the next annual general meeting is required by law or by our Articles of Association to be held, whichever is earlier, except that our Directors shall be authorised to allot and issue new Shares pursuant to the convertible securities notwithstanding that such authority has ceased.

For the purposes of this resolution and pursuant to Rules 806(3) and 806(4) of the Catalist Rules, "issued and paid-up share capital of our Company immediately after the Invitation excluding treasury shares" shall mean the enlarged issued and paid-up share capital of our Company after the Invitation excluding treasury shares after adjusting for (i) new Shares arising from the conversion or exercise of any convertible securities; (ii) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time such authority is given, provided that the options or awards were granted in compliance with the Catalist Rules; and (iii) any subsequent consolidation or sub-division of shares.

As at the date of this Offer Document, our Company has only one (1) class of shares, being ordinary shares. A summary of the Articles of Association of our Company relating to, among others, the voting rights of our Shareholders is set out in the section entitled "Summary of Memorandum and Articles of Association of our Company" as set out in Appendix C of this Offer Document. There is no founder, management or deferred share.

Save for the Kim Heng ESOS, the Kim Heng PSP and as provided above, no person has been, or is permitted to be, given an option to subscribe for or purchase any securities of our Company or any of our subsidiaries. As at the Latest Practicable Date, no option to subscribe for Shares in our Company has been granted to, or was exercised by, any of our Directors or our Chief Executive Officer.

As at the date of this Offer Document, the issued and paid-up share capital of our Company is S$36,133,121 comprising 550,000,000 Shares. Upon the allotment and issue of the New Shares which are the subject of the Invitation, the resultant issued and paid-up share capital of our Company will be increased to approximately S$74,315,121 divided into 710,000,000 Shares.

Details of changes in our issued and paid-up share capital since our incorporation and our issued and paid-up share capital immediately after the Invitation are as follows:

	Number of Shares	Issued and paid-up share capital (S$)
Issued and paid-up share capital as at incorporation	1	1
Issue of Shares pursuant to the Restructuring Exercise	999,999	36,133,120
Issued and paid-up share capital prior to Share Split	1,000,000	36,133,121
After Share Split	550,000,000	36,133,121
New Shares issued pursuant to the Invitation	160,000,000	38,182,000[(1)]
Post-Invitation issued and paid-up share capital	710,000,000	74,315,121

Note:

(1) This amount assumes the deduction of expenses incurred in relation to the Invitation of approximately S$1.8 million, which will be capitalised against share capital as described in the section entitled "Use of Proceeds from the Invitation and Expenses Incurred" of this Offer Document.

More than 10.0% of our Company's capital has been paid for with assets other than cash within the period of three (3) years from the date of lodgement of this Offer Document. Please refer to the section entitled "Restructuring Exercise" of this Offer Document for more details.

The shareholders' equity of our Company as at 30 June 2013 as adjusted for the Restructuring Exercise and the issue and allotment of the New Shares is set out below:

	After Adjusting for the Restructuring Exercise (S$)	After the Invitation (S$)
Shareholders' equity		
Share capital	36,133,121	74,315,121[(1)]
Accumulated profits	45,254,805	44,287,747[(2)]
Reserves	(32,985,928)	(32,985,928)
Total shareholders' equity	**48,401,998**	**85,616,940**

Notes:

(1) This amount assumes the deduction of expenses incurred in relation to the Invitation of approximately S$1.8 million, which will be capitalised against share capital as described in the section entitled "Use of Proceeds from the Invitation and Expenses Incurred" of this Offer Document.

(2) This amount assumes the deduction of expenses incurred in relation to the Invitation of approximately S$1.0 million, which will be charged to the profit and loss statement after 30 June 2013 as described in the section entitled "Use of Proceeds from the Invitation and Expenses Incurred" of this Offer Document. Expenses incurred in relation to the Invitation amounting to approximately S$0.8 million had been charged to the profit and loss statement up to 30 June 2013.

Save as disclosed above, there have been no changes in the share capital of our Company since the date of its incorporation on 29 April 2013.

Our Directors and Shareholders and their respective shareholdings immediately before and after the Invitation are set out below:

	Immediately before the Invitation				Immediately after the Invitation			
	Direct Interest		Deemed interest		Direct interest		Deemed interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Directors								
Thomas Tan[1]	–	–	299,200,000	54.4	–	–	299,200,000	42.1
Yeo Seh Hong	–	–	–	–	100,000	–[2]	–	–
Tan Chow Boon[3]	–	–	124,999,600	22.7	–	–	124,999,600	17.6
Douglas Owen Chester	–	–	–	–	–	–	–	–
Ho Boon Chuan Wilson	–	–	–	–	100,000	–[2]	–	–
Ong Sie Hou Raymond	–	–	–	–	100,000	–[2]	–	–
Shareholders (who are not Directors)								
KH Group[1]	299,200,000	54.4	–	–	299,200,000	42.1	–	–
Credence[3]	124,999,600	22.7	–	–	124,999,600	17.6	–	–
SK Tan	17,138,550	3.1	–	–	3,138,550	0.4	–	–
Chen Biqing	8,250,000	1.5	–	–	8,250,000	1.2	–	–
Tan Xing Kuan	8,250,000	1.5	–	–	8,250,000	1.2	–	–
Tan Xing Yu	8,250,000	1.5	–	–	8,250,000	1.2	–	–
Double Happiness Global Limited[4]	33,000,000	6.0	–	–	33,000,000	4.6	–	–
Teo Kok Kheng Jeffrey	24,750,000	4.5	–	–	24,750,000	3.5	–	–
Yarwood Engineering and Trading Limited[5]	22,916,850	4.2	–	–	22,916,850	3.2	–	–
Tan Cheng Hiang Rosalind Mrs Rosalind Lim	2,255,000	0.4	–	–	2,255,000	0.3	–	–
Ronald Lim Cheng Aun	990,000	0.2	–	–	990,000	0.1	–	–
Public	–	–	–	–	173,700,000	24.5	–	–
TOTAL	550,000,000	100.0			710,000,000	100.0		

Notes:

(1) Thomas Tan is deemed to be interested in all the Shares held by KH Group as he is the sole shareholder of KH Group.

(2) As at the date of this Offer Document, our Directors, Yeo Seh Hong, Ho Boon Chuan Wilson and Ong Sie Hou Raymond, have indicated their interest to subscribe for 100,000 Placement Shares each, representing approximately 0.01% each of our post-Invitation share capital.

(3) Credence is a private equity investment fund managed by Credence Partners Pte. Ltd. ("**Credence Partners**") on a discretionary basis in accordance with the operating and investment conditions and other terms of the management agreement under which Credence Partners is appointed. The shareholders of Credence comprise mainly funds of funds, family offices, family trusts, corporations and high net worth individuals. The shareholders of Credence Partners are Tan Chow Boon (our Non-Executive Director), Koh Boon Hwee and Seow Kiat Wang who each have a shareholding of 33.33%. Credence Partners, Tan Chow Boon, Koh Boon Hwee and Seow Kiat Wang are deemed to be interested in all the Shares held by Credence.

(4) Double Happiness Global Limited is a special purpose vehicle wholly owned by Zana Asia Fund Limited. Zana Asia Fund Limited is a private equity investment fund managed by Zana Capital Pte. Ltd. ("**Zana Capital**") on a wholly discretionary basis. Zana Asia Fund Limited has investors comprising institutional investors and high net worth individuals. Chan Hock Eng, Ng Koon Siong, He Zhao Ju and Xie Dahong hold 30.91%, 30.91%, 21.82% and 16.36% of the issued share capital of Zana Capital respectively. Zana Asia Fund Limited, Zana Capital, Chan Hock Eng, Ng Koon Siong and He Zhao Ju are deemed to be interested in the shares of the Company held by Double Happiness Global Limited.

(5) Kong Siang Group Holdings Pte. Ltd. ("**Kong Siang Group**") is deemed interested in the shares of the Company held by Yarwood Engineering and Trading Limited by virtue of its 100% shareholding in Yarwood Engineering and Trading Limited. Lee Eng Khian, David Lee Eng Thong, Lee Siu Huang and Lee Eng Chye Victor hold 43.80%, 39.88%, 9.19% and 7.13% of the issued share capital of Kong Siang Group respectively. Lee Eng Khian and David Lee Eng Thong are deemed interested in the shares of the Company held by Yarwood Engineering and Trading Limited by virtue of their 43.80% and 39.88% shareholdings in Kong Siang Group. Kong Siang Group holds an indirect interest of 3.5% in Credence.

SK Tan is the father of Chen Biqing, Tan Xing Kuan and Tan Xing Yu.

Thomas Tan and SK Tan are siblings. Thomas Tan is the uncle of Chen Biqing, Tan Xing Kuan and Tan Xing Yu.

Save as disclosed above, there are no other relationships between our Directors and Substantial Shareholders.

The Shares held by our Directors and Shareholders do not carry different voting rights from the Invitation Shares which are the subject of the Invitation.

Save as disclosed above, our Company is not directly or indirectly owned or controlled by another corporation, any government or other natural or legal person whether severally or jointly. There is no known arrangement, the operation of which may, at a subsequent date, result in a change in control of our Company.

There has not been any public takeover offer by a third party in respect of our Shares or by our Company in respect of the shares of another corporation or the units of a business trust since the incorporation of our Company to the Latest Practicable Date.

SIGNIFICANT CHANGES IN PERCENTAGE OF OWNERSHIP

Save as disclosed under the sections entitled "Share Capital", "Restructuring Exercise", "Dilution" and "General and Statutory Information" of this Offer Document, there were no significant changes in the percentage of ownership of the Shares in our Company within the three (3) years preceding the Latest Practicable Date.

MORATORIUM

Directors and Substantial Shareholders

To demonstrate their commitment to our Group, each of KH Group and Credence, who in aggregate hold 424,199,600 Shares, representing approximately 59.7% of the issued and paid-up share capital of our Company after the Invitation, have each undertaken not to, directly or indirectly, offer, sell, contract to sell, realise, transfer, assign, pledge, grant any option or right to purchase, grant any security over, encumber or otherwise dispose of, any part of their shareholdings in the share capital of our Company immediately after the Invitation (adjusted for any bonus issue or sub-division of Shares) for a period of six (6) months commencing from the date of admission of our Company to Catalist, and for a period of six (6) months thereafter, not to, directly or indirectly, offer, sell, contract to sell, realise, transfer, assign, pledge, grant any option or right to purchase, grant any security over, encumber or otherwise dispose of, more than 50.0% of its or their original shareholdings (adjusted for any bonus issue or sub-division of Shares) in our Company.

Thomas Tan, the sole shareholder of KH Group, has undertaken not to, directly or indirectly, offer, sell, contract to sell, realise, transfer, assign, pledge, grant any option or right to purchase, grant any security over, encumber or otherwise dispose of, any part of his shareholding in the share capital of KH Group for a period of 12 months commencing from the date of admission of our Company to Catalist.

Each of the shareholders of Credence Partners Pte. Ltd. ("**Credence Partners**"), namely Tan Chow Boon, Koh Boon Hwee and Seow Kiat Wang, have undertaken not to, directly or indirectly, offer, sell, contract to sell, realise, transfer, assign, pledge, grant any option or right to purchase, grant any security over, encumber or otherwise dispose of, any part of his shareholding in the share capital of Credence Partners for a period of 12 months commencing from the date of admission of our Company to Catalist.

Other Shareholders

Each of the following Shareholders have undertaken not to, directly or indirectly, offer, sell, contract to sell, realise, transfer, assign, pledge, grant any option or right to purchase, grant any security over, encumber or otherwise dispose of, any part of his shareholding in the share capital of our Company after the Invitation (adjusted for any bonus issues or sub-division of shares) ("**Moratorised Shares**") for a period of six (6) months commencing from the date of admission of our Company to Catalist ("**Initial Period**"), and for a period of six (6) months thereafter, not to directly or indirectly, offer, sell, contract to sell, realise, transfer, assign, pledge, grant any option or right to purchase, grant any security over, encumber or otherwise dispose of, more than 50.0% of such Moratorised Shares (adjusted for any bonus issues or sub-division of shares) in our Company:

Other Shareholders	No. of Moratorised Shares for the Initial Period	% of the post-Invitation share capital
SK Tan	3,138,550	0.4
Chen Biqing	8,250,000	1.2
Tan Xing Kuan	8,250,000	1.2
Tan Xing Yu	8,250,000	1.2
Double Happiness Global Limited	33,000,000	4.6
Teo Kok Kheng Jeffrey	24,750,000	3.5
Yarwood Engineering and Trading Limited	22,916,850	3.2
Tan Cheng Hiang Rosalind Mrs Rosalind Lim	2,255,000	0.3
Ronald Lim Cheng Aun	990,000	0.1
Total	111,800,400	15.7

Zana Asia Fund Limited, the sole shareholder of Double Happiness Global Limited, has undertaken not to, directly or indirectly, offer, sell, contract to sell, realise, transfer, assign, pledge, grant any option or right to purchase, grant any security over, encumber or otherwise dispose of, any part of its shareholding in the share capital of Double Happiness Global Limited for a period of 12 months commencing from the date of admission of our Company to Catalist.

The name of the Vendor and the number of Vendor Shares which the Vendor will offer pursuant to the Invitation are set out below:

	Shares held immediately before the Invitation		Vendor Shares offered pursuant to the Invitation			Shares held after the Invitation	
Vendor	**Number of Shares**	**% of pre-Invitation share capital**	**Number of Shares**	**% of pre-Invitation share capital**	**% of post-Invitation share capital**	**Number of Shares**	**% of post-Invitation share capital**
SK Tan	17,138,550	3.1	14,000,000	2.5	2.0	3,138,550	0.4

During the three (3) year period prior to the lodgement of this Offer Document, the Vendor was a Controlling Shareholder and had held various positions in the companies within our Group, including chairman, executive director and COO before he retired from our Group on 13 January 2014. After the Invitation, the Vendor will be an Associate of our Controlling Shareholder, Executive Chairman and CEO, Thomas Tan.

The Vendor does not hold Shares or interest therein as nominees of or on trust for anyone.

INVITATION PRICE	25.0 cents
NTA	
The NTA per Share based on the unaudited consolidated statement of financial position of our Group as at 30 June 2013, adjusted for the Restructuring Exercise ("**Adjusted NTA per Share**"):	
(a) before adjusting for the estimated net proceeds of the Invitation and based on the pre-Invitation share capital of 550,000,000 Shares	8.8 cents
(b) after adjusting for the estimated net proceeds of the Invitation and based on the post-Invitation share capital of 710,000,000 Shares	11.9 cents
Premium of Invitation Price over the Adjusted NTA per Share as at 30 June 2013:	
(a) before adjusting for the estimated net proceeds of the Invitation and based on the pre-Invitation share capital of 550,000,000 Shares	184.1%
(b) after adjusting for the estimated net proceeds of the Invitation and based on the post-Invitation share capital of 710,000,000 Shares	110.1%
EPS	
Historical EPS based on the audited combined net profit of our Group for FY2012 and the pre-Invitation share capital of 550,000,000 Shares	3.1 cents
Historical EPS based on the audited combined net profit of our Group for FY2012 and the pre-Invitation share capital of 550,000,000 Shares, assuming that the Service Agreements and SK Tan's retirement had been in place from the beginning of FY2012	3.2 cents
PER	
Historical PER based on the historical EPS for FY2012	8.1 times
Historical PER based on the historical EPS for FY2012, assuming that the Service Agreements and SK Tan's retirement had been in place from the beginning of FY2012	7.8 times
Net Cash Flow from Operations[1]	
Historical net cash flow from operations per Share of our Group for FY2012 based on the pre-Invitation share capital of 550,000,000 Shares	4.0 cents
Historical net cash flow from operations per Share of our Group for FY2012 and the pre-Invitation share capital of 550,000,000 Shares, assuming that the Service Agreements and SK Tan's retirement had been in place from the beginning of FY2012	4.1 cents
Price to Net Cash Flow from Operations Ratio	
Invitation Price to historical net cash flow from operations per Share for FY2012	6.3 times
Invitation Price to historical net cash flow from operations per Share for FY2012, assuming that the Service Agreements and SK Tan's retirement had been in place from the beginning of FY2012	6.1 times

Market Capitalisation

Market capitalisation based on the Invitation Price and the post-Invitation share capital of 710,000,000 Shares	$177.5 million

Note:

(1) Net cash flow from operations is defined as net cash flows from operating activities. Please refer to the section entitled "Independent Auditors' Reports on the Combined Financial Statements of Kim Heng Offshore & Marine Holdings Limited and its Subsidiaries for the Financial Years ended 31 December 2010, 2011 and 2012 and the Six Months Period ended 30 June 2013" in Appendix A of this Offer Document for details.

Dilution is the amount by which the Invitation Price to be paid by investors for our Invitation Shares in the Invitation ("**New Investors**") exceeds the NTA per Share immediately after the Invitation. Our unaudited Adjusted NTA per Share as at 30 June 2013 was 8.8 cents.

Based on the issue of 160,000,000 New Shares at the Invitation Price, our Adjusted NTA per Share after adjusting for the estimated net proceeds from the Invitation and based on the post-Invitation share capital of 710,000,000 Shares, would be 11.9 cents. This represents an immediate increase in NTA per Share of 3.1 cents to our existing Shareholders and an immediate dilution in NTA per Share of 13.1 cents to our New Investors.

The following table illustrates such dilution on a per Share basis as at 30 June 2013:

	Cents
Invitation Price	25.0
Adjusted NTA per Share as at 30 June 2013	8.8
Increase in NTA per Share attributable to existing Shareholders	3.1
NTA per Share after the Invitation[(1)]	11.9
Dilution in NTA per Share to New Investors post-Invitation	13.1

Note:

(1) The computed NTA per Share after the Invitation does not take into account our actual financial performance after 1 July 2013. Depending on our actual financial results, our NTA per Share after the Invitation may be higher or lower than the NTA per Share computed above.

The following table summarises the total number of Shares issued by our Company or acquired by our existing Shareholders, the total consideration and average price per Share paid by our existing Shareholders (after adjusting for the Restructuring Exercise) and the New Investors pursuant to the Invitation:

Shareholder	Number of Shares issued/acquired	Consideration (S$)	Average price per Share (cents)
KH Group	299,200,000	19,656,456	6.6
Credence	124,999,600	25,000,000	20.0
SK Tan	101,050,400[(1)]	6,638,679	6.6
Chen Biqing	8,250,000	N.A.[(2)]	N.A.[(2)]
Tan Xing Kuan	8,250,000	N.A.[(2)]	N.A.[(2)]
Tan Xing Yu	8,250,000	N.A.[(2)]	N.A.[(2)]
Double Happiness Global Limited	33,000,000	7,200,000	21.8
Teo Kok Kheng Jeffrey	24,750,000	5,400,000	21.8
Yarwood Engineering and Trading Limited	22,916,850	5,000,000	21.8
Tan Cheng Hiang Rosalind Mrs Rosalind Lim	2,255,000	492,000	21.8
Ronald Lim Cheng Aun	990,000	216,000	21.8
New Investors pursuant to the Invitation	174,000,000	43,500,000	25.0

Notes:

(1) The 101,050,400 Shares issued to SK Tan includes the Shares that he subsequently sold to the Pre-IPO Investors as part of the Restructuring Exercise. Please refer to the section entitled "Restructuring Exercise" of this Offer Document for further information.

(2) TSKI nominated Chen Biqing, Tan Xing Kuan and Tan Xing Yu to be allotted Shares as part of the Restructuring Exercise. As a result, Chen Biqing, Tan Xing Kuan and Tan Xing Yu did not pay any consideration for the issuance of Shares to them. Please refer to the section entitled "Restructuring Exercise" of this Offer Document for further information.

Save as disclosed above, none of our Directors, Substantial Shareholders or their respective Associates have acquired any shares in our Company during the period of three (3) years prior to the date of lodgement of this Offer Document.

The following was undertaken in the Restructuring Exercise prior to the Invitation in preparation for the listing of our Company on Catalist:

(a) **Incorporation of our Company**

Our Company was incorporated on 29 April 2013 in Singapore under the Act as an exempt private company limited by shares to act as the holding company of our Group. On incorporation, our Company's issued and paid-up share capital was S$1.00 comprising one (1) share held by a nominee of a corporate secretarial provider which SK Tan acquired on 20 May 2013 for a consideration of S$1.00. A further one (1) share in the capital of our Company was allotted to KH Group on 21 May 2013.

(b) **Acquisition of Kim Heng Offshore**

On 21 May 2013, our Company acquired the respective shareholdings of Thomas Tan and SK Tan in Kim Heng Offshore for a total purchase consideration of S$2.00 and Kim Heng Offshore became a wholly-owned subsidiary of our Company.

(c) **Acquisition of Alpine Progress, Kim Heng Maritime, Kim Heng Marine, Kim Heng Shipbuilding and Kim Heng Tubulars**

KH Group is a company wholly owned by Thomas Tan while TSKI is a company ultimately wholly owned by SK Tan.

Pursuant to a sale and purchase agreement dated 15 May 2013 as amended and restated by an accession, amended and restated agreement dated 6 June 2013 (the "**Restructuring SPA**"), Kim Heng Offshore acquired the total issued and paid-up capital of Alpine Progress, Kim Heng Maritime, Kim Heng Marine, Kim Heng Shipbuilding and Kim Heng Tubulars from their respective shareholders, being Thomas Tan, SK Tan, KH Group and TSKI (together, the "**Restructuring Vendors**") for a total purchase consideration of S$36,133,119 based on the respective NTA of the companies as at 31 December 2012. The purchase consideration for the entire equity interest in Alpine Progress, Kim Heng Maritime, Kim Heng Marine, Kim Heng Shipbuilding and Kim Heng Tubulars was to be satisfied by the allotment and issuance of 999,998 new shares (the "**Consideration Shares**") in the capital of Kim Heng Offshore to the Restructuring Vendors. In accordance with the terms and conditions of the Restructuring SPA, the Restructuring Vendors directed that the Consideration Shares be allotted and issued to our Company and our Company would in turn allot and issue 999,998 new shares ("**Restructuring Shares**") to the Restructuring Vendors or any persons they may nominate.

The following tables set out the number of shares and percentage of the respective shareholding interests held by the Restructuring Vendors in each of Alpine Progress, Kim Heng Maritime, Kim Heng Marine, Kim Heng Shipbuilding and Kim Heng Tubulars which were acquired by Kim Heng Offshore and the number of Consideration Shares and Restructuring Shares which were due to be issued and allotted to them upon the terms and conditions of the SPA:

Alpine Progress

Name of shareholder	Number of Alpine Progress Shares held	Percentage of shareholding interests (%)	Consideration (S$)	Number of Consideration/ Restructuring Shares issued
Thomas Tan	108,800	54.4	638,713	17,677
SK Tan	91,200	45.6	535,391	14,817
Total	**200,000**	**100.0**	**1,174,104**	**32,494**

Kim Heng Maritime

Name of shareholder	Number of Kim Heng Maritime Shares held	Percentage of shareholding interests (%)	Consideration (S$)	Number of Consideration/ Restructuring Shares issued
Thomas Tan	38,080	54.4	870,897	24,102
SK Tan	31,920	45.6	730,017	20,203
Total	**70,000**	**100.0**	**1,600,914**	**44,305**

Kim Heng Shipbuilding

Name of shareholder	Number of Kim Heng Shipbuilding Shares held	Percentage of shareholding interests (%)	Consideration (S$)	Number of Consideration/ Restructuring Shares issued
Thomas Tan	54,400	54.4	1,774,814	49,119
SK Tan	45,600	45.6	1,487,712	41,173
Total	**100,000**	**100.0**	**3,262,526**	**90,292**

Kim Heng Tubulars

Name of shareholder	Number of Kim Heng Tubulars Shares held	Percentage of shareholding interests (%)	Consideration (S$)	Number of Consideration/ Restructuring Shares issued
Thomas Tan	544	54.4	163,224	4,517
SK Tan	456	45.6	136,820	3,787
Total	**1,000**	**100.0**	**300,044**	**8,304**

Kim Heng Marine

Name of shareholder	Number of Kim Heng Marine Shares held	Percentage of shareholding interests (%)	Consideration (S$)	Number of Consideration/ Restructuring Shares issued
KH Group	1,632,000	54.4	16,208,769	448,584
TSKI	1,368,000	45.6	13,586,762	376,019
Total	**3,000,000**	**100.0**	**29,795,531**	**824,603**

On 22 May 2013, Alpine Progress, Kim Heng Maritime, Kim Heng Marine, Kim Heng Shipbuilding and Kim Heng Tubulars became wholly-owned subsidiaries of Kim Heng Offshore upon the completion of the acquisition of Alpine Progress, Kim Heng Maritime, Kim Heng Marine, Kim Heng Shipbuilding and Kim Heng Tubulars by Kim Heng Offshore. On 5 June 2013, Kim Heng Offshore allotted and issued the Consideration Shares to our Company. On the same day, our Company allotted and issued 543,999 Restructuring Shares to KH Group (including 95,415 Restructuring Shares that Thomas Tan nominated for KH Group to be allotted), 183,727 Restructuring Shares to SK Tan (including 103,747 Restructuring Shares that TSKI nominated for SK Tan to be allotted), 15,000 Restructuring Shares to Chen Biqing (as nominated by TSKI to be allotted), 15,000 Restructuring Shares to Tan Xing Kuan (as nominated by TSKI to be allotted) and 15,000 Restructuring Shares to Tan Xing Yu (as nominated by TSKI to be allotted).

(d) **Investment by Credence**

Pursuant to an investment agreement dated 15 May 2013 as amended by an accession, amended and restated agreement dated 6 June 2013 (the "**Investment Agreement**"), TSKI renounced its right to be allotted 227,272 Restructuring Shares under the Restructuring SPA in favour of Credence for a total cash consideration of S$25,000,000.

In accordance with the Investment Agreement, Credence was allotted and issued 72,727 shares in the capital of our Company on 6 June 2013 and a further 154,545 shares in the capital of our Company on 24 December 2013.

(e) **Pre-IPO Investors**

The following Pre-IPO Investors purchased Shares from SK Tan for cash consideration as set out below:

Pre-IPO Investor	Date of Purchase	Number of Shares	Total Cash Consideration paid (S$)
Double Happiness Global Limited[1]	8 November 2013	60,000	7,200,000
Teo Kok Kheng Jeffrey	8 November 2013	45,000	5,400,000
Yarwood Engineering and Trading Limited	14 November 2013	41,667	5,000,000
Tan Cheng Hiang Rosalind Mrs Rosalind Lim	15 November 2013	4,100	492,000
Ronald Lim Cheng Aun	13 November 2013	1,800	216,000

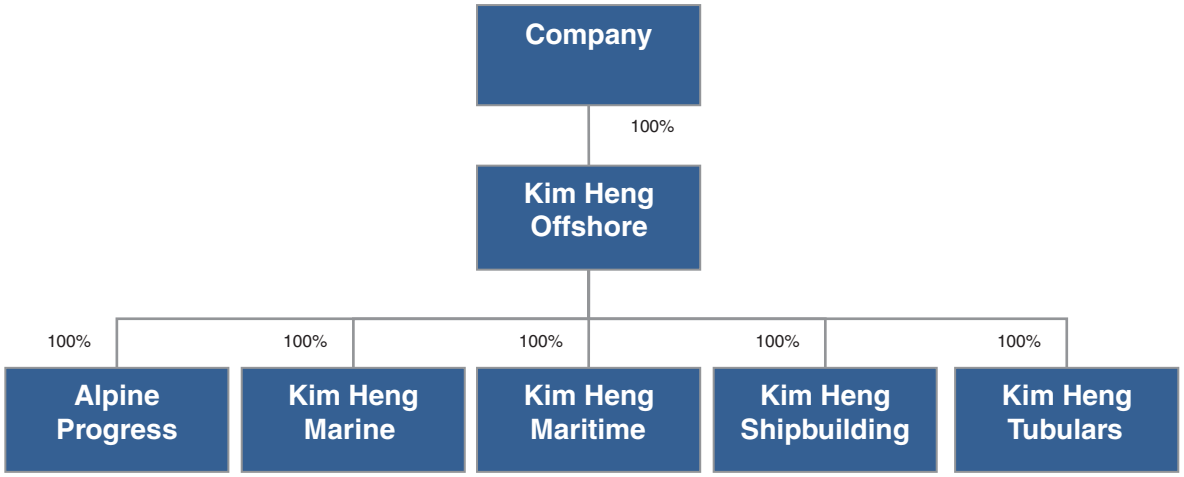
Note:

(1) The purchase of Shares by Double Happiness Global Limited from SK Tan took place over 2 tranches.

(f) **Share Split**

On 26 December 2013, our Shareholders approved the Share Split whereby every one (1) Share was sub-divided into 550 Shares.

Our Group Structure as at the date of this Offer Document is as follows:



SUBSIDIARIES

The details of our subsidiaries as at the date of this Offer Document are as follows:

Subsidiary	Date / Country of incorporation	Principal place of business	Principal commercial activities	Issued and paid-up share capital	Effective equity interest held by our Group
Subsidiary held by our Company					
Kim Heng Offshore	28 July 2009 / Singapore	Singapore	Investment holding	S$36,133,121	100.0%
Subsidiaries held by Kim Heng Offshore					
Alpine Progress	26 November 1981 / Singapore	Singapore	Vessel chartering and provision of port operation services	S$200,000	100.0%
Kim Heng Marine	1 April 1978 / Singapore	Singapore	Chartering, freight, servicing and repair of vessels, provision of labour supply, such as, marine engineers, consultants, contractors and general crew	S$3,000,000	100.0%
Kim Heng Maritime	14 October 1986 / Singapore	Singapore	Vessel chartering and provision of port operation services	S$70,000	100.0%

Subsidiary	Date / Country of incorporation	Principal place of business	Principal commercial activities	Issued and paid-up share capital	Effective equity interest held by our Group
Kim Heng Shipbuilding	28 March 2006 / Singapore	Singapore	Offshore engineering, shipbuilding and fabrication services	S$100,000	100.0%
Kim Heng Tubulars	17 April 1997 / Singapore	Singapore	Trading in drill pipes and related drilling materials, provision of services and rental of marine equipment	S$11.98	100.0%

None of our subsidiaries are listed on any stock exchange in any jurisdiction. We do not have any associated companies. Kim Heng Marine has a representative office in Indonesia which is currently dormant.

The following summary financial information of our Group should be read in conjunction with the full text of this Offer Document, including the "Independent Auditors' Reports on the Combined Financial Statements of Kim Heng Offshore & Marine Holdings Limited and its subsidiaries for the Financial Years ended 31 December 2010, 2011 and 2012 and Six Months Period Ended 30 June 2013" as set out in Appendix A of this Offer Document, and the section entitled "Management's Discussion and Analysis of Results of Operations and Financial Position" of this Offer Document.

Combined Statements of Comprehensive Income

	Audited			Unaudited	
(S$'000)	**FY2010**	**FY2011**	**FY2012**	**1H2012**	**1H2013**
Revenue	80,600	69,388	86,728	50,924	40,956
Cost of sales	(57,589)	(37,528)	(49,551)	(29,572)	(23,593)
Gross profit	23,011	31,860	37,177	21,352	17,363
Other income	421	12,246	2,232	975	256
Distribution expenses	(1,543)	(1,235)	(1,579)	(917)	(514)
Administrative expenses	(16,477)	(14,219)	(13,128)	(6,579)	(7,390)
Other expenses	(12,000)	(5,038)	(2,149)	(1,170)	66
Finance costs	(3,373)	(2,701)	(1,451)	(799)	(496)
Profit/(Loss) before tax	(9,961)	20,913	21,102	12,862	9,285
Income tax credit/(expense)	770	(2,385)	(3,817)	(2,301)	(1,256)
Profit/(Loss) for the year/period	(9,191)	18,528	17,285	10,561	8,029
Other comprehensive income/ (loss) for the year/period					
Translation differences relating to financial statements of foreign operations	(108)	53	(21)	(6)	12
Total comprehensive income/ (loss) for the year/period	(9,299)	18,581	17,264	10,555	8,041
EPS (cents)[1]	(1.7)	3.4	3.1 [3]	1.9	1.5
EPS as adjusted for the Invitation[2] (cents)	(1.3)	2.6	2.4 [3]	1.5	1.1

Notes:-

(1) For comparative purposes, EPS for the Period Under Review has been computed based on the profit/(loss) for the year/period and our pre-Invitation share capital of 550,000,000 Shares.

(2) For comparative purposes, EPS as adjusted for the Invitation for the Period Under Review has been computed based on the profit/(loss) for the year/period and our post-Invitation share capital of 710,000,000 Shares.

(3) Had the Service Agreements and the retirement of SK Tan been in place since the beginning of FY2012, (i) profit for the year in FY2012 would have been S$17.7 million; and (ii) EPS and EPS as adjusted for the Invitation would have been 3.2 cents and 2.5 cents respectively.

Combined Statements of Financial Position

(S$'000)	Audited As at 31 December 2012	Unaudited As at 30 June 2013
ASSETS		
Non-current assets:		
Property, plant and equipment	60,604	64,372
Club memberships	44	44
Total non-current assets	60,648	64,416
Current assets:		
Inventories	1,443	2,249
Trade and other receivables	23,585	19,845
Cash and cash equivalents	1,114	3,363
Total current assets	26,142	25,457
Total assets	86,790	89,873
EQUITY AND LIABILITIES		
Equity:		
Share capital	3,370	30,549
Reserves	(235)	(32,986)
Accumulated profits	40,226	45,255
Equity attributable to owners of the Company	43,361	42,818
Non-current liabilities:		
Loans and borrowings	6,126	5,902
Amount due to shareholders	–	5,584
Deferred tax liabilities	5,872	5,872
Total non-current liabilities	11,998	17,358
Current liabilities:		
Loans and borrowings	12,605	8,643
Trade and other payables	18,062	19,712
Current tax payable	764	1,342
Total current liabilities	31,431	29,697
Total liabilities	43,429	47,055
Total equity and liabilities	86,790	89,873
NTA per Share (cents)[1]	7.9	7.8
Adjusted NTA per Share (cents)[1]	7.9	8.8

Note:-

(1) The NTA per Share and Adjusted NTA per Share as at 31 December 2012 and 30 June 2013 have been computed based on our pre-Invitation share capital of 550,000,000 Shares.

The following discussion of our results of operations and financial position should be read in conjunction with the "Independent Auditors' Reports on the Combined Financial Statements of Kim Heng Offshore & Marine Holdings Limited and its subsidiaries for the Financial Years ended 31 December 2010, 2011 and 2012 and Six Months Period Ended 30 June 2013" as set out in Appendix A of this Offer Document. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Offer Document, particularly in the "Risk Factors" section of this Offer Document. Under no circumstances should the inclusion of such forward-looking statements herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by our Company, the Sponsor, Underwriter and Placement Agent or any other person. Investors are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof. Please refer to the "Cautionary Note Regarding Forward-Looking Statements" section of this Offer Document.

For the purpose of the Management's Discussion and Analysis of Results of Operations and Financial Position, the term "Period Under Review" herein refers to the period which comprises FY2010, FY2011, FY2012, 1H2012 and 1H2013.

OVERVIEW

We are an established integrated offshore & marine value chain services provider with customers from over 25 countries in the regions of Southeast Asia, Australasia, Middle East and Europe. Some of our customers include major offshore drilling contractors and support service providers such as Transocean Ltd, Seadrill Limited, Noble Corporation, Shelf Drilling Holdings Ltd and Hydro Marine Services, Inc. (a subsidiary of McDermott International, Inc).

Our activities are classified into two (2) broad categories, namely (i) Offshore Rig Services and Supply Chain Management; and (ii) Vessel Sales and Newbuild.

Offshore Rig Services and Supply Chain Management

The services provided by us under the Offshore Rig Services and Supply Chain Management segment comprise mainly EPC projects for the offshore O&G sector and the provision of vessels and related logistics services. Our Offshore Rig services typically include the construction and fabrication of sections of drilling rigs (such as jack-up rigs, tender rigs, semi-submersibles and drillships), installation of offshore production modules and systems, as well as offshore platform and vessel re-activation and maintenance projects. We also provide Offshore Supply Chain Management services to the offshore and marine industry, which includes, *inter alia*, rig towage, chartering of our fleet for marine installation and transportation purposes, inventory management, warehousing, supply of offshore consumables and expedited delivery services.

Vessel Sales and Newbuild

Our Vessel Sales and Newbuild segment comprises the purchase of vessels from vessel owners, which we subsequently refurbish and on-sell to customers. Such activities are typically undertaken according to orders placed by our customers. We may also from time to time undertake such acquisitions and refurbishment of vessels in anticipation of market demand. We are also engaged in the newbuild of offshore vessels, which we typically undertake according to orders placed by customers. From time to time, we may also embark on newbuild of offshore supply vessels, such as, pipe-laying barges, accommodation vessels, tugs and barges, in anticipation of project demands for subsequent chartering or sales.

Please refer to the section entitled "General Information on our Group – Business Overview" of this Offer Document for further details.

Revenue

We derive our revenue from the following business segments:

(i) Offshore Rig Services and Supply Chain Management

Revenue from this business segment accounted for 80.1%, 97.8%, 94.4%, 98.7% and 97.7% of our revenue in FY2010, FY2011, FY2012, 1H2012 and 1H2013 respectively.

We offer a comprehensive range of services under the Offshore Rig Services and Supply Chain Management segment, including:

(a) Marine offshore support services

Marine offshore support services consist mainly of offshore rig and EPC support services, general shipping, crew management and fabrication services.

In relation to our offshore rig and EPC support services, we provide a range of bundled engineering, procurement, construction, and related support services to offshore EPCIC players and drilling contractors. Revenue derived from such services are generally dependent upon the scale and complexity of the project or service performed and is recognised in accordance with the agreed stage of completion, which is assessed by reference to a survey of work performed and agreement with customers. Billings are generally made in accordance with agreed milestones. The duration of such projects may range from between a few weeks to a few months.

In relation to our general shipping and crew management services, we handle the inward and outward clearance of rigs and vessels and provide general crew management services, such as immigration clearance and travel management. Revenue is recognised upon rendering of services and billings are made upon the completion of the provision of services.

In relation to our fabrication services, it covers maintenance and repair services for vessels alongside our shipyards and at anchorage within and outside port limits, such as steel and piping renewal, retrofitting and conversion, blasting and painting, electrical and mechanical works to offshore vessels and platforms. Revenue is generated on a project basis. Our customers for such services are typically the offshore drilling contractors. As such, the main factor which affects our revenue from the provision of such services would be the number of rigs which pass through Singapore waters for reactivation works, which is in turn driven by the level of offshore oil and gas exploration and development projects in the regions that the Group's customers operate in. Revenue is recognised in accordance with the agreed stage of completion, which is assessed by reference to survey of work performed and agreement with customers. The duration of such projects depends on the scale and requirements of the customer, and may range between a few weeks to a few months. Billings are generally made in accordance with agreed project milestones.

We do not typically provide any warranty or retention amounts to our customers. For major rig refurbishment projects which we undertake, our customers may require retention fees of approximately 5% of the contract value, and a one year warranty. The retention amounts will be released at the end of one year.

(b) Chartering and towage services

Our vessels are generally chartered by our customers to support their marine offshore transportation, installation and/or fabrication projects. Charter contracts may also include the provision of towage services as required by our customers from time to time. We also offer our vessels on a variety of time charter or voyage charter contracts. Depending on the requirements of our customers, the duration of time charter contracts may range from short-term charters of about two weeks to long-term charters of about one year, and voyage charter contracts may range from less than one week to about two months, depending on the charter destination.

The charter rates for our vessels are based on prevailing market rates at the time of negotiation. Factors affecting such rates include the tenure of charter; the type, size and capability of vessels; and the availability of the required type of vessels in the market.

Our customers for such services comprise mainly offshore O&G players across the industry value chain. Charter income is recognised on an accrual basis over the period of the charter, where billings are made on a monthly basis. For charter periods of less than a month, billings are made at the end of the charter period. We may require a down payment to be made upon signing of the contract for new customers, the amount which will be calculated as a proportion of the order value and to be determined by our assessment of, *inter alia*, the credit-worthiness of the customer.

(c) Freight services

Freight services comprise freight forwarding and warehousing services. We handle the delivery, import and export of goods, documentation and customs clearance by land, rail, ocean freight or air freight. We also provide open and/or covered warehousing and storage solutions to our customers for equipment in transit. Revenue is recognised upon the rendering of services and billings are made upon completion of the provision of services.

(d) Rental of equipment

We offer a comprehensive range of heavy-lift equipment, including, crawler cranes, prime movers, trailers and forklifts for rental. We also provide rental of crane barges for the offshore installation and removal of structures to rigs, FPSOs and production platforms. Our equipment is mainly used to support the logistics and supply chain activities of offshore drilling contractors in Singapore. Our equipment is typically offered on a variety of rental contracts which may range from less than one week to three months. Rental rates are generally based on prevailing market rates and other factors such as, the duration of the rental period and the availability of the required equipment in the market. Rental income is recognised on an accrual basis over the period of the rental period, where billings are generally made on a monthly basis. For rental periods of less than a month, billings are made at the end of the rental period. We may require advanced payments amounting to the full value of the contract and bank guarantees from new customers on the value of the equipment leased.

(e) Sale of goods

We supply bunker fuel, equipment, materials and general supplies to our customers in the offshore O&G and marine industry, and specialise in the sale of tubular products such as drill pipes, drill collars, tubings, casings, conductor pipes, and other specialty tubes. We also supply other general oilfield equipment such as mud pumps, electrodes, waste skips and mooring accessories to the offshore O&G and marine industry.

Revenue is recognised when we have transferred to the buyer the significant risks and rewards of ownership of the goods and billings are made upon delivery. Where the Group does not have sufficient inventory on hand to meet customer demand, a back-to-back order for such equipment will be placed with our suppliers. In such cases, we will typically require a down payment from our customers of a proportion of the order value, which will be determined by our assessment of, *inter alia*, the credit-worthiness of the customer.

(ii) Vessel Sales and Newbuild

Revenue from this business segment accounted for 19.9%, 2.2%, 5.6%, 1.3% and 2.3% of our revenue in FY2010, FY2011, FY2012, 1H2012 and 1H2013 respectively. This comprises:

(a) Vessel Sales

Revenue from vessel sales is recognised upon delivery of the vessels in which the significant risks and rewards of ownership of the vessel have been transferred to the buyer. Generally, the Group requires the customers to make a down payment and the balance upon acceptance and delivery of the vessels. Revenue from vessel sales may also include vessels which the Group had intended to be built for internal use, which were subsequently sold to buyers within 12 months of its completion. For avoidance of doubt, vessels which the Group had intended to be built for internal use, but which were subsequently sold to buyers after 12 months of its completion are recognised as Other Income.

(b) Newbuild

Revenue from newbuilds are recognised based on stage of completion of the vessels and billings are made generally in accordance with agreed milestones.

Our customers may require a retention sum of not more than 10% of the contract value. The retained sum will be released upon acceptance and complete certification by the relevant classification societies.

Other factors which affect our revenue include, *inter alia*:

(i) actual and anticipated price of oil and gas and the resultant impact on the level of activities in offshore O&G exploration, development and production;

(ii) the timing and level of rig and OSV activity in Singapore;

(iii) our ability to retain and attract customers and to compete effectively in the market;

(iv) our production capacity, which is dependent on several factors such as the accessibility and draft of waterfront, the availability of yard space, appropriate equipment and skilled workers and subcontractors; and

(v) our ability to claim for variation orders for additional work required.

Please refer to the sections entitled "Risk Factors" and "Prospects, Business Strategies and Future Plans – Trend Information and Order Book" of this Offer Document for further information on the above factors and other factors that may affect our revenue.

Cost of Sales

Cost of sales constituted 71.5%, 54.1%, 57.1%, 58.1% and 57.6% of our revenue in FY2010, FY2011, FY2012, 1H2012 and 1H2013 respectively.

A breakdown of our cost of sales for the Period Under Review is as follows:

	Audited						Unaudited			
	FY2010		FY2011		FY2012		1H2012		1H2013	
	S$'000	%	S$'000	%	S$'000	%	S$'000	%	S$'000	%
Cost of materials, supplies and fabrication costs	20,393	35.4	13,647	36.4	25,246	50.9	15,273	51.6	12,754	54.1
Operating and maintenance costs	8,237	14.3	9,333	24.8	7,988	16.1	3,991	13.5	3,169	13.4
Costs of shipbuilding and trading of vessels	17,122	29.7	1,421	3.8	3,554	7.2	365	1.3	666	2.8
Other costs	11,837	20.6	13,127	35.0	12,763	25.8	9,943	33.6	7,004	29.7
Total	57,589	100.0	37,528	100.0	49,551	100.0	29,572	100.0	23,593	100.0

Cost of materials, supplies and fabrication costs comprise procurement costs of bunker fuel, marine equipment and parts, and other direct costs incurred in relation to fabrication projects, such as materials, labour and amounts paid to third-party subcontractors. These accounted for 35.4%, 36.4%, 50.9%, 51.6% and 54.1% of our cost of sales in FY2010, FY2011, FY2012, 1H2012 and 1H2013 respectively.

Operating and maintenance costs comprise direct costs incurred in the provisioning of the Group's services, such as, fuel costs, freight, transportation, port charges and vessel repairs and maintenance costs. These accounted for 14.3%, 24.8%, 16.1%, 13.5% and 13.4% of our cost of sales in FY2010, FY2011, FY2012, 1H2012 and 1H2013 respectively.

Costs of shipbuilding and trading of vessels comprise direct costs for newbuild projects, such as materials, engineering costs, labour, amounts paid to third-party subcontractors and the purchase cost of vessels. These accounted for 29.7%, 3.8%, 7.2%, 1.3% and 2.8% of our cost of sales in FY2010, FY2011, FY2012, 1H2012 and 1H2013 respectively.

Other costs comprise mainly depreciation on vessels, machinery and equipment, vessel crew costs, rental costs of vessels, equipment, yard facilities and rental expenses for foreign workers dormitory. Other costs accounted for approximately 20.6%, 35.0%, 25.8%, 33.6% and 29.7% of our cost of sales in FY2010, FY2011, FY2012, 1H2012 and 1H2013 respectively.

The main factors affecting our cost of sales include, *inter alia*:

(a) fluctuations in bunker fuel prices and prices for other raw materials and supplies arising from demand and supply factors;

(b) our ability to negotiate for lower charges from our sub-contractors for part of our works, such as fabrication, piping, painting and blasting, scaffolding, mechanical and electrical fittings and testing;

(c) our ability to attract and retain adequate skilled permanent and subcontract labour for our business such that productivity and quality of our services are maintained;

(d) wage levels, labour market conditions and changes in government policies and regulations (such as foreign workers' levy and quota); and

(e) our ability to manage projects in compliance with customers' specifications and quality requirements as well as changes in laws and regulations that affect the technical specifications required of offshore vessels.

Please refer to the sections entitled "Risk Factors" and "Prospects, Business Strategies and Future Plans – Trend Information and Order Book" of this Offer Document for further information on the above factors and other factors that may affect our cost of sales.

Other Income

Other income accounted for S$0.4 million, S$12.2 million, S$2.2 million, S$1.0 million and S$0.3 million, or 0.5%, 17.6%, 2.6%, 1.9% and 0.6% of our revenue for FY2010, FY2011, FY2012, 1H2012 and 1H2013 respectively. Other income relates to gain on disposal of property, plant and equipment, interest earned from fixed deposits, and other miscellaneous income.

Distribution Costs

Distribution costs accounted for S$1.5 million, S$1.2 million, S$1.6 million, S$0.9 million and S$0.5 million or 4.6%, 5.3%, 8.6%, 9.7% and 6.2% of the Group's total expenses excluding tax expense for FY2010, FY2011, FY2012, 1H2012 and 1H2013 respectively. Distribution costs mainly include advertising costs, marketing costs, promotion expenses, travelling expenses, accommodation expenses, entertainment expenses, brokerage fees incurred in relation to the sale of vessels and commission paid.

Administrative Expenses

Administrative expenses accounted for S$16.5 million, S$14.2 million, S$13.1 million, S$6.6 million and S$7.4 million or 49.3%, 61.3%, 71.7%, 69.5% and 88.7% of the Group's total expenses for FY2010, FY2011, FY2012, 1H2012 and 1H2013 respectively.

Administrative expenses consist mainly of staff-related expenses, including directors' fees and remuneration of directors and administrative staff, premises-related expenses, such as property tax and utilities, and other miscellaneous costs, such as professional fees and telecommunication expenses.

Other Expenses

Other expenses accounted for S$12.0 million, S$5.0 million, S$2.1 million, S$1.2 million and credit of S$0.1 million or 35.9%, 21.7%, 11.7%, 12.4% and -0.8% of the Group's total expenses for FY2010, FY2011, FY2012, 1H2012 and 1H2013 respectively. Other expenses mainly include depreciation charges, insurance costs, medical fees, upkeep of motor vehicle, allowance/reversal of impairment for doubtful receivables and allowance/reversal for inventory obsolescence.

Finance costs

Finance costs relate to interest incurred on finance leases, borrowings and trust receipts. Finance expenses accounted for S$3.4 million, S$2.7 million, S$1.5 million, S$0.8 million and S$0.5 million or 10.1%, 11.6%, 7.9%, 8.4% and 6.0% of total expenses for FY2010, FY2011, FY2012, 1H2012 and 1H2013 respectively.

Income Tax Expense

Our entities within the Group are subject to income tax at the applicable statutory tax rates in Singapore.

	FY2010	FY2011	FY2012	1H2013
Income tax expense/(credit) (S$'000)	(770)	2,385	3,817	1,256
Profit/(Loss) before tax(S$'000)	(9,961)	20,913	21,102	9,285
Effective tax rate (income tax expense as a percentage of PBT) (%)	N.A.	11.4	18.1	13.5

In FY2010, FY2011, FY2012 and 1H2013, provision for income tax was made on income derived from our operations in Singapore. The prevailing statutory tax rate in Singapore was 17.0% in FY2010, FY2011, FY2012 and 1H2013.

Due to losses incurred in FY2010, there was a reduction in deferred tax liabilities. In FY2011, our effective tax rate of 11.4% was lower than the prevailing statutory tax rate in Singapore due mainly to a gain on disposal of leasehold land and property and exempt charter income which were not subject to tax. In FY2012, our effective tax rate of 18.1% was higher than the prevailing statutory tax rate in Singapore due mainly to non-deductible expenses. In 1H2013, our effective tax rate of 13.5% was lower than the prevailing statutory tax rate in Singapore due mainly to exempt charter income which were not subject to tax.

INFLATION

For the Period Under Review, inflation did not have a material impact on our performance.

REVIEW OF RESULTS OF OPERATIONS

For the purpose of this section, we have segmented our revenue and gross profit by business segments as well as geographical locations of our customers for the Period Under Review. This analysis, provided below, should be read in conjunction with the "Independent Auditors' Reports on the Combined Financial Statements of Kim Heng Offshore & Marine Holdings Limited and its subsidiaries for the Financial Years ended 31 December 2010, 2011 and 2012 and Six Months Period Ended 30 June 2013" as set out in Appendix A of this Offer Document.

Review of Past Performance by Business Segments

Revenue

	Audited						Unaudited			
	FY2010		FY2011		FY2012		1H2012		1H2013	
	S$'000	%	S$'000	%	S$'000	%	S$'000	%	S$'000	%
Offshore Rig Services and Supply Chain Management	64,524	80.1	67,889	97.8	81,853	94.4	50,244	98.7	39,995	97.7
Vessel Sales and Newbuild	16,076	19.9	1,499	2.2	4,875	5.6	680	1.3	961	2.3
Total	**80,600**	**100.0**	**69,388**	**100.0**	**86,728**	**100.0**	**50,924**	**100.0**	**40,956**	**100.0**

Gross Profit

	Audited						Unaudited			
	FY2010		FY2011		FY2012		1H2012		1H2013	
	S$'000	%	S$'000	%	S$'000	%	S$'000	%	S$'000	%
Offshore Rig Services and Supply Chain Management	24,057	104.5	31,782	99.8	35,856	96.4	21,037	98.5	17,069	98.3
Vessel Sales and Newbuild	(1,046)	(4.5)	78	0.2	1,321	3.6	315	1.5	294	1.7
Total	**23,011**	**100.0**	**31,860**	**100.0**	**37,177**	**100.0**	**21,352**	**100.0**	**17,363**	**100.0**

Gross Profit Margin

	FY2010 %	FY2011 %	FY2012 %	1H2012 %	1H2013 %
Offshore Rig Services and Supply Chain Management	37.3	46.8	43.8	41.9	42.7
Vessel Sales and Newbuild	(6.5)	5.2	27.1	46.3	30.6
Group	**28.5**	**45.9**	**42.9**	**41.9**	**42.4**

Review of Past Performance by Geographical Locations of our Customers

Our revenue is mainly derived from customers located in Singapore and Australasia, collectively representing 75.4%, 75.8%, 72.3%, 79.5% and 67.0% of our total revenue for FY2010, FY2011, FY2012, 1H2012 and 1H2013 respectively. For the purposes of geographical segmentation, revenue is classified according to the billing addresses of our customers. These locations or geographical regions may be different from the locations where the products or services are eventually utilised or rendered respectively.

While it is possible to segment our revenue by geographical regions, the allocation of costs cannot be done in a similar manner with reasonable accuracy as our costs are general in nature and are pooled to serve all our customers. These costs comprise distribution expenses, administrative expenses, other operating expenses, finance costs and other charges. As we do not track the allocation of our cost of sales and operating costs by geographical regions, any attempt to match these expenses to revenue in the various geographical regions is therefore not meaningful.

Revenue

S$'000	Audited			Unaudited	
	FY2010	FY2011	FY2012	1H2012	1H2013
Singapore	46,180	49,749	52,935	35,624	25,953
Middle East	5,260	407	652	282	5,074
Southeast Asia excluding Singapore	5,630	4,902	10,552	5,787	3,889
Australasia	14,574	2,874	9,792	4,863	1,505
Europe	5,183	1,853	7,189	965	817
USA	383	6,221	726	315	442
Others[1]	3,390	3,382	4,882	3,088	3,276
Total	80,600	69,388	86,728	50,924	40,956

Percentage (%)	Audited			Unaudited	
	FY2010	FY2011	FY2012	1H2012	1H2013
Singapore	57.3	71.7	61.0	70.0	63.4
Middle East	6.5	0.5	0.8	0.5	12.4
Southeast Asia excluding Singapore	7.0	7.1	12.2	11.4	9.5
Australasia	18.1	4.1	11.3	9.5	3.6
Europe	6.4	2.7	8.3	1.9	2.0
USA	0.5	9.0	0.8	0.6	1.1
Others[1]	4.2	4.9	5.6	6.1	8.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Note:-

(1) Others include customers mainly from Brazil, the PRC, Japan, Korea, Russia and Seychelles.

FY2011 vs FY2010

Revenue

Revenue decreased by S$11.2 million or 13.9%, from S$80.6 million in FY2010 to S$69.4 million in FY2011.

This was due to a decrease in revenue from the Vessel Sales and Newbuild segment by S$14.6 million or 90.7%, from S$16.1 million in FY2010 to S$1.5 million in FY2011. The decrease in revenue was partially offset by an increase in revenue contribution from the Offshore Rig Services and Supply Chain Management segment of S$3.4 million or 5.2%, from S$64.5 million in FY2010 to S$67.9 million in FY2011.

Offshore Rig Services and Supply Chain Management

The factors leading to the increase in revenue in the Offshore Rig Services and Supply Chain Management segment for FY2011 are as follows:

i. an increase in marine offshore support services income which we provide to drilling contractors by S$7.1 million or 29.8% from S$23.7 million in FY2010 to S$30.8 million in FY2011;

ii. an increase in equipment rental income by S$3.9 million or 145.1% from S$2.7 million in FY2010 to S$6.6 million in FY2011; and

iii. an increase in freight services income by S$0.5 million or 73.3% from S$0.7 million in FY2010 to S$1.2 million in FY2011.

The above increases in revenue were mainly due to an increase in the number of rigs which we serviced from our major customer, Transocean, in FY2011.

The increase in revenue was partially offset by:

i. lower revenue from chartering and towage services by S$5.8 million or 27.9%, from S$20.8 million in FY2010 to S$15.0 million in FY2011. This was due mainly to the completion of a S$6.6 million marine vessels charter agreement in FY2010 with Gammon for the erection of the sentosa boardwalk ("**Sentosa Boardwalk**") in Singapore; and

ii. lower revenue from sale of materials such as oilfield equipment, bunker fuels and tubular products by S$2.3 million or 13.7%, from S$16.7 million in FY2010 to S$14.4 million in FY2011 stemming from lower demand and increased price competition in the market for tubular products.

Vessel Sales and Newbuild

Revenue from the Vessel Sales and Newbuild segment decreased by S$14.6 million or 90.7%, from S$16.1 million in FY2010 to S$1.5 million in FY2011.

The decrease in revenue from the Vessel Sales and Newbuild segment was mainly due to:

i. decrease in revenue from newbuild contracts by S$11.8 million due to the completion of the construction of pipe-laying barge *McDermott LB32* for Hydro Marine in FY2010. We did not undertake any newbuild contracts in FY2011 so as to focus and deploy our resources on projects and services with higher margins and better payment terms; and

ii. decrease in revenue from sales of vessels by S$2.8 million or 65.1%, from S$4.3 million in FY2010 to S$1.5 million in FY2011 due to the decrease in the number of vessels sold from five vessels in FY2010 to one vessel in FY2011.

Geographically, the decrease in revenue was attributable to the decreased revenue contribution from our customers in Australasia, the Middle East, Europe and Southeast Asia excluding Singapore of S$11.7 million, S$4.9 million, S$3.3 million and S$0.7 million respectively, partially offset by an increase in revenue contribution from our customers in USA and Singapore of S$5.8 million and S$3.6 million respectively.

Factors leading to the decrease in revenue are as follows:

i. Revenue from Australasia decreased by S$11.7 million or 80.3% in FY2011 mainly due to vessel fabrication works which was completed in FY2010 for KPS Karadeniz. The revenue of S$8.4 million from this project was fully booked in FY2010;

ii. Revenue from customers in the Middle East decreased by S$4.9 million or 92.3% in FY2011 mainly due to a non-recurring provision of vessel and equipment charter services to a customer in Qatar for S$3.9 million in FY2010;

iii. Revenue from Europe decreased by S$3.3 million or 38.9% in FY2011 mainly due to charter agreement with a customer in Mexico which ended in FY2010 and no similar contract being secured in FY2011; and

iv. Revenue from Southeast Asia excluding Singapore decreased by S$0.7 million or 12.9% in FY2011 due to the supply of steel to a customer in Indonesia amounting to S$0.65 million in FY2010 and no such transaction being entered into in FY2011.

The decrease in revenue was partially offset by higher revenue contribution from our customers in Singapore due mainly to an increase in rig orders won by Singapore yards in FY2011, in light of the improving market sentiments associated with the global offshore and marine industry. These order wins had a positive spillover effect on our Group, as we provide rig-related offshore support services as well as ongoing support that we provide to our existing customers. Revenue contribution from our customers in USA also increased by S$5.8 million, due mainly to the provisioning of rig-related offshore support services to them in FY2011.

Cost of Sales and Gross Profit

Cost of sales decreased by S$20.1 million or 34.8% from S$57.6 million in FY2010 to S$37.5 million in FY2011. This was mainly due to decreases in (i) costs incurred on vessel newbuilds of S$15.7 million, which was in line with the decrease in revenue contribution from the Vessel Sales and Newbuild segment as the Group had completed the construction of the *McDermott LB32* in FY2010; (ii) cost of materials, supplies and fabrication of S$7.2 million, arising from decrease in cost of tubular products and fabrication which was in line with the decrease in tubular products sale and fabrication services rendered; (iii) labour costs of S$0.8 million, arising from completion of the conversion of power barge for KPS Karadeniz and the construction of *McDermott LB32* in FY2010; and (iv) depreciation charges of S$0.4 million. This was partially offset by increases in (i) rental costs relating to vessels, yard, equipment and foreign worker dormitory of S$2.6 million arising mainly from rental of an accommodation barge from a third party; (ii) freight, transportation and port charges of S$0.8 million; (iii) fuel costs of S$0.2 million; and (iv) vessel repair, maintenance, port & other charges of S$0.1 million.

Gross profit increased by S$8.8 million or 38.5%, from S$23.0 million in FY2010 to S$31.9 million in FY2011 due to an improvement in gross profit margin from 28.5% in FY2010 to 45.9% in FY2011. Our overall gross profit margin was higher in FY2011 as a higher proportion of our revenue was derived from higher margin services and maintenance contracts. Gross profit margins for the Offshore Rig Services and Supply Chain Management segment increased from 37.3% to 46.8% mainly due to higher margin services and maintenance contracts which we undertook in FY2011. Gross profit margin for the Vessel Newbuild and Sale segment increased from a gross loss margin of 6.5% to a gross profit margin of 5.2%, due to the completion of vessel newbuild projects in FY2010. We did not undertake any vessel newbuild projects in FY2011.

Other Income

Other income increased by S$11.8 million from S$0.4 million in FY2010 to S$12.2 million in FY2011 due mainly to gains on disposal of property, plant and equipment of S$12.1 million in FY2011. The Group had disposed two leasehold properties and eleven vessels in FY2011 with a gain of S$7.5 million and S$4.7 million respectively. The disposals were made to strengthen our financial position by lowering our gearing ratio. In prior years, we had made substantial investments in capital assets which were funded by external borrowings.

Distribution Expenses

Our distribution expenses decreased by S$0.3 million or 20.0%, from S$1.5 million in FY2010 to S$1.2 million in FY2011 due mainly to lower travelling and accommodation expenses, entertainment, advertisement and promotion expenses by S$0.5 million, which was in line with the decrease in revenue. This was partially offset by higher brokerage fees of S$0.2 million, relating to the disposal of eleven units of vessels in FY2011.

Administrative Expenses

Our administrative expenses decreased by S$2.3 million or 13.7%, from S$16.5 million in FY2010 to S$14.2 million in FY2011 due mainly to lower staff-related expenses arising from lower foreign workers' salaries and levies paid in FY2011 due to a decrease in foreign worker headcount as the Group had completed the conversion of a power barge for KPS Karadeniz and the construction of the *McDermott LB32* for Hydro Marine in FY2010.

Other Expenses

Other expenses decreased by S$7.0 million or 58.0%, from S$12.0 million in FY2010 to S$5.0 million in FY2011 due mainly to (i) lower allowance made for the impairment of doubtful receivables of S$4.8 million, due mainly to a receivable of S$4.8 million from Tan Logistics Pty Ltd (formerly known as Darwin Offshore Logistics Base Pty Ltd ("**DOLB**")) in relation to services rendered by Kim Heng Marine to DOLB in FY2004 and FY2005; (ii) lower impairment losses recognised for inventories by S$1.2 million; (iii) lower foreign exchange losses of S$1.2 million and, (iv) lower insurance, office rental and sundry expenses of S$0.5 million in FY2011. This was partially offset by higher depreciation of S$0.7 million.

Finance Costs

Finance costs decreased by S$0.7 million, from S$3.4 million in FY2010 to S$2.7 million in FY2011 due mainly to a decrease in interest expenses incurred for finance leases, term loans, bank overdrafts and trust receipts, which were in line with the decrease in the level of the Group's indebtedness due to the repayment of term loans from the proceeds arising from the disposal of property, plant and equipment.

Profit Before Tax

The Group recorded a profit before tax of S$20.9 million in FY2011, as compared to loss before tax of S$10.0 million in FY2010. Excluding one-off disposal gains from disposal of property, plant and equipment, allowance for doubtful debt and impairment losses recognised, FY2011 profit before tax was S$11.2 million and FY2010 loss before tax was S$1.8 million respectively. The increase in profit before tax in FY2011 was mainly due to higher gross profit and reduction in administrative expenses.

FY2012 vs FY2011

Revenue

Revenue increased by S$17.3 million or 25.0%, from S$69.4 million in FY2011 to S$86.7 million in FY2012.

This was mainly due to (i) an increase in revenue from the Offshore Rig Services and Supply Chain Management segment by S$14.0 million or 20.6%, from S$67.9 million in FY2011 to S$81.9 million in FY2012; and (ii) an increase in revenue from the Vessel Sales and Newbuild segment by S$3.4 million or 225.2%, from S$1.5 million in FY2011 to S$4.9 million in FY2012.

Offshore Rig Services and Supply Chain Management

The factors leading to the increase in revenue in the Offshore Rig Services and Supply Chain Management segment for FY2012 are as follows:

i. an increase in revenue from sale of goods by S$12.9 million or 90.0%, from S$14.4 million in FY2011 to S$27.3 million in FY2012 due to the increase in sale of materials and consumables to Transocean of S$8.0 million, as well as a contract secured with a new customer from Latin America of S$2.4 million in FY2012 for the sale of drilling pipes; and

ii. an increase in equipment rental income by S$3.9 million or 59.6%, from S$6.6 million in FY2011 to S$10.5 million in FY2012.

The above increases in revenue were mainly due to the continual increase in offshore oil exploration activities in the regions we operated in, supported by rising oil prices, which led to more rigs being deployed into these regions and resulted in higher demand for our rig management and support services. In addition, increase in worldwide offshore activities which led to higher demand for vessels also contributed to our increase in revenue from sales of vessels. Further, rising labour costs, together with a shortage in vessels led to higher cost of sales which we were able to pass on to our customers in the form of higher sales prices.

The increase in revenue was partially offset by:

i. a decrease in chartering and towage income by S$2.0 million or 13.2%, from S$15.0 million in FY2011 to S$13.0 million in FY2012 as more customers chose to purchase vessels instead of chartering due to the longer tenure of their projects, as well as rising charter rates;

ii. a decrease in freight services income by S$0.6 million or 48.2%, from S$1.2 million in FY2011 to S$0.6 million in FY2012 due to a decline in demand for our freight forwarding services, which is contingent upon the operational requirements of our customers; and

iii. a decrease in revenue from marine offshore support services by S$0.3 million or 1.1%, from S$30.7 million in FY2011 to S$30.4 million in FY2012.

Vessel Sales and Newbuild

Revenue from the Vessel Sales and Newbuild segment increased by S$3.4 million or 225.2%, from S$1.5 million in FY2011 to S$4.9 million in FY2012 due to an increase in the number of vessels sold from one unit in FY2011 to eight units in FY2012 as more customers chose to purchase vessels instead of charter them due to the longer tenure of their projects, as well as rising charter rates.

Geographically, the increase in revenue was primarily attributable to the increased revenue contribution from our customers in Australasia, Southeast Asia excluding Singapore, Europe, Singapore, the Middle East and Others of S$6.9 million, S$5.7 million, S$5.3 million, S$3.2 million, S$0.2 million and S$1.5 million respectively.

Factors leading to the increase in revenue are as follows:

i. Revenue from Australasia increased by S$6.9 million or 240.7% in FY2012 mainly due to increase in sales of vessels of S$4.9 million as more customers chose to purchase vessels instead of charter them due to the longer tenure of their projects, as well as rising charter rates.

ii. Revenue from Southeast Asia excluding Singapore increased by S$5.7 million or 115.3% in FY2012 due mainly to the increased demand for oilfield equipment rental and our offshore logistics services, stemming from the increased levels of offshore drilling activity undertaken by the end-user customer, ConocoPhillips Inc., in Indonesia. This contributed to S$3.1 million of the increase in revenue.

iii. Revenue from Europe increased by S$5.3 million mainly due to revenue from fabrication works done for a new customer in Portugal amounting to S$6.7 million.

iv. Revenue from Singapore increased by S$3.2 million or 6.4% mainly due to an increase in offshore O&G exploration activities in the surrounding regions. This was due to an increase in the ongoing services that we provide to our existing customers, which include regular maintenance services and replacement of rig components.

v. Revenue from customers in the Middle East increased by S$0.2 million or 60.2% in FY2012 due to vessel fabrication works for a customer of S$0.6 million.

vi. Revenue from other regions increased by S$1.5 million in FY2012 mainly due to sale of tubular products to a new customer in Latin America which amounted to S$2.4 million.

The above increases in revenue were partially offset by a decrease in revenue from the USA amounting to S$5.5 million or 88.3% in FY2012. This was mainly due to a decrease in rig-related offshore support services provided to our customers from the USA in FY2012.

Cost of Sales and Gross Profit

Cost of sales increased by S$12.0 million or 32.0% from S$37.5 million in FY2011 to S$49.6 million in FY2012, which was in line with the increase in revenue. This was mainly due to increases in (i) cost of materials and supplies, such as oilfield equipment and bunker fuels, of S$11.6 million; (ii) freight, transportation and port charges of S$0.4 million; and (iii) labour costs of S$0.2 million. This was partially offset by decreases in (i) fuel costs of S$1.3 million arising from lower chartering of tugs which was in line with the decrease in chartering and towage income; (ii) shipbuilding and fabrication costs of S$1.3 million, which was in line with the decrease in revenue contribution from the Vessel Sales and Newbuild segment as the Group had focused its resources on higher-margin offshore support services; (iii) vessel repair, maintenance, port and other charges of S$0.4 million; (iv) rental costs relating to vessels, yard, equipment and foreign worker dormitory of S$0.2 million; (v) depreciation charges of S$0.2 million; and (vi) other expenses of S$0.2 million.

Gross profit increased by S$5.3 million or 16.7%, from S$31.9 million in FY2011 to S$37.2 million in FY2012 due mainly to higher revenue generated in FY2012. Gross profit for the Offshore Rig Services and Supply Chain Management segment increased by S$4.1 million and gross profit for the Vessel Sales and Newbuild segment increased by S$1.2 million.

Our overall gross profit margin decreased by 3.0 percentage points to 42.9% in FY2012 from 45.9% in FY2011 mainly due to lower gross profit margins from our Offshore Rig Services and Supply Chain Management segment, where gross profit margins decreased by 3.0 percentage points to 43.8% in FY2012 as compared to 46.8% in FY2011. This was mainly due to a higher proportion of the contribution to the segment arising from the sales of goods in FY2012, which generated a lower gross profit margin. Gross profit margins from the Vessel Sales and Newbuild segment increased by 21.9 percentage points to 27.1% in FY2012 as compared to 5.2% in FY2011 as the Group sold higher capacity vessels in FY2012 which were of higher gross profit margins.

Other Income

Other income decreased by S$10.0 million or 81.8%, from S$12.2 million in FY2011 to S$2.2 million in FY2012 due mainly to lower gain on disposal of property, plant and equipment of S$10.1 million arising from one-off disposals of leasehold properties which did not recur in FY2012. This was partially offset by higher sundry income of S$0.1 million in FY2012.

Distribution Expenses

Our distribution expenses increased by S$0.4 million or 27.9%, from S$1.2 million in FY2011 to S$1.6 million in FY2012 due mainly to higher advertising, marketing and promotion expenses of S$0.2 million and higher brokerage fees of S$0.2 million arising from the increase in the number of vessels disposed.

Administrative Expenses

Our administrative expenses decreased by S$1.1 million or 7.7%, from S$14.2 million in FY2011 to S$13.1 million in FY2012 due mainly to lower staff-related expenses as well as the reversal of unutilised leave and bonus expenses which we had over provided for in FY2011.

Other Expenses

Our other expenses decreased by S$2.9 million or 57.3%, from S$5.0 million in FY2011 to S$2.1 million in FY2012 due mainly to allowance for inventory obsolescence in FY2011 amounting to S$2.3 million which did not recur in FY2012 and lower depreciation charges of S$0.4 million mainly due to the disposal of two leasehold properties in FY2011.

Finance Costs

Finance costs decreased by S$1.3 million, from S$2.7 million in FY2011 to S$1.5 million in FY2012 due mainly to a decrease in interest expenses incurred for finance leases, term loans, bank overdrafts and trust receipts, which was in line with the reduction in loans and borrowings.

Profit Before Tax

The Group recorded a profit before tax of S$21.1 million in FY2012, as compared to S$20.9 million in FY2011. The increase in profit before tax in FY2012 was mainly due to higher gross profit in FY2012 and a reduction in administrative expenses.

1H2013 vs 1H2012

Revenue

Revenue decreased by S$9.9 million or 19.6%, from S$50.9 million in 1H2012 to S$41.0 million in 1H2013.

This was due mainly to (i) a decrease in revenue from the Offshore Rig Services and Supply Chain Management segment by S$10.2 million or 20.4%, from S$50.2 million in 1H2012 to S$40.0 million in 1H2013.

Offshore Rig Services and Supply Chain Management

The factors leading to the decrease in revenue from the Offshore Rig Services and Supply Chain Management segment for 1H2013 are as follows:

i. a decrease in chartering and towage income by S$4.5 million or 49.9%, from S$9.0 million in 1H2012 to S$4.5 million in 1H2013;

ii. a decrease in revenue from sale of goods by S$3.0 million or 15.3%, from S$19.9 million in 1H2012 to S$16.9 million in 1H2013. The decrease in revenue was mainly due to a non-recurring sale of drilling pipes to a customer in Latin America of S$2.4 million in 1H2012;

iii. a decrease in revenue from marine offshore support services rendered by S$2.2 million or 13.7% from S$15.7 million in 1H2012 to S$13.5 million in 1H2013; and

iv. a decrease in freight services income by S$0.5 million or 97.7%, from S$0.5 million in 1H2012 to S$12,000 in 1H2013.

The decrease in chartering and towage income, sale of goods, marine offshore support services rendered and freight services income was mainly due to lesser projects undertaken in 1H2013 as compared to 1H2012. Our revenue is materially dependent on, *inter alia*, the timing of arrival of drilling rigs and OSVs in Singapore. Although we do not experience seasonality in our business, in FY2012, a larger proportion of our revenue from the Offshore Rig Services and Supply Chain Management segment was recorded in 1H2012 (61.4%) as compared to 2H2012 (38.6%). This was mainly due to more drilling rigs and OSVs from our customers arriving in Singapore in 1H2012 as compared to 2H2012 and the project-based nature of our business. There was a lower number of drilling rigs and OSVs from our customers arriving in Singapore in 1H2013, leading to lower revenue in 1H2013 as compared to 1H2012.

Vessel Sales and Newbuild

Revenue from the Vessel Sales and Newbuild segment increased by S$0.3 million or 41.3%, from S$0.7 million in 1H2012 to S$1.0 million in 1H2013 mainly due to higher selling price of the vessels sold.

Geographically, the decrease in revenue was primarily attributable to the decreased revenue contribution from our customers in Singapore, Australasia and Southeast Asia excluding Singapore of S$9.7 million, S$3.4 million and S$1.9 million respectively, partially offset by an increase in revenue contribution from our customers in Middle East and Others of S$4.8 million and S$0.2 million respectively.

Factors leading to the decrease in revenue are as follows:

i. Revenue from Singapore decreased by S$9.7 million or 27.1% mainly due to decrease in revenue from marine offshore support services, and chartering and towage income due to lesser projects undertaken in 1H2013 as there were delays in certain projects by our customers.

ii. Revenue from Australasia decreased by S$3.4 million or 69.1% in 1H2013 mainly due to the supply of bunker fuel to a customer in Australia which amounted to S$3.3 million in 1H2012 and no such similar transactions were entered into in 1H2013.

iii. Revenue from Southeast Asia excluding Singapore decreased by S$1.9 million or 32.8% due to decrease in revenue from sales of goods, marine offshore support services, chartering and towage services and equipment rental income from a customer in Malaysia as compared to 1H2012.

The decrease in revenue was partially offset by an increase in revenue from the Middle East by S$4.8 million in 1H2013, which was due mainly to a rig re-activation and refurbishment project amounting to S$3.8 million.

Cost of Sales and Gross Profit

Cost of sales decreased by S$6.0 million or 20.2% from S$29.6 million in 1H2012 to S$23.6 million in 1H2013, which was in line with the decrease in revenue. This was mainly due to decreases in (i) cost of materials and supplies of S$2.5 million, arising from a decrease in sale of goods; (ii) rental costs relating to vessels, yard and equipment of S$2.7 million; (iii) vessel repair, maintenance, port and other charges of S$0.4 million, (iv) freight, transportation and port charges of S$0.2 million and (v) fuel cost of S$0.2 million.

Overall gross profit decreased by S$4.0 million or 18.7%, from S$21.4 million in 1H2012 to S$17.4 million in 1H2013 due mainly to lower revenue generated in 1H2013 as fewer transactions had been undertaken in the Offshore Rig Services and Supply Chain Management segment for 1H2013 as compared to 1H2012.

Our overall gross profit margin remained fairly constant at 42.4% in 1H2013 as compared to 41.9% in 1H2012. However, gross profit margins from the Vessel Sales and Newbuild segment decreased by 15.7 percentage points to 30.6% in 1H2013 as compared to 46.3% in 1H2012 as we had not been able to secure higher gross profit margins due to weaker market demand for vessels.

Other Income

Other income decreased by S$0.7 million from S$1.0 million in 1H2012 to S$0.3 million in 1H2013 mainly due to a decrease in gain on sale of fixed assets of S$0.9 million as a result of a lower number of vessels sold. This was partially offset by higher sundry income of S$0.2 million.

Distribution Expenses

Our distribution expenses decreased by S$0.4 million or 43.9%, from S$0.9 million in 1H2012 to S$0.5 million in 1H2013 due mainly to lower advertising, marketing and promotion expenses of S$0.2 million and lower brokerage fees of S$0.2 million due to a decrease in vessel sales in 1H2013.

Administrative Expenses

Our administrative expenses increased by S$0.8 million or 12.3% from S$6.6 million in 1H2012 to S$7.4 million in 1H2013. The increase is due mainly to an increase in professional fees of S$0.6 million incurred in relation to the Group's listing exercise.

Other Expenses

Our other expenses decreased by S$1.2 million mainly due to reversal of allowance for inventory obsolescence by S$1.6 million. The reversal was recorded as we had managed to sell the inventory subsequently. In 1H2012, there were no reversals of, nor amounts recognised as, allowance for inventory obsolescence.

Finance Costs

Finance costs decreased by S$0.3 million or 37.9% from S$0.8 million in 1H2012 to S$0.5 million in 1H2013. The decrease is in line with the decrease in outstanding financing facilities from S$23.5 million in 1H2012 to S$14.5 million in 1H2013.

Profit Before Tax

The Group recorded a profit before tax of S$9.3 million in 1H2013 as compared to S$12.9 million in 1H2012. The reduction was in line with the decrease in revenue and gross profit.

REVIEW OF FINANCIAL POSITION

Current Assets

Current assets comprise mainly cash and cash equivalents, trade and other receivables, and inventories.

As at 31 December 2012, current assets amounted to S$26.1 million or 30.1% of our total assets. Trade and other receivables was the largest component of our current assets, accounting for S$23.6 million or 90.2% of our current assets. This comprised mainly trade receivables of S$20.2 million and other receivables of S$3.4 million. Other receivables comprised mainly deposits pertaining to purchase of property, plant and equipment, prepayments and other receivables owing from a related party of S$1.2 million, S$0.2 million and S$2.0 million respectively. Inventories comprising work in progress and finished goods accounted for S$1.4 million or 5.5% of our current assets. The remaining balance of current assets comprises cash and cash equivalents of S$1.1 million.

As at 30 June 2013, current assets amounted to S$25.5 million or 28.3% of our total assets. Trade and other receivables accounted for S$19.8 million or 78.0% of our current assets. This comprised mainly trade receivables of S$17.0 million and other receivables of S$2.8 million. Other receivables comprised mainly deposits, accrued revenue, prepayments and other receivables owing from a related party of S$0.8 million, S$0.1 million, S$0.5 million and S$1.4 million respectively. Inventories accounted for S$2.2 million or 8.8% of our current assets. Cash and cash equivalents amounted to S$3.4 million or 13.2% of current assets.

Non-Current Assets

Non-current assets comprise property, plant and equipment and club memberships.

As at 31 December 2012, our net book value of non-current assets amounted to S$60.6 million or 69.8% of our total assets. Property, plant and equipment accounted for S$60.6 million or 99.9% of our non-current assets with the balance being club memberships.

Property, plant and equipment comprised mainly (i) machinery and equipment of S$31.2 million, such as cranes, motor vehicles, and electrical machineries; (ii) vessels of S$26.6 million; (iii) leasehold land and building of S$2.4 million; (iv) furniture, fittings, office equipment and computers of S$0.2 million; and (v) renovation and improvements of S$0.1 million.

As at 30 June 2013, our net book value of non-current assets amounted to S$64.4 million or 71.6% of our total assets. Property, plant and equipment accounted for S$64.4 million or 99.9% of our non-current assets with the balance being club memberships.

Property, plant and equipment comprised mainly (i) machinery and equipment of S$30.2 million; (ii) vessels of S$31.6 million; (iii) leasehold land and building of S$2.3 million; (iv) furniture, fittings, office equipment and computers of S$0.2 million; and (v) renovation and improvements of S$0.1 million.

Current Liabilities

Current liabilities comprise short-term borrowings (i.e. bank overdrafts and trust receipts), trade and other payables, current tax payable, current portion of long-term borrowings and current portion of finance lease liabilities.

As at 31 December 2012, current liabilities amounted to S$31.4 million or 72.4% of our total liabilities. Trade and other payables accounted for S$18.1 million or 57.5% of our current liabilities. Trade and other payables comprise mainly trade payables of S$11.2 million, accrued operating expenses of S$3.1 million, deposits from customers of S$1.1 million, dividends payable of S$1.9 million, non-trade amounts owing to directors of S$0.1 million, and other payables of S$0.7 million. Non-trade amounts owing to directors relate mainly to advances from directors which were interest-free and had no fixed terms of repayment. As at the Latest Practicable Date, the non-trade amounts owing to directors have been fully repaid. Please refer to the section entitled "Interested Person Transactions" of this Offer Document for more details on amounts owing to related parties. Short-term borrowings comprised bank overdrafts and trust receipts and accounted for S$1.7 million or 6.2% of our current liabilities. Current portion of long-term borrowings amounted to S$2.4 million or 8.7% of our current liabilities. The remaining current liabilities were made up of current portion of finance lease liabilities of S$2.5 million and current tax payable of S$1.9 million.

As at 30 June 2013, current liabilities amounted to S$29.7 million or 63.1% of our total liabilities. Trade and other payables accounted for S$19.7 million or 66.4% of our current liabilities. Trade and other payables comprise mainly trade payables, accrued operating expenses, dividends payable, deposits from customers, billing in advance and other payables of S$11.4 million, S$4.3 million, S$2.1 million, S$1.6 million, S$0.2 million and S$0.2 million respectively. Short-term borrowings accounted for S$2.4 million or 8.1% of our current liabilities. Current portion of long-term borrowings amounting to S$3.3 million was part of the secured interest-bearing term loans from financial institutions. The remaining current liabilities were made up of current portion of finance lease liabilities of S$2.9 million and current tax payable of S$1.3 million. Please refer to the section entitled "Capitalisation and Indebtedness" of this Offer Document for further details.

Current liabilities decreased by S$1.7 million or 5.5% from S$31.4 million in FY2012 to S$29.7 million in 1H2013 due to decrease in short-term borrowings, current portion of long-term borrowings and current portion of finance lease liabilities by S$1.3 million, S$0.7 million and S$1.9 million respectively. The decrease was partially offset by increase in trade and other payables and current tax payable of S$1.7 million and S$0.6 million respectively.

The increase in trade and other payables was due mainly to increase in trade payables, accrued operating expenses, advance billings, deposits from customers and dividends payable by S$0.2 million, S$1.1 million, S$0.2 million, S$0.5 million and S$0.2 million respectively. The increase was partially offset by decrease in other payables and amounts due to directors by S$0.5 million and S$0.1 million respectively due to repayment during the period.

In 2007, Kim Heng Marine had issued a performance guarantee ("**Performance Guarantee**") for an Australian project undertaken by T-D Joint Venture Pty Ltd ("**TDJV**"), in which our related party is a joint venture partner. The maximum potential amount of the Performance Guarantee is approximately S$7 million. The Performance Guarantee was called in 2009. However, based on independent legal advice and subsequent developments of the project, the Directors believe that it is not probable that there will be any outflow of cash required to settle the Performance Guarantee. Accordingly, no provision for the Performance Guarantee has been made in the financial statements of the Group. SK Tan has indemnified Kim Heng Marine for any and all claims made in connection with the Performance Guarantee.

Non-Current Liabilities

Non-current liabilities comprise deferred tax liabilities, long-term borrowings, finance lease liabilities and amounts due to shareholders.

As at 31 December 2012, our non-current liabilities amounted to S$12.0 million or 27.6% of our total liabilities comprising mainly long-term borrowings of S$2.7 million relating to secured interest-bearing term loans from financial institutions to finance the purchase of the vessels, finance lease liabilities of S$3.5 million for machinery and equipment purchased and deferred tax liabilities of S$5.9 million.

As at 30 June 2013, our non-current liabilities amounted to S$17.4 million or 36.9% of our total liabilities comprising mainly long-term borrowings of S$3.2 million to finance the purchase of the vessels, finance lease liabilities of approximately S$2.7 million, amount due to shareholders amounted to S$5.6 million and deferred tax liabilities of S$5.9 million. The amount due to shareholders relate to the 154,545 shares in the capital of the Company to be issued after 30 June 2013 pursuant to the Investment Agreement. Please refer to the section entitled "Restructuring Exercise" of this Offer Document for further details.

Non-current liabilities increased by S$5.4 million or 44.7% from FY2012 to 1H2013 due to an increase in amount due to shareholders of S$5.6 million and an increase in long-term borrowings of S$0.6 million to fund the purchase of 4 new barges for charter, which was partially offset by a decrease in finance lease liabilities by S$0.8 million.

Shareholders' Equity

As at 31 December 2012 and 30 June 2013, shareholders' equity amounted to S$43.4 million and S$42.8 million respectively. Shareholders' equity decreased as at 30 June 2013 due to (i) a S$27.2 million increase in share capital and a S$32.8 million decrease in reserves. The increase in share capital was mainly due to the issuance of new shares amounting to S$30.5 million, pursuant to the Restructuring Exercise. The decrease in reserves was mainly due to merger deficit amounting to S$32.8 million arising from the difference between the nominal value of the shares issued by the Company and the nominal value of the shares of the subsidiaries acquired under the pooling-of-interest method of consolidation; and (ii) interim dividends of S$3.0 million declared for 1H2013, and partially offset by net profits of S$8.0 million in 1H2013.

LIQUIDITY AND CAPITAL RESOURCES

We financed our growth and operations through a combination of shareholders' equity (including retained profits), shareholders' loans, net cash generated from operating activities and borrowings from financial institutions. Our principal uses of cash have been for working capital requirements and capital expenditures. Please refer to the section entitled "Interested Person Transactions" of this Offer Document for further details on the shareholders' loans.

Based on the unaudited combined financial position as at 30 June 2013, our shareholders' equity amounted to S$42.8 million and indebtedness to financial institutions amounted to S$14.5 million (comprising term loans, finance lease liabilities, bank overdrafts and trust receipts). Our gearing ratio (defined as the sum of indebtedness to financial institutions divided by shareholders' equity) was 0.3 times. Our net current liabilities amounted to S$4.2 million and our working capital ratio (defined as current assets divided by current liabilities) was 0.9 times.

Based on the unaudited combined financial position as at 30 June 2013, we had an aggregate net cash deficit position of S$0.2 million and available credit facilities of S$18.4 million, of which S$15.5 million were utilised and S$2.9 million were unutilised. These credit facilities comprise term loans of S$6.6 million, finance leases of S$5.6 million and banking facilities of S$6.3 million. Term loans, finance leases and banking facilities remained outstanding at S$6.6 million, S$5.6 million and S$2.9 million respectively as at 30 June 2013. The effective interest rates for the term loans ranged from 5.28% to 6.50% per annum.

We generated positive operating cash flow in each of FY2010, FY2011, FY2012 and 1H2013. However, we had negative working capital (i.e. current liabilities exceeded current assets) of S$40.7 million, S$13.0 million, S$5.3 million and S$4.2 million as at 31 December 2010, 2011, and 2012 and 30 June 2013 respectively. The negative working capital position was mainly due to the following:

(a) dividends paid and payable to shareholders;

(b) re-classification of non-current portion of loans to current liabilities due to a breach of loan covenants. As at 31 December 2010, we exceeded the gearing ratios stipulated in certain of our banking facility agreements. As a result, non-current portion of loans amounting to an aggregate of S$7.9 million were re-classified to current liabilities. Letters of accommodation from these banks were subsequently received after 31 December 2010. There was no breach of loan covenants as at 31 December 2011, 31 December 2012, 30 June 2013 and as at the Latest Practicable Date;

(c) non-recurring impairment for other receivables from our related party and inventory obsolescence in FY2010 amounting to S$4.3 million and S$3.5 million respectively; and

(d) the general mismatch between the tenure of credit facilities taken to finance the Group's fleet renewal and expansion and the useful lives of such fixed assets.

In assessing whether we have sufficient working capital as at the date of lodgement of this Offer Document for our present requirements and for at least 12 months after the listing of our Company on Catalist, our Directors have considered, *inter alia*, the following key factors:

(i) Operationally, we had positive working capital in FY2012 and 1H2013. We had declared and paid out significant dividends during those periods, which resulted in negative working capital in FY2012 and 1H2013. We do not currently have a formal dividend policy. In considering the level of dividend payments (if any) going forward, we will take into account various factors such as our expected working capital requirements to support our future growth, our financial position, cash flows, and investment plans. We will manage our dividend payouts with a view of maintaining a positive working capital position. Please refer to the section entitled "Dividend Policy" of this Offer Document for further details.

(ii) We had generated strong positive operating cash flows during the Period Under Review, amounting to S$17.9 million, S$3.7 million, S$21.9 million and S$15.6 million for FY2010, FY2011, FY2012 and 1H2013 respectively.

(iii) We have significantly reduced the current portion and total outstanding amounts of our loans and borrowings for the Period Under Review, from S$32.1 million and S$56.8 million respectively as at 31 December 2010 to S$8.6 million and S$14.5 million respectively as at 30 June 2013, and further to S$6.5 million and S$9.3 million respectively as at 30 November 2013. We have also reduced our gearing ratio for the Period Under Review from 3.0 times as at 31 December 2010 to 0.3 times as at 30 June 2013, and further to 0.2 times as at 30 November 2013.

(iv) In the past five (5) years, we have not defaulted on any of our loan and interest repayment obligations, and our bankers have not recalled the credit facilities extended to us. Given our relatively low gearing ratios in FY2012 and 1H2013, we believe that we are likely to be able to obtain additional bank borrowings to supplement our existing internal resources. Despite the negative working capital position during the Period Under Review, we have not encountered any liquidity issues that resulted in a major disruption to our operations.

As at the Latest Practicable Date, we had an aggregate net cash surplus position of S$0.7 million and available credit facilities of S$14.1 million, of which S$10.2 million were utilised and S$3.9 million were unutilised. Please refer to the section entitled "Capitalisation and Indebtedness" of this Offer Document for further details.

(v) Our future plans as set out in the section entitled "Prospects, Business Strategies and Future Plans – Business Strategies and Future Plans" of this Offer Document, will be partially funded by the net proceeds from the Invitation and the extent and timing of the future plans can be adjusted based on the amount raised from the Invitation.

(vi) Our Executive Chairman and CEO, Thomas Tan, has given an irrevocable undertaking in writing dated 26 November 2013 to provide or procure financial support of up to S$2.5 million (in the form of capital injection, loans, or a combination of both) to our Group for the next 12 months after the listing of our Company on Catalist, if necessary.

Our Audit Committee may, after a review of ongoing liquidity requirements of our Group, release Thomas Tan from the aforementioned undertaking before the expiry of the 12 month period.

Taking into account the foregoing, our Directors are of the opinion that, after taking into account the cash flows generated from our operating activities, together with cash and cash equivalents and credit facilities from financial institutions, the working capital available to us as at the date of lodgement of this Offer Document is sufficient for present requirements and for at least 12 months after the listing of our Company on Catalist.

The Sponsor is of the reasonable opinion that, after having made due and careful enquiry and after taking into account the foregoing and the cash flows generated from our Group's operations, our Group's credit facilities and our Group's existing cash and cash equivalents, the working capital available to our Group as at the date of lodgement of this Offer Document is sufficient for present requirements and for at least 12 months after the listing of our Company on Catalist.

As at the Latest Practicable Date, our Company is not in breach of any terms and conditions or covenants associated with any credit management or bank loan which could materially affect our Company's financial position and results or business operations, or the investments by holders of Shares.

We set out below a summary of our combined statements of cash flows for the Period Under Review. The following net cash flow summary should be read in conjunction with the full text of this Offer Document, including the "Independent Auditors' Reports on the Combined Financial Statements of Kim Heng Offshore & Marine Holdings Limited and its subsidiaries for the Financial Years ended 31 December 2010, 2011 and 2012 and Six Months Period Ended 30 June 2013" as set out in Appendix A of this Offer Document.

	← Audited →			← Unaudited →
(S$'000)	**FY2010**	**FY2011**	**FY2012**	**1H2013**
Net cash from operating activities	17,903	3,670	21,935	15,559
Net cash from/(used in) investing activities	(37)	24,647	4,116	(855)
Net cash used in financing activities	(18,286)	(27,183)	(26,473)	(12,646)
Net effect of exchange rate changes in combining entities	62	43	(32)	5
Net (decrease)/increase in cash and cash equivalents	(358)	1,177	(454)	2,063
Cash and cash equivalents at beginning of financial year/period	(2,646)	(3,004)	(1,827)	(2,281)
Cash and cash equivalents at end of financial year/period[1]	**(3,004)**	**(1,827)**	**(2,281)**	**(218)**

Note:-

(1) The cash and cash equivalents comprise cash and bank balances net of bank overdrafts and deposits pledged.

FY2010

In FY2010, we generated net cash from operating activities before changes in working capital of S$8.2 million. Net cash from working capital amounted to S$10.5 million. This was due mainly to increase in inventories, amounts due to directors and trade and other receivables by S$4.1 million, S$2.6 million and S$14.7 million respectively. The above increase in working capital was partially offset by a reduction in trade and other payables by S$10.9 million. We paid income tax of S$0.8 million during FY2010. The net cash generated from operating activities amounted to S$17.9 million.

Net cash used in investing activities were not substantial.

Net cash used in financing activities of S$18.3 million was due mainly to the repayment of obligations under finance lease, secured interest-bearing term loans, dividends, interest and trust receipts of S$6.9 million, S$4.7 million, S$4.2 million, S$3.4 million and S$1.1 million respectively. These were partially offset by deposits pledged of S$1.9 million.

As a result of the above and after adjusting for the effect of exchange rate fluctuations, there was a net decrease of S$0.4 million in our cash and cash equivalents, from a deficit of S$2.6 million as at 1 January 2010 to a deficit of S$3.0 million as at 31 December 2010.

FY2011

In FY2011, we generated net cash from operating activities before changes in working capital of S$19.6 million. Net cash used in working capital amounted to S$16.1 million. This was due mainly to a reduction in trade and other receivables, trade and other payables and amounts due to directors by S$8.0 million, S$6.1 million and S$2.0 million respectively. We recovered income tax of S$0.1 million during FY2011. The net cash generated from operating activities amounted to S$3.7 million.

Net cash from investing activities of S$24.6 million was mainly from the proceeds on disposal of property, plant and equipment.

Net cash used in financing activities of S$27.2 million was due mainly to the repayment of obligations under finance lease, secured interest-bearing term loans, trust receipts, interest and dividends of S$8.9 million, S$16.3 million, S$3.4 million, S$2.7 million and S$0.2 million respectively. The above cash outflows in financing activities were partially offset by drawdown of secured interest-bearing term loan of S$2.3 million and deposit pledged of S$2.0 million.

As a result of the above and after adjusting for the effect of exchange rate fluctuations, there was a net increase of S$1.1 million in our cash and cash equivalents, from a deficit of S$3.0 million as at 1 January 2011 to a deficit of S$1.8 million as at 31 December 2011.

FY2012

In FY2012, we generated net cash from operating activities before changes in working capital of S$24.9 million. Net cash used in working capital amounted to S$2.1 million. This was due mainly to a reduction in trade and other payables and amounts due to directors by S$6.9 million and S$0.4 million respectively. The above decrease in working capital was partially offset by increase in inventories and trade and other receivables by S$1.9 million and S$3.3 million respectively. We paid income tax of S$0.9 million during FY2012. The net cash generated from operating activities amounted to S$21.9 million.

Net cash from investing activities of S$4.1 million was mainly from proceeds from disposal of plant and equipment of S$8.1 million, partially offset by purchase of and deposit placed for plant and equipment of S$4.0 million.

Net cash used in financing activities of S$26.5 million was due mainly to the repayment of obligations under finance lease, secured interest-bearing term loans, interest and dividends of S$7.0 million, S$7.7 million, S$1.5 million and S$11.7 million respectively. The above cash outflows in financing activities were partially offset by drawdown of secured interest-bearing term loans and trust receipts of S$0.3 million and S$1.1 million respectively.

As a result of the above and after adjusting for the effect of exchange rate fluctuations, there was a net decrease of S$0.5 million in our cash and cash equivalents, from a deficit of S$1.8 million as at 1 January 2012 to a deficit of S$2.3 million as at 31 December 2012.

1H2013

In 1H2013, we generated net cash from operating activities before changes in working capital of S$10.4 million. Net cash from working capital amounted to S$5.8 million. This was due mainly to increase in trade and other payables, trade and other receivables and inventories by S$1.6 million, S$3.6 million and S$0.8 million respectively, partially offset by reduction in amounts due to directors by S$0.1 million respectively. We paid income tax of S$0.7 million during 1H2013. The net cash generated from operating activities amounted to S$15.6 million.

Net cash used in investing activities of S$0.9 million was mainly for the purchase of property, plant and equipment.

Net cash used in financing activities of S$12.6 million was due mainly to the repayment of obligations under finance lease, secured interest-bearing term loans, trust receipts, interest and dividends of S$4.2 million, S$3.6 million, S$1.2 million, S$0.5 million and S$2.8 million respectively.

As a result of the above and after adjusting for the effect of exchange rate fluctuations, there was a net increase of S$2.1 million in our cash and cash equivalents, from a deficit of S$2.3 million as at 1 January 2013 to a deficit of S$0.2 million as at 30 June 2013.

CAPITAL EXPENDITURES, DIVESTMENTS, COMMITMENTS AND CONTINGENT LIABILITIES

Capital Expenditures and Divestments

Our capital expenditures and divestments made during the Period Under Review and for the period from 1 July 2013 to the Latest Practicable Date are as follows:-

(S$'000)	FY2010	FY2011	FY2012	1H2013	1 July 2013 to the Latest Practicable Date
Acquisitions					
Leasehold land and building	645	607	276	–	215
Machinery and equipment	962	572	736	185	–
Vessels	15,137	2,568	3,503	6,521	1,676
Furniture, fittings, office equipment and computers	10	9	33	32	68
Total expenditures	16,754	3,756	4,548	6,738	1,959
Divestments					
Freehold building	–	(880)	–	–	–
Leasehold land and building	–	(4,603)	–	–	–
Machinery and equipment	(782)	(1,022)	(2,606)	(1,206)	(772)
Vessels	(2,068)	(14,699)	(6,105)	(1,130)	(6,612)
Motor vehicles	(49)	–	–	–	–
Furniture, fittings, office equipment and computers	–	–	(11)	(124)	–
Total divestments	(2,899)	(21,204)	(8,722)	(2,460)	(7,384)

Leasehold land and buildings

Leasehold land and buildings comprised mainly land and buildings at 9 Pandan Cresent and 48 Penjuru Road. The divestment in relation to leasehold land and buildings in FY2011 relates to sale of 4 Penjuru Lane and 28 Pioneer Sector 2.

Vessels

Vessels comprised mainly barges and tug boats. The acquisition and divestment of vessels are part of our Group's ongoing fleet renewal. The significant vessel acquisitions in FY2010 and divestments in FY2011 relates to the acquisition of 8 barges and 4 tug boats in FY2010 and the divestment of 5 barges and 6 tug boats in FY2011.

The above capital expenditures were financed by term loans, finance leases and internally generated funds.

Commitments

Capital Commitments

As at the Latest Practicable Date, our Group has the following capital commitments:

(S$'000)	As at 30 June 2013	As at the Latest Practicable Date
Purchase of vessels	1,950[1]	4,376[2]

Notes:-

(1) This relates to the purchase of 2 barges to support our business operations. The capital commitments are expected to be fulfilled by January 2014.

(2) This relates to the total purchase of 1 tug and 3 barges (which includes the purchase commitments for the 2 barges as at 30 June 2013) to meet the anticipated growth in our business operations. We expect to fulfil our capital commitments for the 1 tug and the 3 barges by January 2014.

The above capital commitments are expected to be financed by internal cash resources and bank borrowings.

Operating Lease Payment Commitments

As at 30 June 2013 and the Latest Practicable Date, we have operating lease payment commitments as follows:-

(S$'000)	As at 30 June 2013	As at the Latest Practicable Date
Not later than one year	1,922	1,482
Later than one year and not later than five years	2,390	2,124
Later than five years	508	358
	4,820	3,964

Our non-cancellable operating lease commitments comprise rent payable by us for the leased properties as disclosed in the "General Information on our Group – Properties and Fixed Assets" section of this Offer Document.

We intend to finance the above operating lease commitments by internally generated funds.

Contingent Liabilities

As at the Latest Practicable Date, there were contingent liabilities in respect of:-

(i) Bankers' guarantees given to customers, suppliers and port authorities in respect of contract secured and services rendered amounted to approximately S$0.9 million.

(ii) Immigration bond given to Ministry of Manpower by the one of the entities within the Group in respect of the employment of foreign workers amounting to S$5.0 million.

(iii) Several letters of demand by Marine Accomm Pte. Ltd. ("**Marine Accomm**") on 14 January 2011, 12 September 2011, 16 February 2012, 5 September 2012 and 29 November 2013 for an outstanding sum of S$950,024.75. We have disputed the sum outstanding. The High Court of Singapore had on 12 October 2012 ordered the winding up of Marine Accomm's operations. As at the Latest Practicable Date, no writ of summons has been served on us by Marine Accomm or its liquidators.

(iv) A writ of summons by ISC Singapore Marine Works Pte. Ltd. ("**ISC Singapore**") for an outstanding sum of S$802,812.60. We are disputing the sum outstanding and have filed our defence and a counterclaim for the sum of S$341,123.59. Both parties are currently exploring the possibility of resolving this dispute through mediation.

FOREIGN EXCHANGE MANAGEMENT

The accounting records of the companies in our Group are maintained in their respective functional currencies.

Our reporting currency is the S$. Transactions in foreign currencies during the year are recorded in the respective functional currencies using exchange rates approximating those ruling at the transaction dates. Foreign currency monetary assets and liabilities at the reporting date are translated into the respective functional currencies at exchange rates approximating those prevailing at that date. All resultant exchange differences are dealt with through the income statements.

In the preparation of the combined financial statements of our Group, the financial statements of our subsidiary with different functional currency have been translated at the rates of exchange ruling at the balance sheet date except share capital and reserves which are translated at historical exchange rates and income statement items which are translated at the average exchange rates for the year. Exchange differences arising from the above translation are taken directly to currency translation reserve.

Foreign Exchange Exposure

Our reporting currency is in S$ and our operations are primarily carried out in Singapore. Some of the sales and purchases of the Group are transacted in currencies other than S$. The currencies giving rise to this risk are primarily the US$ and the EUR.

The percentage of our revenue, purchases and expenses denominated in different currencies for the Period Under Review are as follows:-

(%)	FY2010	FY2011	FY2012	1H2013
Percentage of revenue denominated in				
S$	70.8	71.5	55.8	51.5
US$	29.2	28.3	41.6	48.5
EUR	–	0.2	2.6	–
	100.0	100.0	100.0	100.0

(%)	FY2010	FY2011	FY2012	1H2013
Percentage of purchases denominated in				
S$	88.8	88.4	81.8	91.2
US$	11.1	11.6	18.0	8.7
Others[1]	0.1	– [2]	0.2	0.1
	100.0	100.0	100.0	100.0
Percentage of expenses denominated in				
S$	94.1	97.9	97.0	98.6
US$	2.2	1.1	2.4	1.0
Others[1]	3.7	1.0	0.6	0.4
	100.0	100.0	100.0	100.0

Notes:-

(1) Others mainly comprise Australian dollar, Brunei dollar, Malaysian Ringgit, Norwegian Krone and Pound Sterling.

(2) Less than 0.1%.

To the extent that our revenue, purchases and expenses are not naturally matched in the same currency and to the extent that there are timing differences between invoicing and collection or payment, we will be exposed to fluctuations of the various currencies against the Singapore dollar, which may adversely affect our earnings.

Our net foreign exchange transaction gains / (losses) for the Period Under Review were as follows:-

	FY2010	FY2011	FY2012	1H2013
Net foreign exchange transaction gains / (losses) (S$'000)	(964)	(360)	(218)	70
As a percentage of revenue (%)	(1.2)	(0.5)	(0.3)	0.2
As a percentage of PBT (%)	N.A.	(1.7)	(1.0)	0.8

At present, we do not have any formal policy for hedging against foreign exchange exposure. We have in the past used financial hedging instruments to manage our foreign exchange risks from time to time. We will continue to monitor our foreign exchange exposure and may employ hedging instruments to manage our foreign exchange exposure should the need arise. Prior to implementing any formal hedging policies, we will seek the approval of our Board on the policy and put in place adequate procedures which shall be reviewed and approved by our Audit Committee. Thereafter, all hedging transactions entered into by our Group will be in accordance with the set policies and procedures.

SIGNIFICANT ACCOUNTING POLICY CHANGES

The accounting policies have been consistently applied by our Group during the Period Under Review. A number of new standards, amendments to standards and interpretations to the Singapore Financial Reporting Standards have been issued and are effective for annual periods beginning after 1 January 2013, and as such, have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial performance or position of our Group and the Company.

OUR HISTORY

The history of our Group began in 1968 when our founder, Mr Tan Eng Hai, the father of our Executive Chairman and CEO and Controlling Shareholder, Thomas Tan, and our former executive director and COO, SK Tan started out with several partners, operating and owning lighters and tugs, providing towage and marine transportation services to customers within Singapore, Malaysia and Indonesia waters. The businesses were undertaken under the name of "Kim Heng Tugboat Company". Thomas Tan and SK Tan joined the business in 1978 and 1975 respectively, whilst their other siblings joined our Group progressively from 1979 onwards. In 1978, in view of growing business, our Group corporatised itself through the incorporation of "Kim Heng Marine Pte Ltd".

In 1981, as part of our Group's business expansion plans, Alpine Progress was incorporated to, *inter alia*, function as a special purpose vehicle to acquire and own vessels.

By 1982, our Group had gained invaluable experience in the repair and maintenance of our own fleet of vessels and those in the harbour craft industry. In the same year, we extended our business to provide repair and maintenance services to tugs and barges in the marine and O&G industries. With the increase in international maritime trade and growth of the offshore O&G industry, the demand for offshore rigs and support vessels in Southeast Asia continued to increase.

In 1986, Kim Heng Maritime was set up to provide offshore maritime transportation services which encompassed chartering of vessels and towage of vessels and rigs to offshore platforms throughout Southeast Asia.

In 1987, our Group rented a terrace warehouse at 45 Shipyard Road together with an open storage yard in Jurong Marine Base which had a jetty. Our Group was engaged in supply base management, carried out loading and unloading activities for offshore vessels, rig agency work, and storage and maintenance of equipment related to O&G activities. Our Group rented additional space over the subsequent years from JTC comprising in total four terrace warehouses and an open storage yard in Jurong Marine Base before relocating all our facilities to our current facility at 9 Pandan Crescent in September 1999. This current facility occupies an area of approximately 34,125 m^2 with a 137 metre long waterfront, enabling our Group to carry out additional activities, specifically shipbuilding, ship repair and fabrication works.

Leveraging on our experience in the repair and maintenance of tugs and barges, in 1988, Kim Heng Marine Pte Ltd ventured into the repair and maintenance activities for offshore oil rigs at anchorage in response to requests from rig owners. These encompassed fabrication, installation and painting of steel structures on the offshore rigs, provision of specialised oilfield equipment to oil companies and drilling contractors, including drill pipes, line pipes and other tubular products such as handling tools and casings.

In 1992, Kim Heng Marine Pte Ltd changed its name to "Kim Heng Marine & Oilfield Pte Ltd", to better reflect the industries which it served, being mainly the marine and offshore O&G industries.

In 1996, our Group embarked on rig fabrication activities and was awarded a project by Transocean (then known as Sedco Forex Offshore) for fabrication and modification works to be carried out on a semi-submersible rig, *Actinia*.

In 1997, Kim Heng Tubulars was incorporated to expand into the rental and trading of oilfield equipment and specialty steel tubular products to customers in the offshore O&G industry.

In 1998, our founder, Mr Tan Eng Hai retired from our Group. In the same year, Thomas Tan and SK Tan acquired the shareholdings of Mr Tan Eng Hai as well as those of their other siblings who were involved in the family business. Thomas Tan and SK Tan continued to manage and grow our Group's businesses.

Our Group continued to extend our engineering and shipbuilding services, particularly by securing subcontracting work from major offshore rig builders, such as Keppel FELS, and continued to expand our range of services and business operations to meet customers' needs in the offshore O&G and marine industries.

In 2006, amidst rising demand from the shipbuilding industry, Kim Heng Shipbuilding was incorporated to undertake our shipbuilding and ship engineering and repair operations. The building of barges commenced at our yard at 9 Pandan Crescent. In June 2006, we were granted by JTC, subject to conditions, a 3-year licence convertible into a 30-year lease over the plot of land located at 48 Penjuru Road for the construction of a facility. This facility, which is for use as a shipyard and fabrication yard, enables afloat repairs and other shipbuilding activities to be carried out and has an estimated land area of 19,512 m^2 with a 68 metre waterfront.

In 2006, we increased our rig fabrication activities by fabricating blocks for the construction of semi-submersible rigs, jack-up rigs and drilling rigs for Keppel FELS. Previously we had engaged in the retrofitting of steel works and installation for oil rigs anchored offshore dealing directly with rig owners, as well as the building of offshore barges including some ballastable barges.

In 2008, we completed our first retrofitting of a pipelaying barge, *Jascon 25*. We also completed and delivered our first accommodation and pipelay barge, the *Aussie 1*, in early 2009. Measuring 112 metres by 32 metres by 9 metres, the *Aussie 1* is capable of supporting offshore activities for oil & gas exploration and was the first accommodation and pipelay barge built by our Group to be registered and flagged in Australia. The *Aussie 1* featured high quality accommodation for up to 292 persons with full amenities and recreational facilities.

We subsequently completed and delivered our second accommodation and pipelay barge, the *McDermott LB32*, in early 2010 to Hydro Marine Services, Inc. (a subsidiary of McDermott International, Inc). The *McDermott LB32* is a 111-metre long accommodation and pipelay barge equipped with 8-point mooring system and pipe tensioning equipment. It was designed to lay pipes of up to 60 inches in diameter and has the unique capacity to work in shallow water environments ranging from about 3 to 100 metres. The *McDermott LB32* was flagged in Australia and featured high quality offshore accommodation for up to 292 persons.

In May 2013, we completed a re-activation and refurbishment project on a jack-up rig, *Randolph Yost,* for Shelf Drilling Holdings Ltd. Our work scope included the installation of conductor tensioning system, ballast tank cleaning and painting as well as the commissioning of the annulus flooding system. Other work carried out on the rig included the servicing and commissioning of blowout preventer chain hoist handling systems, rig floor tuggers and casing stabbing board. This project was significant as the *Randolph Yost* was the first jack-up rig to be brought into our shipyard.

On 13 January 2014, our former executive director and COO, SK Tan, had after over 40 years of service to our Group, retired from our Group to allow his younger brother, Tan Keng Hoe Melvin, and his daughter, Chen Biqing, to play a bigger role in our Group.

We believe that we are well positioned to ride on the demand for marine and offshore rig and support services as well as engineering and related services for the O&G industry in the years ahead.

In addition, we have participated in philanthropic efforts, and were involved in the supporting of tsunami relief efforts by supplying marine vessels to the Red Cross and the Singapore Navy to deliver medical supplies and food to Aceh, North Sumatra, Indonesia.

BUSINESS OVERVIEW

We are an established integrated offshore & marine value chain services provider with customers from over 25 countries in the regions of Southeast Asia, Australasia, Middle East and Europe. Some of our customers include major offshore drilling contractors and support service providers such as Transocean Ltd, Seadrill Limited, Noble Corporation, Shelf Drilling Holdings Ltd and Hydro Marine Services, Inc. (a subsidiary of McDermott International, Inc).

Our activities are classified into two (2) broad categories, namely (i) Offshore Rig Services and Supply Chain Management; and (ii) Vessel Sales and Newbuild.

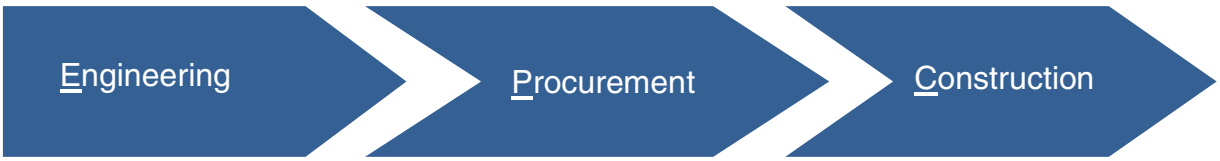
Offshore Rig Services and Supply Chain Management

The services provided by us under the Offshore Rig Services and Supply Chain Management segment comprise mainly EPC projects for the offshore O&G sector and the provision of offshore support vessels and related logistics services. Our Offshore Rig services typically include the construction and fabrication of sections of drilling rigs (such as jack-up rigs, tender rigs, semi-submersibles and drillships), installation of offshore production modules and systems, as well as offshore platform and rig re-activation and maintenance projects. We also provide Supply Chain Management services to the offshore and marine industry, which includes, *inter alia*, rig towage, chartering of our fleet for marine installation and transportation purposes, inventory management, warehousing, supply of offshore consumables and expedited delivery services.

Offshore Rig Services

The Offshore Rig Services we provide to our customers include the provision of specialist services to support offshore drilling and production activities such as the fabrication of sections or components of all types of drilling rigs and drillships and installation of offshore production modules and systems within and outside port limits. We also provide services for the re-activation and refurbishment of rigs that have been cold stacked and/or re-deployed.

As a specialist in offshore EPC services, we are capable of providing engineering, procurement and construction services to support our customers as summarised below:



Engineering	Procurement	Construction
We engage or partner with third party engineering service providers for the provision of studies and conceptual designs to detailed engineering of the required fabrication, repair or maintenance processes and procedures	We negotiate, purchase, transport, inspect, and provide quality assurance of materials necessary for fabrication, repair or maintenance	We construct and fabricate, repair or maintain sections or components of the relevant offshore vessels and platforms, such as drilling rigs, FSOs, FPSOs, pipe-laying vessels and SBM buoys

We serve mainly oil companies (such as ExxonMobil and ConocoPhillips), offshore drilling contractors (such as Transocean Ltd, Noble Corporation and Seadrill Limited) and offshore EPC support service providers (such as McDermott International, Inc, Saipem S.p.A. and Acergy S.A.).

Our Offshore Rig Services include the following:

Service	Description
Construction & fabrication works of sections or components of drilling rigs and drillships	We fabricate and assemble sections or components of drilling rigs such as upper columns & hulls, drill floors, high pressure pipes, as well as removal & installation of thrusters & anchor chains. Such work includes steel & piping renewal, retrofitting & conversion, blasting & painting and electrical & mechanical works.
Installation of offshore production modules & systems	We fabricate & install offshore pipelines, mooring systems, topsides & jackets, offshore steel buoys, baskets & containers, and provide maintenance services for risers.
Afloat repairs, maintenance and refurbishment of offshore rigs, platforms and vessels	We repair, convert and refurbish offshore rigs, pipelay barges, power barges and vessels as well as provide pipelay installation support services. We provide afloat repairs and maintenance services for drilling rigs & vessels alongside our shipyards and at anchorages within and outside port limits. These services include steel and piping renewal, retrofitting and conversion, blasting and painting, and electrical & mechanical works to offshore vessels and platforms.
Supply of offshore drilling & production equipment	We supply general oilfield equipment, but specialise in tubular products such as drill pipes, drill collars, tubings, casings, conductor pipes, and other specialty tubes. Such tubular products are required for the drilling of oil and gas wells and for subsequent production activities. They are manufactured to withstand corrosion, high pressure and high temperatures associated with drilling and production. We also supply other general oilfield equipment such as mud pumps, valves, electrodes, waste skips and mooring accessories to the offshore O&G and marine industry.

Supply Chain Management

As part of our Supply Chain Management services, we provide offshore supply vessels (which includes rig towage, chartering of tugs, barges and heavy-lift equipment to support our EPC projects) and related logistics services.

These are detailed as follows:-

Service	Description
Provision of offshore supply vessels, (including chartering of marine support vessels) and heavy-lift equipment	We operate and manage a fleet of owned and chartered marine support vessels comprising tugs (including anchor handling tugs) and barges (including flat top barges, flat top ballastable barges, accommodation barges and crane barges fitted with side walls or stanchions). We provide charters across a range of services including marine transportation, heavylift operations, dredging operations, cargo transfers, vessel salvage and tug & barge operations.
Provision of logistics, including freight forwarding & warehousing, and general shipping and crew management	We handle the delivery, import and export of goods, documentation and customs clearance by land, rail, ocean freight or air freight. We provide open and/or covered warehousing and storage solutions to our customers for equipment in transit. We specialise in expediting the transport of equipment and spares from shore to offshore rigs at remote locations. We also deal with the inward and outward clearance of drilling rigs & offshore vessels and general crew management services, such as immigration clearance and travel management.

As at the Latest Practicable Date, we own and operate a fleet of 8 tugs, 28 barges and heavy-lift equipment such as 16 cranes, 6 prime movers, 15 trailers and 14 forklifts, which are used for heavy lifting of drilling and production structures to be removed from and installed (after repairs and maintenance) on rigs and vessels. These vessels and equipment are deployed to support our EPC projects, on land or at sea. In addition, we have waterfront yard facilities at 9 Pandan Crescent and 48 Penjuru Road from which we carry on our business activities. Please refer to the section entitled "General Information on our Group – Properties and Fixed Assets" of this Offer Document for further information. To augment our capabilities, we may from time to time subcontract the construction and fabrication of project segments to third party contractors.

Some of the key projects for our customers in the Offshore Rig Services and Supply Chain Management segment which we have been involved in are as follows:-

Type of Vessel / Project	Project Details	Year Completed
Semi-submersible	Chemical inspection, refurbishment of check valves, and the removal, inspection and installation of anchors, anchor chains and accessories	2013
Semi-submersible	Fabrication works, removal and installation of thrusters. We also provide crew management, cargo clearance, loading services, and procurement of equipment and consumables for the rig	2013
Jack-up rig	Fabrication and supply of flare boom pedestal, heavy duty padeyes. We also supplied manpower, barges & tugs, equipment for cleaning of spud can and rendered dry towing services	2013
Jack-up rig	Rig refurbishment services, modular fabrication and installation of various drilling equipment such as a chain hoist, rig floor tuggers, and a casing stabbing board	2013
Tender rigs	Afloat repairs, tank cleaning, heavy lifting of drilling equipment and storage and removal and transportation of cementing equipment	2013
FPSO	Fabrication works, crew management, cargo clearance, loading services, and procurement of equipment and consumables for the rig. We also provided chartering of supply vessels, helicopter for crew change and arranged accommodation for crew	2013
Pipelay barge	Supply of 2,500 ton steel plates and lifting tools, fabrication of stinger access platform, jumper ramps, jumper linkages, welding portal structures and stinger interface ramps	2013
Semi-submersible	Chain removal, inspection and installation works, heavy lifting of lower marine riser package ("**LMRP**") and blowout preventer ("**BOP**") stack assembly and provision of crew accomodation services	2012
Drillship	Maintenance, inspection of risers and auxiliary lines, removal, refurbishment and installation of six azimuth thrusters at anchorage, and heavy lifting of LMRP and BOP stack assembly	2012
Drillship	Heavy lifting of LMRP and BOP stack assembly and the provision of general agency services	2011
Drillship	Heavy lifting operations for damaged riser gantry crane	2011
Container vessel	Heavy lifting and salvage operations to recover damaged containers following a collision at anchorage	2011

Type of Vessel / Project	Project Details	Year Completed
Marine civil construction	Chartering of marine vessels to support the erection of the Sentosa Boardwalk	2010
Power barge	Conversion of a 91 metre long and 5,000 tonne flat top barge into a high technology floating power barge with a capacity of 110 megawatts	2010
Semi-submersible	Fabrication and assembly of upper columns of the rig	2008 & 2009
Pipelay barge	Outfitting and installation of a 800 tonne capacity mast crane and commissioning of a 118 metre dynamic positioning 3 pipelay barge	2008
Jack-up rig	Fabrication and assembly of rig module and drill floor of the rig	2006

Vessel Sales and Newbuild

Our Vessel Sales segment comprises the purchase of vessels from vessel owners, which we subsequently refurbish and on-sell to customers. Such activities are typically undertaken according to orders placed by our customers. We may also from time to time undertake such acquisitions and refurbishment of vessels in anticipation of market demand. We are also engaged in the newbuilding of offshore vessels, which we typically undertake according to orders placed by customers. From time to time, we may also embark on newbuildings of offshore supply vessels, which typically comprise of tugs and barges, in anticipation of project demands for subsequent chartering or sales. From 1 January 2010 and up to the Latest Practicable Date, we have built and/or purchased 37 vessels, of which 20 have been sold and 17 are currently being used to support our Group's operations.

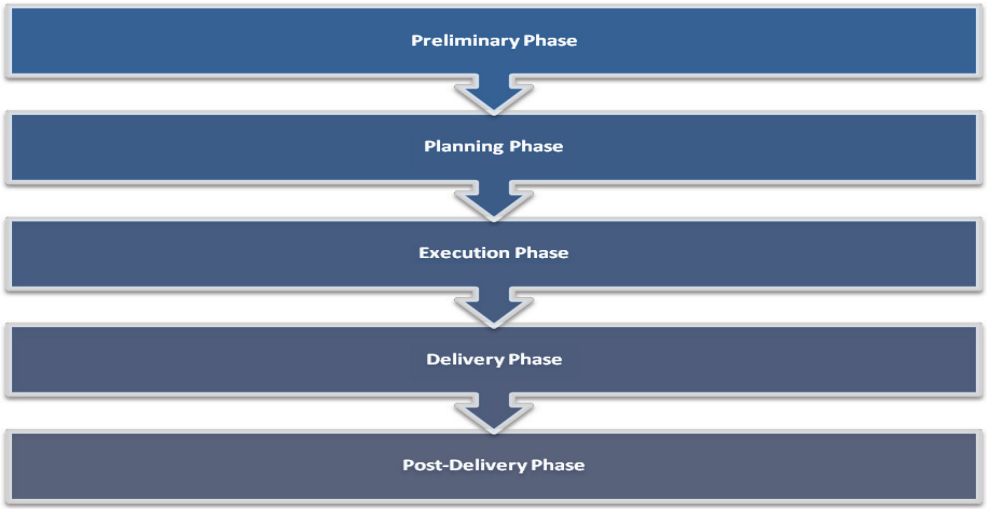
Leveraging on our track record and expertise in offshore engineering and shipbuilding, we have the capability to build and deliver various types of offshore supply vessels, including tugs and barges, high-specification pipe laying vessels and accommodation vessels. In recent years, we have built an average of 4 to 5 barges a year to support our operational needs. To augment our capabilities, we may also subcontract construction and fabrication services to contractors in the region.

Some of our recent significant completed projects for our customers under the Newbuild segment of our businesses include:

Customer/ Name of Vessel	Project Details	Year
Hydro Marine Services, Inc. / *McDermott LB32*	Construction of a 111 metre pipe laying and accommodation barge, which has capacity to accommodate 292 men	2010
KPS Karadeniz Powership Co. Ltd / *KPS1*	Construction of a 91 metre long and 5000 tonne flat top barge which we subsequently converted into a power barge in 2010	2009 & 2010
Australian Portable Camps / *Aussie 1*	Construction of a 112 metre pipe laying and accommodation barge, which has capacity to accommodate 292 men	2009

BUSINESS PROCESSES

Our typical business processes applicable to our customers for (i) Offshore Rig Services and Supply Chain Management; and (ii) Vessel Sale and Newbuild are diagrammatically set out as follows:



Preliminary Phase

Potential customers (who are usually offshore drilling contractors, offshore support service providers, or vessel owners) typically enquire about our capabilities and capacity to undertake a certain project. Thereafter, we schedule meetings to further discuss technical specifications, operational requirements, commercial terms (including material and equipment cost, lead time and payment terms) and delivery schedules.

A preliminary proposal is then presented to the customer for their further consideration. The customer may choose to make an additional assessment of our capabilities and quality control systems by inspecting our yard facilities. After further negotiations, we then arrive at an agreement on the terms and conditions with the customer for the project and a formal contract is entered into.

This part of the process is not applicable for newbuildings which we embark on in anticipation of demand from customers, although technical specifications and operational requirements are discussed internally and are based on our assessment of the likely requirements by customers.

Planning Phase

Upon entering into a formal contract with the customer, a project management team is formed. If the engineering design has not already been provided to us by our customers, we may undertake the engineering design or engage a third party engineering or naval architect firm to prepare the relevant engineering drawings and technical calculations which will then be submitted to the assigned classification societies and other relevant authorities for their approval. Targeted schedules are then planned to indicate key delivery dates and milestones for the project. Detailed cost estimations are also done to ascertain project budgets. Budget control reports are generated regularly to monitor project expenses.

Execution Phase

Fabrication, repair or maintenance work commences as soon as the relevant manpower, raw materials, equipment and production drawings are in place. We may from time to time, engage third party subcontractors to perform non-core fabrication work or works for which we do not have in-house capabilities. Work is controlled and executed based on specified procedures or work instructions. For work that we perform in-house, only trained and qualified persons are engaged to carry out such fabrication work and other processes. Specifications for such processes are communicated to the team performing the task by the project manager to ensure safety and compliance with specification requirements. Meetings are held by the project management team where issues are identified and resolved.

All fabrication works are carried out in compliance with the rules and regulations of the relevant classification societies and authorities.

Upon completion of the project, commissioning and testing of all equipment is conducted internally and by third party classification societies or surveyors to ensure the equipment is in good order and complies with the applicable specifications and standards prior to handover to the customer.

Delivery Phase

Subject to satisfactory tests and customer acceptance, the completed project is delivered along with the relevant documentation to the customer.

Post Delivery Phase

Constant feedback from the customer is obtained to further improve the design. Quality assurance, quality control and safety procedures are observed at every stage of the project.

BRANDING AND MARKETING

The marketing of our services in Singapore is led by our Executive Chairman and CEO, Thomas Tan, together with the support of members of the key management staff. Through their business contacts in the regional marine and O&G industries, business is referred to us. Hence, it is important for us to leverage on their experience and extensive marketing network for repeat and new businesses.

Direct Sales and Marketing Activities

Our Group has a 40 year reputation in the offshore & marine industry for delivering quality services. The Kim Heng brand is well-known internationally amongst the offshore O&G and marine industries. Our commercial and marketing team is engaged in marketing efforts and works towards securing sales orders particularly for rig management services, engineering fabrication, and repair and maintenance projects. New contracts are the result of both referrals from satisfied existing customers and the marketing efforts of our Executive Chairman and CEO, members of the key management staff and the commercial and marketing team.

Advertisements and Trade Exhibitions

From time to time, we will also advertise in trade publications and directories with a focus on the global offshore O&G industry (for example, "Upstream" and "Offshore Journal Support") and participate in major trade shows such as the Asia Pacific Maritime Exhibition (Singapore), the Offshore South East Asia Conference & Exhibition (Singapore), the Offshore Technology Conference (Houston, USA) and the Australasian Oil & Gas Exhibition & Conference (Perth, Australia), to increase our profile.

Going forward, as we expand our geographical base of operations, trained and experienced marketing professionals may be hired to strengthen our marketing resources to meet our growth objectives.

In certain jurisdictions where we do not have a presence or where it is not economical to maintain a direct presence, we may engage the service of professional agents. For example, we have entered into an agency arrangement to expand our business network in Indonesia. We have on 1 May 2013 entered into an agency agreement with an independent third party Indonesian agent, PT. Trident Perkasa International ("**PT Trident**"). Under this agency agreement, PT Trident will promote and procure service orders for our products and services and will receive agency fees on services it renders to the customers.

RESEARCH AND DEVELOPMENT

The nature of our current businesses does not require us to carry out regular or extensive research and development activities.

PRODUCTION CAPACITY AND UTILISATION OF VESSELS

We utilise our yards primarily for the provision of offshore rig, EPC and newbuilding services, which are tailored to suit our customers' needs and vary for each project in terms of specifications, complexity, resource requirements and time required. The outputs of the provision of our offshore rig, EPC and newbuilding services are non-standardised items and we are unable to determine production capacity in a meaningful way.

The capacity and production output of our yards are dependent upon several factors, including the size of our yards, number, type, length and size of ongoing projects, the length of our waterfront boundary lines, capability of yard equipment, fleet size and capability, manpower resources, capital and outsourcing capability. Our yard at 9 Pandan Crescent has a land area of approximately 34,125 square metres, with a waterfront length of approximately 137 metres, while our yard at 48 Penjuru Road has a land area of approximately 19,512 square metres, with a waterfront length of approximately 68 metres. Our yards and fabrication workshops are well-equipped with, *inter alia*, crawler, gantry and overhead travelling cranes, forklifts, prime movers, CNC cutting, welding and drilling machines. With these facilities and our current workforce, and on the assumption that our yards are used solely to build new vessels, our Directors estimate that our yards are able to produce a maximum annual output of approximately 10,000 tons (or equivalent to approximately five 300-footer barges) per year.

To augment our operating capacity, we may also from time to time, perform our services at our customers' vessels or rigs which are en voyage or located offshore or at other shipyard facilities. We may also extend the working hours of our facilities, utilise subcontracted labour or rent additional yard space or equipment on a short-term basis.

Our Group's wholly-owned fleet of vessels comprise mainly tugs and barges which we use to support our EPC projects in the offshore O&G section and/or charter to third parties.

As we do not track the use of our vessels which are used to support our internal operations, we are not able to determine the utilisation rates of our vessels comprehensively and any attempt to calculate the utilisation rates for our vessels may not be reflective of the actual usage of our vessels. We have also not assigned any cost or revenue for the use of vessels to support our internal operations. The following table sets out the utilisation rates for our vessels, which is calculated by aggregating the number of days where our vessels are chartered out to third parties (which does not include the number of days where our offshore vessels are used to support our internal operations) and dividing that by the aggregate number of days where our vessels are available for charter:

	FY2010	FY2011	FY2012	1H2013
Vessel utilisation rate	45.6%	35.0%	35.9%	38.6%

The utilisation rate for FY2010 was generally higher as we had entered into a vessel charter contract with Gammon, who was the main contractor for the erection of the Sentosa Boardwalk. The project was completed during the financial year.

STAFF TRAINING AND DEVELOPMENT

We believe that employees at all levels should be equipped with the requisite knowledge and relevant skill sets to enable them to carry out their work and discharge their responsibilities effectively. Our training policy seeks to accomplish this. Employees are developed to their fullest potential and provided with opportunities and facilities to upgrade themselves. These may be achieved through in-house training, on-the-job training or external courses or a combination thereof. New employees usually undergo an orientation programme to gain familiarity with our operations.

Our recruitment policy is to hire persons who have received formal training whenever possible, and employees are placed in positions most suited to their abilities. This applies to both local and foreign workers alike. Specialist training that our employees go through include formal training in scaffolding, stevedoring, survival (in relation to offshore rigs), metal fabrication and welding as well as safety courses for ship repair management, shipyard supervisors and shipyard safety assessors conducted by working institutes certified by the Ministry of Manpower of Singapore. Our supervisors are usually those who have undergone supervisory and leadership training at local training institutions or who have been promoted from the ranks of skilled workmen. Other examples of training include work safety, quality control, supervisory skills, marketing and information technology.

Expenses incurred in relation to training for our employees in each of FY2010, FY2011 and FY2012 were not significant.

INTELLECTUAL PROPERTY

Our businesses are not materially dependent on any patent, patent rights, licences, processes or other intellectual property. As at the Latest Practicable Date, we do not own any trademark or patent and has not received any royalties for any licences or use of any intellectual property.

INSURANCE

We have taken out the necessary insurance policies for our operations. We are insured against various risks including the following:

- Fire insurance – covering damage to property such as goods, machinery, equipment or building due to fire and/or explosion at our premises;

- Burglary and theft insurance – for loss or damage to property due to theft (forcible and violent entry) occurring in our premises and any attempt thereat;

- All risks machinery and equipment insurance – for sudden and unforeseen loss of or physical damage to some of our equipment and machinery;
- Motor commercial vehicle insurance – for sudden and unforeseen loss of or physical damage to our commercial vehicles;
- Public liability insurance – for accidental death or bodily injury and/or damage to third party property occurring in connection with our trade, business and shipyard operations;
- Vessel insurance for our tugs and barges including protection and indemnity cover insurance, war risk insurance, mortgagees interest insurance and hull machinery and equipment insurance;
- Work injury compensation for our employees;
- Personal accident insurance for our employees;
- Group hospitalisation and surgical insurance in respect of our employees;
- Travel insurance for certain employees; and
- Medical insurance for our foreign employees.

Our Directors believe that the insurance coverage is adequate for our business requirements and will review the insurance coverage annually to ensure that it remains adequate.

PROPERTIES AND FIXED ASSETS

Immovable Property

As at the Latest Practicable Date, we have the following property leases and licence:

Location	Usage of Facility	Approximate Land Area	Tenure	Landlord
9 Pandan Crescent	Shipyard, fabrication yard and warehouse	34,125 m^2	Lease for 11 years from 1 January 2005 to 31 December 2015	JTC
48 Penjuru Road	Shipyard, fabrication yard and warehouse	19,512 m^2	Licence from 22 November 2006 (Please see write-up below)	JTC
4 Penjuru Lane Singapore 609185 ("**4 Penjuru Lane**")	Office and warehouse	8,082 m^2	Lease for 3 years from 12 May 2011 to 11 May 2014, option to renew for a further term of 3 years	HSBC Institutional Trust Services (Singapore) Limited as trustee for Cache Logistics Trust

Our lease over the property at 9 Pandan Crescent expires on 31 December 2015. We are currently in the process of negotiations with JTC over the terms of a renewal of the lease. Approval for the renewal is typically conditional upon, *inter alia*, the prevailing government policy, and us proposing and adhering to certain capital investments on the property at 9 Pandan Crescent. Our Group's credit facilities are secured by a mortgage over the property located at 9 Pandan Crescent.

Pursuant to the terms of our agreement with JTC, our licence over the property at 48 Penjuru Road can be converted into a 30-year lease commencing retrospectively from 22 November 2006 if we make fixed investments of S$19.275 million on the property (the "**Fixed Investment Criteria**"). Such investments consist of capital expenditure including the cost of office buildings, cranes, forklifts, hydraulic and other heavy equipment that support our business operations. We were given 3 years from 22 November 2006 to meet the Fixed Investment Criteria and as at the Latest Practicable Date have only made approximately S$8.7 million worth of fixed investments on the property, of which S$6.9 million relates to expenditure on machinery and equipment (including cranes, forklifts and heavy equipment) while the balance S$1.8 million relates to the construction of the fabrication and office blocks. We are currently in negotiations with JTC to extend the time given to meet the Fixed Investment Criteria. As at 30 June 2013 and the Latest Practicable Date, the outstanding amounts of the Fixed Investment Criteria was S$10.8 million and S$10.6 million respectively, and we expect to fulfil such outstanding amounts of the Fixed Investment Criteria by December 2015. The licensor, JTC, may reduce the total offered lease term based on the fixed investments we have made thus far. Based on fixed investments we made thus far, JTC may offer us a reduced lease term of 13 years commencing retrospectively from 22 November 2006, such lease to terminate on 21 November 2019. Currently, our Group has no specific applications for the remaining fixed investments required by JTC.

Our capital investment plans for 9 Pandan Crescent and 48 Penjuru Road will be partly funded by part of the net proceeds from the Invitation of approximately S$20.0 million while the balance will be funded from internal funds and/or bank borrowings.

In FY2012, we paid rental and licence fees of S$2.1 million in aggregate.

Save as disclosed above, as at the Latest Practicable Date, our Directors are not aware of any existing breach of any obligations under the abovementioned lease agreements that would result in their termination by the lessor or non-renewal, if required, when they expire.

Fixed Assets

As at the Latest Practicable Date, we own the following operating vessels:

No.	Barge Name	Type	Dimension (ft)	DWT	Year Built	Classification Society	Flag
1.	Queen 101	Cargo Deck Barge	300 x 80 x 18	7700	2002	ABS	Singapore
2.	Kim Heng 280	Ballastable Cargo/Work Barge	250 x 80 x 16	5800	2011	BV	Singapore
3.	Kim Heng 53	Ballastable Cargo/Work Barge	250 x 80 x 16	5415	2009	ABS	Singapore
4.	Kim Heng 55	550T Crawler Crane Barge	250 x 80 x 16	5400	2008	GL	Singapore
5.	Kim Heng 2378	Ballastable Cargo/Work Barge	230 x 64 x 14	3787	2006	ABS	Singapore
6.	Offshore Crane No. 2	Crane Barge	180 x 70 x 14	3106	2008	GL	Singapore
7.	Kim Heng 211	Ballastable Cargo/Work Barge	210 x 60 x 12	2453	2012	ABS	Singapore

No.	Barge Name	Type	Dimension (ft)	DWT	Year Built	Classification Society	Flag
8.	Kim Heng 212	Ballastable Cargo/Work Barge	210 x 60 x 12	2453	2012	ABS	Singapore
9.	Kim Heng 186	Crane barge	180 x 60 x 12	2162	2009	GL	Singapore
10.	Kim Heng 153	Ballastable Barge	150 x 50 x 12	1615	2010	ABS	Singapore
11.	Kim Heng 152	Flat Top Barge	150 x 50 x 12	1604	2009	GL	Singapore
12.	Kim Heng 150	Crane Barge	150 x 50 x 12	1604	2009	GL	Singapore
13.	Kim Heng 33	Flat Top Barge	180 x 56 x 10	1587	2002	GL	Singapore
14.	Kim Heng 187	Cargo Deck Barge	180 x 50 x 10	1495	1995	GL	MPA licensed harbour craft
15.	Kim Heng 1888	Flat Top Barge	180 x 50 x 10	1477	2009	GL	Singapore
16.	Kim Heng 169	Flat Top Barge	150 x 50 x 10	1334	1995	GL	MPA licensed harbour craft
17.	Kim Heng 168	Cargo Deck Barge	150 x 50 x 10	1334	1994	GL	Singapore
18.	Kim Heng 151	Cargo Deck Barge	150 x 50 x 10	1323	2009	GL	Singapore
19.	Kim Heng 148	Cargo Deck Barge	140 x 40 x 8	980	1996	GL	Singapore
20.	Kim Heng 124	Ballastable Cargo/Work barge	120 x 40 x 8	700	2012	GL	Singapore
21.	Kim Heng 126	Ballastable Cargo/Work Barge	120 x 40 x 8	700	2012	GL	Singapore
22.	Kim Heng 127	Ballastable Cargo/Work Barge	120 x 40 x 8	700	2013	GL	Singapore
23.	Kim Heng 84	Platform Ballastable Barge	80 x 25 x 8	160	2012	GL	Singapore

No.	Barge Name	Type	Dimension (ft)	DWT	Year Built	Classification Society	Flag
24.	Kim Heng 85	Platform Ballastable Barge	80 x 25 x 8	160	2012	GL	Singapore
25.	Kim Heng 86	Platform Ballastable Barge	80 x 25 x 8	160	2013	GL	Singapore
26.	Kim Heng 87	Cargo Deck Barge	80 x 25 x 8	160	2013	GL	Singapore
27.	Pek Sun	Platform Barge	80 x 25 x 6	100	1991	GL	MPA licensed harbour craft
28.	Kim Heng 88	Platform Barge	80 x 25 x 7	100	1991	N.A.	Ulaanbatar

No.	Tug Name	Power (bhp)	Year Built	Classification Society	Flag
1.	Kim Heng 3203	3200	2008	BV	Singapore
2.	May 101	2000	2002	BV	Singapore
3.	Kim Heng 1300	1300	2012	NKK	Singapore
4.	Kim Heng 1230	1230	2011	BV	Singapore
5.	Penguin Swift	1200	2008	GL	Singapore
6.	Kim Heng 21	700	1978	N.A.	Kiribati
7.	Bridgewater	670	1974	GL	Singapore
8.	Marcom Support	240	1977	N.A.	Niue

As at the Latest Practicable Date, our fleet of cranes are as follows:

No.	Year of Manufacture	Brand Name	Capacity (metric tonnes)	Safe Working Load (metric tonnes)	Main Boom Length (metres)
1.	2009	Kobelco SL6000	550	145.0	66.0
2.	2008	IHI CCH2800	280	106.0	45.0
3.	2007	IHI CCH2800	280	64.0	45.0
4.	2007	IHI CCH2800	280	52.8	45.0
5.	2007	IHI CCH2800	280	40.0	51.0
6.	2006	IHI CCH2800	280	65.6	42.0
7.	2007	ICI CCH2800	280	64.0	45.0

No.	Year of Manufacture	Brand Name	Capacity (metric tonnes)	Safe Working Load (metric tonnes)	Main Boom Length (metres)
8.	2008	Hitachi Sumitomo SCX2800-2	275	56.0	60.0
9.	2008	Hitachi Sumitomo SCX2800-2	275	62.4	51.0
10.	2008	Hitachi Sumitomo SCX2800-2	275	73.2	45.7
11.	2008	Hitachi Sumitomo SCX2800-2	275	80.0	42.2
12.	2007	Hitachi Sumitomo SCX2800-2	275	50.0	45.7
13.	2006	Hitachi Sumitomo SCX2800-2C3V	275	64.0	48.7
14.	2005	Hitachi Sumitomo SCX2500	250	64.0	51.0
15.	1995	Hitachi Sumitomo SA1200	120	54.0	47.0
16.	1991	Sumitomo LS-138RH5	70	24.0	30.0

Our Group's credit facilities are secured over legal pledges on some of our Group's fixed assets, including vessels, machinery, cranes and motor vehicles.

As at 30 June 2013, the net carrying value of our fixed assets amounted to an aggregate of S$64.4 million, comprising mainly (i) leasehold and licensed land and building amounting to S$2.3 million, (ii) plant, machinery, equipment and cranes amounting to S$30.2 million and (iii) vessels amounting to S$31.6 million.

To the best of our Directors' knowledge, there are no regulatory requirements or environmental issues that may materially affect our utilisation of the above properties and fixed assets, save as disclosed under the sections entitled "Risk Factors", "General Information on our Group – Licences, Permits and Government Regulations" and as set out in Appendix B of this Offer Document.

LICENCES, PERMITS AND GOVERNMENT REGULATIONS

We have obtained the necessary permits and licences for our operations. In respect of each of the facilities at 9 Pandan Crescent and 48 Penjuru Road, we hold valid factory permits issued by the Commissioner for Workplace Safety and Health ("**CWSH**") which remain valid throughout the lifetime of the factories, unless revoked. Certain activities such as grit blasting and spray painting require approval from the National Environment Agency on a project basis for the carrying out of such activities at our premises at 9 Pandan Crescent and 48 Penjuru Road. In addition, all hot works and any other work processes covered by the permit-to-work safety system would be carried out according to the requirements set out by the Ministry of Manpower and the National Environment Agency. We have been certified as an approved scaffold contractor by the Ministry of Manpower for the purpose of carrying out the erection, alteration and dismantling of metal scaffolds under the Factories (Scaffolds) Regulations. We have also been certified as an approved tanker cleaning contractor by the National Environment Agency for the purpose of carrying out tanker cleaning activities within the areas designated by the MPA.

We are required to obtain certificates from independent registered professional engineers, authorised by the CWSH so as to provide evidence for the testing and examination of each of our hoisting and lifting equipment. Depending on the type of hoisting and/or lifting equipment, such testing and examination is conducted on a half-yearly or annual basis. We are also required to obtain the relevant permits from MPA on a project basis for loading and unloading operations to be carried out at our waterfronts. Further, we have obtained the following licences, which are subject to renewal on a frequent basis:

(a) Licence to operate in PSA's restricted areas as haulage contractors, forwarding/clearing agents and ship chandlers (obtained from PSA) – valid up to 27 June 2016;

(b) Licence to operate in PSA's restricted areas for ship repairs/ maintenance/ survey: engineering works & ship repair (obtained from PSA) – valid up to 30 April 2014;

(c) Licence to operate in PSA's restricted areas for general services: ship suppliers (obtained from PSA) – valid up to 30 November 2014;

(d) Licence as an approved tank cleaning and miscellaneous contractor (obtained from the National Environment Agency) – valid up to 30 November 2014; and

(e) Licence as an approved scaffold contractor for the purpose of carrying out the erection, alteration and dismantling of metal scaffolds under the Factories (Scaffolds Regulations (obtained from the Ministry of Manpower) – no validity period as this is a lifelong licence.

Our facility at 9 Pandan Crescent is compliant with the provisions of Chapter XI-2 and Part A of the International Code for the Security of Ships and Port Facilities and we have obtained a statement of compliance from the MPA to this effect, which is valid up to 30 June 2014.

Our Directors are not aware of any reasons which would cause or lead to non-renewal of any of the necessary licences, permits, certificates and/or approvals for our business operations.

AWARDS AND CERTIFICATIONS

The companies in our Group have obtained ISO certifications as follows:

Date	Company	Award	Issuing Authority
26 June 2013	Kim Heng Marine	ISO 9001:2008 Certification	SGS International Certification
28 May 2013	Kim Heng Marine	ISO 50001:2011 certification	British Standards Institution
26 June 2013	Kim Heng Maritime	ISO 9001:2008 Certification	SGS International Certification
26 June 2013	Kim Heng Tubulars	ISO 9001:2008 certification	SGS International Certification
26 June 2013	Kim Heng Shipbuilding	ISO 9001:2008 certification	SGS International Certification

Kim Heng Marine was awarded ISO 9001:2008 certification by SGS International Certification on 26 June 2013 for the provision of land and marine logistics services, procurement services for the marine and offshore industries, and the provision of shipbuilding and engineering services.

Kim Heng Marine was awarded ISO 50001:2011 certification by British Standards Institution on 28 May 2013 which certifies that it operates an energy management system for the provision of shipbuilding and repair services and the provision of engineering services for marine and oilfield industries.

Kim Heng Maritime was awarded ISO 9001:2008 certification by SGS International Certification on 26 June 2013 for the management, charter & administration of tugs and barges operation services.

Kim Heng Tubulars was awarded ISO 9001:2008 certification on 26 June 2013 by SGS International Certification for the sale and rental of tubular products.

Kim Heng Shipbuilding was awarded ISO 9001:2008 certification on 26 June 2013 by SGS International Certification for the provision of shipbuilding and engineering services.

Our tubular products are manufactured by our suppliers to the relevant American Petroleum Institute (API) specifications, and thus carry the API monogram. These are sold with the requisite certificates issued by the respective manufacturers.

Kim Heng Marine was awarded BizSAFE Certificate of Achievement (Enterprise Level 3) and BizSAFE Certificate of Achievement (Recognised BizSAFE Partner) by Workplace Safety and Health Council which are valid up to 27 August 2016 and 12 September 2014 respectively. The BizSAFE accreditation programme was launched to drive shipyards and marine companies to incorporate workplace safety and health practices as an integral part of their business.

We have also been appointed a member of the Jurong Waters Safety & Security Network on 15 March 2013 by the Police Coast Guard of the Singapore Police Force and the Coastal Command of the Immigration & Checkpoints Authority.

QUALITY CONTROL AND ASSURANCE

Inspection and maintenance of our vessels and cranes are carried out on a periodic basis. Our Quality Management System complies with the ISO 9001:2008 standards and requirements.

Classification of our vessels

Vessels which have been built and "classified" by a member of the International Association of Classification Societies ("**IACS**") in accordance with the rules of the classification society have to comply with the applicable rules and regulations of the flag state and with international conventions of which that state is a member. Such certification is required as evidence that the vessel is "class maintained" and seaworthy.

The classification societies will, for each 5-year period, require an intermediate survey and a special survey to validate the class of the vessel. In addition, the classification societies will carry out an annual survey relating to load line (which is a minimum freeboard requirement to ensure that a vessel has a good buoyancy at sea and to ensure watertight integrity of a vessel), safety certificates for equipment on board the vessel and renewal of statutory certificates of the vessel.

Vessels which have not been "classified" by a member of the IACS are subject to the approval and receipt of a harbour craft licence from the MPA, which may be awarded on an ad-hoc or annual basis. These typically comprise vessels which are used for commercial purposes within port limits.

Vessel Maintenance

We conduct regular maintenance of our fleet of vessels, which includes the following:

(a) Periodic repairs and maintenance, typically performed onboard by our port engineers and mechanics;

(b) Ensure adequate stock of emergency spare parts;

(c) Ensure that all technical manuals concerning vessel and equipment are kept onboard at all time for timely reference;

(d) Ensure that repairs and modifications are properly documented for future reference; and

(e) Ensure that all major damage, and equipment and machinery breakdown are reported to the fleet manager who will arrange for the necessary repair works.

Crane Maintenance

We conduct regular maintenance of our cranes. Such maintenance includes scheduled maintenance and daily pre-operational checks on the cranes to ensure that they are in good operating condition.

All movable parts are lubricated regularly to ensure that they are free from corrosion and damage. All crane booms, hoisting wire ropes and lifting accessories are checked to ensure that they are in good condition and free from defects.

The crane operators and mechanics are required to carry out daily pre-operational checks on the cranes and ensure that any faults found are rectified within a reasonable time. Daily pre-operational checks include the following:

(a) Ensure that there is no contamination to the engine oil and that the oil is at an optimal level;

(b) Ensure that the coolant is at an acceptable level and that there are no leakages from the cooling system;

(c) Ensure that the engine is in good working condition; and

(d) Ensure that the safety indicators are in working condition.

Annual inspections are conducted by independent certification bodies approved by the Ministry of Manpower to ensure that the cranes are fit for use as per guidelines set by the Ministry of Manpower.

Rig and Vessel Related Repair and Engineering Fabrication Work

Our rig and vessel related repair, engineering, fabrication and construction activities are carried out in accordance with international standards such as those set by American Society of Mechanical Engineers, American Bureau of Shipping, American Petroleum Institute, Det Norske Veritas and other classification societies. Our Quality Assurance and Quality Control department ensures that only products that meet the above applicable standards and specifications required by customers are manufactured and delivered. Manuals setting out work procedures and specification guidelines approved by the relevant classification society are kept in the Quality Assurance Quality Control ("**QA/QC**") department and displayed at work places where the relevant works are carried out.

Once the fabrication of steel structures are completed, the welding joints are jointly inspected by our QA/QC personnel as well as the quality control representative(s) of the customer, who is usually from a classification society.

The subcontractors which we engage usually have their own quality control personnel to inspect their own work and act as a first line of quality checks. Subsequently, their work will be inspected by our QA/QC inspectors before a final inspection by customers and classification societies.

Distribution of Tubular Products and Ancillary Oilfield Equipment

We are a supplier and distributor of specialty steel tubular products for use on oil rigs in the O&G industry. These products have to meet standards set by the American Petroleum Institute. The products from the manufacturers or suppliers are accompanied by quality certificates to attest to their quality standard and manufacturing processes with traceability for each pipe in the event of defects claimed by customers. A unique product number is die-stamped on every pipe to certify that they are tested and inspected.

Complete documentation is also provided by the manufacturer with each shipment of tubular products and ancillary oilfield equipment received by us. Such documentation will set out the full quality control records covering the Mill Test and Inspection Certificate, Threading Certificate, Quality Clearance Certificate, certificate of origin, Pipe Tally Length, drill string assembly data, non-destructive test certificate and certificate of warranty. With these certificates, we are able to provide a comprehensive quality trail of the products distributed to customers.

To ensure compliance with specifications and standards, prior to actual delivery of the products by the suppliers, we will verify the product quantity and type and where necessary, inspect the packaging at the supplier's premises (if necessary), so as to ensure that the delivered products are free from damage at the point of delivery. Upon the request of the customer, we will also arrange for a class surveyor to carry out this verification and inspection. For overseas shipments, before the products are released to the freight forwarder, we will perform a final inspection of the products to ensure that they conform to the description in the shipping documents.

Quality Management System

Our Quality Management System ("**QMS**") comprises of four elements:

- The Quality Manual which provides an overview of the QMS and its associated documentation.
- The Quality System Procedures which set out the necessary control measures as per the requirements of the ISO 9001:2008 standard. The Quality System Procedures describes the "who, what, when and how" in relation to the performance of activities complying with the standard requirements.
- The Standard Work Methods which are detailed information describing the sequence and interactive nature of the processes necessary to ensure conformity of product. These are the in-house guides to the consistent performance of processes and activities.
- The Quality Records which provide objective evidence of activities performed or results achieved.

The QMS creates a framework defining the coordination and/or control of contract-related activities, operations-related activities, purchasing-related activities, verification activities, management commitments and other supporting activities, and ensures that all the activities in the scope of work are carried out satisfactorily whilst meeting the requirements of the ISO 9001:2008 standard.

We conduct an internal audit at least once a year to verify the effectiveness of the QMS and to ensure compliance with the ISO 9001:2008 standard. All discrepancies found during the internal audit shall be documented and investigated for the cause of the non-conformance and counter measures to prevent recurrence. The department manager responsible shall ensure that the corrective actions are taken without undue delay and there will be follow-up to verify the effectiveness of the corrective actions implemented.

MAJOR CUSTOMERS

Our revenue is generally project-based. The revenue contribution from any particular customer depends on the size and duration of project and whether it has any activities in the regions where we serve. As such, our list of major customers tends to vary from year to year.

Our major customers accounting for 5.0% or more of our revenue for each of FY2010, FY2011, FY2012 and 1H2013 are as follows:

		As a percentage of our revenue (%)			
Name of Customer	**Products and Services**	**FY2010**	**FY2011**	**FY2012**	**1H2013**
Transocean Ltd (“**Transocean**”)	Offshore drilling contractor	3.6	28.9	38.6	31.6
Shelf Drilling Holdings Ltd (“**Shelf Drilling**”)	Offshore drilling contractor	–	–	–	10.4
PT Trident Perkasa International (“**PT Trident**”)[1]	Offshore agency services	0.7	2.3	5.4	6.5
Saipem S.p.A. (“**Saipem**”)	Offshore drilling and support services contractor	0.1	–	8.7	1.4
Northern Offshore Ltd (“**Northern Offshore**”)	Offshore drilling contractor	5.2	6.2	3.0	1.0
Ensco PLC (“**Ensco**”)	Offshore drilling contractor	3.5	5.3	0.5	0.2
KPS Karadeniz Powership Co. Ltd. (“**KPS Karadeniz**”)	Power barge owner & operator	13.7	–	–	–
Hydro Marine Services, Inc.[2] (“**Hydro Marine**”)	Offshore support services contractor	13.3	–	–	–
Gammon Pte Ltd (“**Gammon**”)	Marine and civil construction	8.2	–	–	–
OJSC Artikmoreneftegazrazvedka (“**OJSC AMNGR**”)	Offshore drilling contractor	–	0.7	1.8	7.7

Notes:

(1) PT Trident is our appointed agent in dealing with ConocoPhillips International Inc. (“**ConocoPhillips**”), in Indonesia.

(2) Hydro Marine is a subsidiary of McDermott International, Inc (“**McDermott**”).

Transactions with Transocean increased over the Period Under Review as a result of the general increase in periodic maintenance, and classification, certification and survey works being undertaken in Singapore, due to the increase in compliance requirements associated with deepwater offshore drilling. In addition, our Group’s sales to Transocean increased from FY2011 onwards after Transocean’s entry into a MSA with us in January 2011. Similarly, our transactions with PT Trident also increased over the Period Under Review as we provided more offshore supply chain management services to ConocoPhillips in Indonesia.

Shelf Drilling is a new customer which we had secured in the second quarter of 2013 for the reactivation of the *Randolph Yost* jack-up rig for a drilling project in Indonesia, in which we provided fabrication, refurbishment and maintenance services.

In FY2012, we provided fabrication services in the outfitting of a newbuild high specification ice-class pipe laying vessel for Saipem.

Our transactions with Northern Offshore declined in FY2012 and 1H2013 mainly due to a decrease in demand for maintenance works from them. Our transactions with Ensco also declined in FY2012 and 1H2013 mainly due to a decline in demand for freight forwarding services which we provide to them.

In FY2010, we undertook a fabrication and conversion of a flat top barge to a power barge for KPS Karadeniz and the construction of a steel pipe-laying barge for Hydro Marine. The projects were completed during the financial year.

In FY2010, we entered into a vessel charter contract with Gammon, who was the main contractor for the erection of the Sentosa Boardwalk in Singapore. The project was completed during the financial year.

In 1H2013, we provided tank cleaning, rig logistics support and crew management to OJSC AMNGR in relation to a rig and a drillship which were berthed in Singapore.

Save as disclosed above, there is no other customer whose revenue contribution to us accounted for more than 5.0% of our revenue in the Period Under Review.

To the best of our Directors' knowledge, as at the Latest Practicable Date, we are not aware of any information or arrangement which would lead to a cessation or termination of our relationships with any of our current major customers.

As at the date of this Offer Document, none of our Directors, Substantial Shareholders or their respective Associates has any interest, direct or indirect, in any of the above major customers.

There are no arrangements or understanding with any major customer pursuant to which any of our Directors and Executive Officers was appointed.

MAJOR SUPPLIERS

Our major suppliers accounting for 5.0% or more of our purchases for each of FY2010, FY2011, FY2012 and 1H2013 are as follows:

		As a percentage of our total purchases (%)[1]			
Name of Supplier	**Product(s) and Services**	**FY2010**	**FY2011**	**FY2012**	**1H2013**
Transocean Oil Pte Ltd[2] ("**Transocean Oil**")	Oil trading and bunker supply	–	4.6	13.3	26.2
Ocean Bunkering Services Pte Ltd ("**Ocean Bunkering**")	Oil trading and bunker supply	–	0.6	10.7	8.1
PSA Marine (Pte) Ltd ("**PSA Marine**")	Pilotage and towage services	0.8	3.6	4.4	7.7
Central Star (Singapore) Pte Ltd ("**Central Star**")	Oil trading and bunker supply	0.7	6.1	4.1	3.0

Notes:

(1) Purchases are calculated as cost of sales less direct depreciation.

(2) Transocean Oil is not a subsidiary or associate company of or otherwise associated with Transocean Ltd.

Our Group's purchases from our major suppliers comprise mainly bunker fuel which we on-sell to our customers. The general increase in bunker fuel purchases was due to a general increase in rigs and offshore vessels in transit, maintenance, classification and survey works being undertaken in Singapore, driven by increased levels of global O&G E&P activities.

Purchases from Transocean Oil had increased during the Period Under Review, which was in line with the increase in bunker fuel consumed in the process of periodic maintenance, and classification, certification and survey works being undertaken in Singapore. Our customers typically demand bunker fuel on a large-scale, which Transocean Oil is able to meet.

Purchases from Ocean Bunkering had increased from FY2010 to FY2012, which was in line with the increase in bunker fuel consumed in the process of periodic maintenance, and classification, certification and survey works being undertaken in Singapore. There was a slight decrease in our purchases from Ocean Bunkering in 1H2013 as we were able to secure better credit terms from other suppliers.

Our purchases from Central Star decreased in FY2012 and 1H2013 due to an increase in demand for bunker fuel on a larger scale from our customers. Central Star typically does not engage in bunker fuel sales on a large scale.

Our purchases from PSA increased over the Period Under Review, due to an increase in water supply, pilotage and towage services required by us as we undertook a greater amount of periodic maintenance, and classification, certification and survey works.

We generally do not enter into long-term or exclusive agreements with any of our major suppliers.

Save as disclosed above, there is no other supplier who accounted for more than 5.0% of our purchases in the Period Under Review.

As at the date of this Offer Document, none of our Directors, Substantial Shareholders or their respective Associates has any interest, direct or indirect, in any of the above major suppliers.

There are no arrangements or understanding with any major supplier pursuant to which any of our Directors and Executive Officers was appointed.

CREDIT MANAGEMENT

Credit terms to our customers

Our sales to existing customers are usually on credit terms ranging from approximately 7 to 60 days.

Our average trade receivables turnover days for FY2010, FY2011, FY2012 and 1H2013 are set out below:

	FY2010	FY2011	FY2012	1H2013
Average trade receivables turnover days	87	93	88	83

Note:

(1) The average trade receivables turnover days = (average trade receivables / revenue) x number of calendar days, being 365 days for FY2010 and FY2011, 366 days for FY2012 and 182 days for 1H2013.

Our trade receivables turnover has improved since FY2011 as we have been focusing on improving our collections.

Credit terms from our suppliers

All credit terms with suppliers are determined and negotiated on a case-by-case basis. Credit terms granted by our suppliers generally range from approximately 30 to 90 days taking into account factors such as our relationship with the suppliers and the size of the transactions.

Our average trade payables turnover days during FY2010, FY2011, FY2012 and 1H2013 were as follows:

	FY2010	FY2011	FY2012	1H2013
Average trade payables turnover days	110	156	96	87

Note:

(1) The average trade payables turnover days = (average trade payables / purchases) x number of calendar days, being 365 days for FY2010 and FY2011, 366 days for FY2012 and 182 days for 1H2013.

Average trade payables turnover days decreased from 156 days in FY2011 to 96 days in FY2012 and 87 days in 1H2013 due to prompt payments made to suppliers.

INVENTORY MANAGEMENT

Our inventory consists mainly of steel plates and tubular products.

We purchase product components as and when required based on project and budget requirements. We generally do not maintain product components for our businesses so as to minimise carrying costs. We have a computerised inventory management system in place which tracks the movement of our inventory. Our Group reviews the ageing analysis of inventories at each reporting date, and makes provision for obsolete and slow moving inventory items identified that are no longer suitable for sale.

Our average inventory turnover days during FY2010, FY2011, FY2012 and 1H2013 were as follows:

	FY2010	FY2011	FY2012	1H2013
Average inventory turnover days	60	49	16	12

Note:

(1) The average inventory turnover days = (average inventory balance / purchases) x number of calendar days, being 365 days for FY2010 and FY2011, 366 days for FY2012 and 182 days for 1H2013.

Average inventory turnover days decreased from FY2010 to 1H2013 due to impairments made for slow moving inventories in FY2010 and FY2011, which had reduced our average inventory balances.

COMPETITION

The principal competitive factors in the offshore O&G and marine sectors are the specifications and availability of products, production capacity and capability, quality and reliability of workmanship, timely delivery, and reliability of post-sale or post-delivery services.

To the best of our Directors' knowledge, some of our major competitors are ASL Marine Ltd, Global Offshore & Marine Pte Ltd, Crystal Offshore Pte Ltd, Pioneer Offshore Enterprises Pte Ltd and Altus Logistics Pte. Limited.

None of our Directors, Controlling Shareholders or Substantial Shareholders has any interest, direct or indirect, in any of the above competitors.

Our competitors vary across the offshore O&G and marine sector as we provide a comprehensive range of services and products across the offshore O&G and marine value chain. We compete, apart from pricing, on the quality of our services and products, experience in handling complex projects, reputation and timely delivery. Please refer to the section entitled "General Information on Our Group – Competitive Strengths" of this Offer Document for further information.

To the best of the knowledge of our Directors, there are no published statistics that can be used to accurately measure our market share.

COMPETITIVE STRENGTHS

Our Directors believe that our competitive strengths are as follows:

We offer a comprehensive range of services and products in the offshore O&G and marine industry

We offer our customers a comprehensive range of services and products along the offshore O&G and marine value chain. This encompasses offshore rig-related services and supply chain management services, as well as vessel sales and newbuild services. We believe that our engineering capabilities and experience in the construction of oil rig components, specialized accommodation and pipe laying barges position us as a fully-integrated service provider to the regional offshore O&G and marine industries.

We have an established track record

Our Directors believe that over the last 40 years, we have established a reputation as a reliable and responsive service provider in Offshore Rig Services and Supply Chain Management services, as well as Vessels Sales and Newbuild. This is achieved through our consistent and timely delivery of quality products and services that adhere to quality control standards prescribed by international professional bodies and institutions. Please refer to the section entitled "General Information on our Group – Quality Control and Assurance" of this Offer Document for further details.

As a testimony to our good track record, many of our customers are repeat customers and continue to appoint us to provide services and products.

We have licensed waterfront shipyard facilities

Our business requires the availability of waterfront shipyard facilities which are currently in short supply in land-scarce Singapore. Our two waterfront licensed shipyards have a 137 metre and 68 metre waterfront respectively, and are equipped with workshop and open yard space of more than 50,000 square metres engaging in new construction, fabrication, maintenance and afloat repairs. We have the capability to accommodate offshore vessels, jack-up rigs and drillships of up to approximately 7 metres draft at zero tide for repair, maintenance and refurbishment works in our shipyards.

Our production and warehouse facilities and heavy-lift equipment meet the needs of our customers

We currently have production and warehouse facilities and open yards with quay sites for the berthing of vessels. With our comprehensive fleet of tugs, barges and heavy-lift equipment such as cranes, forklifts, specialist tools, welding and testing equipment, prime movers, trailers and lowbeds, we are a one-stop service provider for the offshore O&G and marine industry. Our waterfront access, experienced staff and range of vessels and equipment allow us to perform offshore salvage operations in the region at short notice.

We have well-established business relationships with our customers and suppliers

We have developed long-standing relationships with many of our customers and suppliers, some of which have spanned over 30 years. We have also established a proven track record of providing reliable services to our customers which include some of the world's largest oil majors, offshore drilling contractors and offshore support service providers. These include companies such as Transocean, Sapura Kencana, Saipem, Noble Drilling and McDermott. We maintain regular contact with our customers and suppliers who provide us with regular updates on market trends and new technological developments in the offshore O&G and marine industry which enable us to better understand customers' requirements. Some of our customers have also established or are establishing framework agreements with our Group which increase the chances of securing future projects with them.

We have a competent and experienced management team

Our Executive Chairman and CEO, Thomas Tan and our Executive Director and COO, Yeo Seh Hong, have between them 70 years of experience in the offshore O&G and marine industries. They are supported by a dedicated, competent and experienced management team, who have over the years acquired technical know-how, in-depth knowledge and understanding of the offshore O&G and marine industry.

We have an experienced, trained and suitably certified workforce

Over the years, we have developed a team of skilled and professional workers who are well-trained and experienced in providing and fabrication services, and in the operation of workshops, yards and waterfront facilities and equipment. Many of these workers are trained and certified in their respective roles such as in engineering, welding and steel fabrication work. For further information on our training programmes, please refer to the section entitled "General Information on our Group – Staff Training and Development" of this Offer Document for further details.

SEASONALITY

We do not experience any significant seasonality in the course of our business.

PROSPECTS

We are an established specialist in offshore O&G and marine engineering services, supporting customers in the offshore O&G and marine sectors from over 25 countries in Southeast Asia, Australasia, Middle East, Africa, the Americas and Europe. Accordingly, our Directors believe that our ability to secure new projects depends on the growth trends and developments in the global offshore O&G sector, particularly in the Asia Pacific regions.

Barring unforeseen circumstances, our Directors believe that the underlying demand trends for our services will likely be positive in the foreseeable future for the reasons stated below.

Sustained high oil prices to drive an increase in offshore E&P activities undertaken by upstream oil and gas companies

Our Directors believe that the long-term fundamentals for the offshore O&G industry remain robust, driven by increasing demand for energy and underpinned by high oil prices and projected increases in offshore E&P spending by international oil majors and national oil companies.

The World Energy Outlook 2012 report by the International Energy Agency forecasts that the global energy demand is projected to increase by more than one-third by 2035. Global oil demand is expected to increase by 14.1% from 87.4 million barrels per day in 2011 to reach 99.7 million barrels per day in 2035.[(1)] To meet this incremental demand, the International Energy Outlook 2013 projects that the total supply of petroleum and liquid fuels would increase by 28.3 million barrels per day from 2010 to 2040.[(2)]

According to Barclays' Global 2014 E&P Spending Outlook, global E&P spending in the energy industry is poised to reach US$723 billion in 2014, representing an increase of 6.1% compared to US$682 billion in 2013, as the increase in commodity prices has now made the resources more economical to recover[(3)]. According to estimates by Macquarie, Brent oil prices are expected to stay above US$105 per barrel, increasing gradually to US$118 by 2015[(4)] and E&P spending is expected to increase through 2017 to near US$1 trillion, with offshore development being the main beneficiary of the rise[(3)].

According to a recent report by Bernstein Research, deepwater oil production has jumped globally from less than 500,000 barrels per day 15 years ago to about 5.5 million barrels per day in 2012, accounting for about 7% of the world oil supply.[(5)] Our Directors believe that the projected increase in offshore oil and gas exploration, development and production activities, are likely to lead to an increase in demand for oil rigs, vessel and rig-conversion projects as well as OSVs required to support such activities. Singapore is the world leader for production of jack-up rigs and conversion of FPSO units with 70% of the world market share in both fields[(6)]. Our Directors believe that Singapore's proven track record in rig building, design and research capabilities as well as timely execution and delivery of projects ensures that our Group is well-positioned to benefit from the anticipated growth in the offshore rig repair, upgrading and construction industry and other segments of the offshore industry resulting in demand for our offshore engineering and supply chain management services.

Demand for our Offshore Rig Services to increase with greater emphasis on safety and compliance standards associated with offshore operations

Heavily publicised offshore accidents such as the Deepwater Horizon oil spill in 2010, have led to global regulatory reviews with regards to the offshore O&G industry. Expenditure to ease health, safety and environment concerns by oil and gas companies are expected to increase by 60% to US$56 billion in 2030 from US$35 billion in 2011[(7)]. Our Directors believe that the increasing stringency in safety regulations and compliance standards associated with offshore operations will drive demand for technical modifications and conversion projects in offshore vessels and rigs, in order to meet technical requirements as well as compliance standards. Older rigs will also need to be replaced or upgraded for better drilling capabilities.

In view of the increasing focus on newer, safer and more efficient offshore vessels and rigs, our Directors believe that there is a strong demand for new offshore vessels and rigs, as well as the conversion of older offshore vessels and rigs. Our Directors believe that this is likely to result in an increase in asset replacement investments by oil companies and drilling contractors, which would create a flow-through demand for our Offshore Rig Services. We believe that we are well-positioned to capitalise on this flow-through demand given our industry track record and expertise in rig and vessel conversion works, such as the fabrication and refurbishment of rig and vessel sections including drill floors, columns and upper hulls, as well as, the upgrading of accommodation quarters and equipment maintenance.

Notes:

(1) This information was extracted from the internet website of the International Energy Agency at http://www.iea.org/publications/freepublications/publication/English.pdf.

(2) This information was extracted from the U.S. Energy Information Administration - International Energy Outlook 2013 report at http://www.eia.gov/forecasts/ieo/pdf/0484(2013).pdf.

(3) The information was extracted from the internet website of Oil and Gas 360 at http://www.oilandgas360.com/barclays-estimates-global-e-horizontal-drilling-permian-pace-north-american-growth/.

(4) This information was extracted from the Singapore Shiprepairing, Shipbuilding & Offshore Industries Directory 2013/2014 at http://www.sgmarineindustries.com/Indprof/SSOI/ED01.pdf.

(5) This information was extracted from the internet website of E&P magazine at http://www.epmag.com/Production/Oil-Production-Predicted-Shift-Onshore-Deep-Water_107915.

(6) This information was extracted from the internet website of the Singapore Economic Development Board at http://www.edb.gov.sg/content/edb/en/industries/industries/marine-offshore-engineering.html.

(7) This information was extracted from a press release by Lux Research on 18 April 2013 at http://www.luxresearchinc.com/news-and-events/press-releases/167.html.

Each of the above organisations or corporations (as the case may be) has not consented to the inclusion of the above information in this Offer Document for the purpose of Section 249 of the SFA and is therefore not liable for the relevant information under Sections 253 and 254 of the SFA. While our Directors have taken reasonable action to ensure that the information is extracted accurately and fairly, and has been included in this Offer Document in its proper form and context, they have not independently verified the accuracy of the relevant information.

Regional Growth Drivers for the Offshore O&G and Marine industry

In terms of geographic market presence, our Group is committed to expanding our customer base to offshore O&G and marine industry players from Southeast Asia, Australia, the Middle East and Africa.

Southeast Asia

The marine and offshore engineering segment in Singapore grew by 14.8% in 2012, due to higher contributions from oil rig projects as well as ship conversion jobs[(1)]. Our Directors believe that the marine and offshore engineering segment in Singapore will continue to grow on the back of expected sustained high oil prices and robust levels of offshore activities.

According to Frost and Sullivan, Petroliam Nasional Bhd (Petronas) is expected to award more risk service contracts in Malaysia to potential oil and gas industry players for the development of Marginal Fields with at least 22 identified for 2013 onwards, with estimated investments of RM22 billion[(2)]. Our Directors believe that we will be able to benefit from the expected spillover opportunities from Malaysian yards in technologically demanding areas such as enhanced oil recovery, asset integrity, integrated operations and deepwater exploration.

In Vietnam, state-owned Vietnam Oil & Gas Group, or PetroVietnam plans to increase domestic oil and gas production to 470,000 barrels of oil equivalent per day by 2025, with production expected to grow annually at a rate of 10% starting in 2016. PetroVietnam intends to achieve this through partnerships in the Red River, Phu Khanh, and Nam Con Son basins and is also actively pursuing partners for deepwater exploration[3]. Our Directors believe that we will likewise be able to benefit from the anticipated increased level of offshore activities in Vietnam as drilling contractors would be looking to Singapore as an offshore engineering hub for mobilisation preparation works.

Australia

In October 2013, the Australian Minister for Industry had announced new offshore petroleum exploration permits, with the flow-on benefits of these permits expected to see up to a total of AUD730 million in exploration investment over the next six years[4]. Given Singapore's proximity to the Australian market and reputation as an offshore engineering hub, our Directors believe that we are well-placed to benefit from the anticipated increase in demand for offshore EPC services resulting from the increased activities in the Australian market.

Middle East

According to Barclays' Global 2014 E&P Spending Outlook, Middle East O&G companies are expected to raise their capital expenditure by 14.4% from US$34.8 billion in 2013 to US$39.8 billion in 2014[5]. Our Directors believe that in spite of the availability of modern yard facilities in the Middle East region, Singapore remains as a preferred choice by many drilling contractors as weather conditions in Singapore are more conducive in allowing for quick turnaround. In addition, Singapore benefits from its status as an offshore industrial cluster where many major offshore original equipment manufacturers are located. Accordingly, our Directors believe that with the high sustained day rates for rigs and vessels underpinned by high oil prices and projected increases in offshore E&P spending, losses that the drilling contractors and support providers would otherwise incur from project delays far outstrip the mobilisation costs incurred for conducting offshore engineering works in Singapore.

There was an average of 148 working rigs (semi-submersible, jack-up rigs, drillships) in the Asia-Pacific region from January to December 2012[6]. During the same period, we provided offshore & marine services to 72 working rigs operating for oil majors, drilling contractors, offshore/dredging contractors and service companies. With the proposed enhancement of our yard facilities and increase in vessel fleet size and expansion in business activities (including potential refurbishment and modification of offshore rigs on a turnkey basis for our customers) as further elaborated in the section entitled "Prospects, Business Strategies and Future Plans" of this Offer Document, we expect to retain our work base load, with the view to increase our scope of work.

Barring any unforeseen circumstances and taking into consideration the above factors, our Directors believe that our business prospects will be positive in the coming years.

Notes:

(1) This information was extracted from the internet website of the Economic Development Board of Singapore at http://www.edb.gov.sg/content/edb/en/news-and-events/news/2013-news/monthly-manufacturing-performance-december-2012.html.

(2) This information was extracted from the internet website of The Business Times at http://www.btimes.com.my/articles/yearong/Article/.

(3) This information was extracted from the internet website of E&P magazine at http://www.epmag.com/Technology-Operations/OTC-2013-Petrovietnam-Expands-Operations_116125.

(4) This information was extracted from the website of the Australian Minister for Industry at http://minister.innovation.gov.au/ministers/macfarlane/media-releases/580-million-new-investment-offshore-exploration.

(5) The information was extracted from the internet website of Zawya at http://www.zawya.com/story/ME_oil_investment_splurge-ZAWYA20131211054133/.

(6) This information was extracted from the IHS Petrodata Weekly Rig Count from January to December 2012 at https://www.ihs.com/products/oil-gas-information/services/index.aspx.

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TREND INFORMATION AND ORDER BOOK

Based on the revenue and operations of our Group as at the Latest Practicable Date and barring unforeseen circumstances, our Directors have observed the following trends for FY2013:

(a) Revenue for 1H2013 decreased by 19.6% compared to 1H2012, mainly due to lesser projects undertaken in 1H2013 as there was a lower number of drilling rigs and vessels from our customers arriving in Singapore in 1H2013. For the period from 1 July 2013 to the Latest Practicable Date, we have confirmed sales orders of S$43.5 million, of which S$35.2 million has been completed and recognised as at the Latest Practicable Date. The balance is expected to be completed and recognised in FY2013 and FY2014. Due to the nature of the business of our Offshore Rig Services and Supply Chain Management segment, save for long-term charter agreements, we generally provide services as and when required by customers. Our secured projects as at any particular date are subject to changes in our customers' project schedules or cancellations of projects and may not be indicative of revenue for any succeeding period;

(b) Subject to the fluctuation of the USD against the SGD, any weakening of the USD will have an adverse impact on our revenue. However, as far as possible, we intend to enter into contracts where our revenue and cost of sales are denominated in the same functional currency to minimise the impact of the fluctuation of exchange rates; and

(c) We expect our cost of sales and our operating expenses to remain relatively stable for FY2013.

In view of the aforementioned, our Directors are of the view that our revenue and profit for FY2013 may not be at the level of that in FY2012. Save as disclosed above and in the sections entitled "Risk Factors", "Management's Discussion and Analysis of Results of Operations and Financial Condition" and "Prospects, Business Strategies and Future Plans" of this Offer Document, and barring any unforeseen circumstances, our Directors believe that there are no other known recent trends in production, sales and inventory, and in the costs and selling prices of our products and services, or other known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our Group's revenue, profitability, liquidity, or capital resources, or that would cause financial information disclosed in this Offer Document to be not necessarily indicative of our Group's future operating results or financial condition. Please also refer to the section entitled "Cautionary Note Regarding Forward-Looking Statement" in this Offer Document.

BUSINESS STRATEGIES AND FUTURE PLANS

We intend to undertake capital expenditure to enhance our yard facilities and expand our fleet

The enhancement plan may include the setting up of a new fabrication and engineering workshop, construction of a quayside jetty and/or carrying out wharf improvements. Barring unforeseen circumstances, the enhancement plan is expected to commence in 2014 and be completed by the end of 2016. The enhancement of our yard facilities will be carried out in various stages and is purposed to enable us to secure higher-value jobs, particularly for our Offshore Rig Services and Supply Chain Management segment.

Such capital expenditure made in connection with the aforementioned enhancement plan will also be used to meet the capital expenditure required by JTC to convert our licence of the premises at 48 Penjuru Road to a lease. Please refer to the section entitled "General Information on our Group – Properties and Fixed Assets" of this Offer Document for further details.

We also plan to expand our fleet of vessels to meet the anticipated increased demand on our internal operations stemming from increased levels of offshore activity. In so doing, we intend to undertake vessel newbuild projects and/or acquire vessels for charter, to support our internal operations, or for sale to our customers, should the opportunity arise. We may undertake the newbuilding of a accommodation barge with a similar capacity as the *Aussie 1* and *McDermott LB32*, which our Group had built in 2009 and 2010 respectively. The accommodation barge will be available for charter to support the offshore drilling and production operations of our customers, and may also be sold to our customers, should the opportunity arise.

We intend to allocate S$20.0 million of the net proceeds raised from the Invitation to partially fund the enhancement of our yard facilities and the expansion of our fleet. Any remaining balance required for this plan will be financed through internal resources and/or borrowings from financial institutions.

We intend to expand and diversify our business and service offerings through, *inter alia*, investments, acquisitions and/or joint ventures

We plan to expand and diversify our business and service offerings in the offshore O&G industry organically or through potential acquisitions and joint ventures with parties who can provide synergistic value to our existing business, as and when opportunities arise.

Our Directors have identified growth opportunities for our Group in the provision of refurbishment and modification services to mature offshore rigs aged 30 to 40 years for the purposes of extending their shelf life. Specifically, we may also undertake such offshore rig refurbishment and modification projects on a turnkey-basis for our customers.

We may also explore mergers and acquisitions, joint ventures, and/or strategic alliances such as, *inter alia*, the acquisition of an engineering services business to supplement our existing capabilities and/or joint operations of vessels and/or facilities as and when such opportunities arise.

As at the Latest Practicable Date, we have not entered into definitive agreements with any potential party to undertake such offshore rig refurbishment and modification projects on a turnkey-basis, to acquire potential businesses or to form joint ventures and/or strategic alliances. We will carefully consider any such projects and/or opportunities and undertake extensive review and evaluation to determine whether such transactions will benefit our business.

We intend to allocate S$7.0 million of the net proceeds raised from the Invitation to partially fund the expansion of our business and service offerings in the offshore O&G and marine industry. Any additional financing required for these expansion plans will be financed through internal resources and/or borrowings from financial institutions.

In general, transactions between our Group and any of our Interested Persons after the Invitation would constitute Interested Person Transactions for the purposes of Chapter 9 of the Catalist Rules.

The Interested Persons of our Group include Thomas Tan and SK Tan, and their respective Associates. The following discussion on material Interested Person Transactions during the Period Under Review and the period from 1 July 2013 up to the Latest Practicable Date (the "**Relevant Period**") are discussed below.

Save as disclosed below and under the sections entitled "Restructuring Exercise" and "Directors, Management and Staff – Service Agreements" of this Offer Document, our Group does not have any other material transactions with any of our Interested Persons during the Relevant Period.

In line with the rules set out in Chapter 9 of the Catalist Rules, transactions with a value of less than S$100,000 are not considered material in the context of the Invitation and are not taken into account for the purposes of aggregation in this section.

INTERESTED PERSONS

The following persons or companies are or were considered "Interested Persons" for the purpose of this section and the section entitled "Potential Conflicts of Interest" of this Offer Document.

Interested Person	Relationship with our Group
Thomas Tan	Our Controlling Shareholder, Executive Chairman and CEO
SK Tan	Brother of Thomas Tan
Chen Biqing	Our General Manager – Marine & Support Services, and the daughter of SK Tan and niece of Thomas Tan
Ng Chwee Lian Natalie Amanda (**"Natalie Ng"**)	Wife of Thomas Tan
Tan Logistics Pty Ltd (**"Tan Logistics"**)	Thomas Tan and SK Tan are directors and shareholders of Tan Logistics, collectively holding 100% of Tan Logistics
T-D Joint Venture Pty Ltd ("**TDJV**")	Tan Logistics holds 60% of TDJV. The remaining 40% of TDJV is held by Cox Energy Pty Ltd, an unrelated third party
Bayswater Shipping & Forwarding Pte. Ltd. ("**Bayswater Shipping**")	Tan Wan Bee Carolina and Tan Keng Hock Kelvin, who are siblings of Thomas Tan, have an aggregate direct and indirect interest of 45.45% in Bayswater Shipping

PAST INTERESTED PERSON TRANSACTIONS

Disposal of property to an associate of Thomas Tan

On 11 October 2010, Kim Heng Shipbuilding disposed of 390 Pasir Panjang Road, #02-02 Pasir Panjang Lodge, Singapore 118722 to an associate of Thomas Tan, our Company's Executive Chairman and CEO. The consideration received by Kim Heng Shipbuilding was S$960,000 and has been fully paid to Kim Heng Shipbuilding.

Our Directors are of the view that the transaction was conducted on an arm's length basis as the purchase consideration was determined based on the prevailing market rates for properties of a similar nature provided by a third party property agent.

Purchase and renewal of insurance policies through Natalie Ng

We have purchased and renewed some of our insurance policies with Phillip Capital, through Natalie Ng, an insurance agent in FY2010 and FY2011. The insurance policies related to, *inter alia*, vessel insurance for our tugs and barges, workmen injury compensation insurance, motor commercial vehicle insurance, all risks machinery and equipment insurance, fire insurance, burglary and theft insurance and public liability insurance. The aggregate amounts of premiums paid by our Group in relation to the insurance policies purchased and/or renewed through Natalie Ng during the Relevant Period are set out below:

Type of Insurance	FY2010 (S$)	FY2011 (S$)
Vessel	447,077	39,182
Workmen injury compensation	440,469	320,902
Motor vehicle / Machinery and equipment	330,209	164,775
Fire / Burglary / Public liability	13,400	10,550
Other	87,051	51,953
Total	**1,318,206**	**587,362**

There have been no insurance policies purchased and/or renewed through Natalie Ng after FY2011, and we do not intend to purchase and/or renew insurance policies through Natalie Ng in the future. Our Directors are of the view that the transactions were conducted on an arm's length basis as the purchase and renewal of the insurance policies was based on the prevailing market rates for policies of a similar nature.

Loans from Thomas Tan and SK Tan

Thomas Tan and SK Tan have provided loans to our Group in the Relevant Period as set out below:

	FY2010 (S$)	FY2011 (S$)	FY2012 (S$)	1 January 2013 to the Latest Practicable Date (S$)
Loan from Thomas Tan	1,002,420	15,499	933,090	–
Loan from SK Tan	1,528,850	134,566	–	–
Total	**2,531,270**	**150,065**	**933,090**	**–**

The largest amount outstanding during the Period Under Review was S$1,002,420 and S$1,528,850 for Thomas Tan and SK Tan respectively.

Such loans were interest-free, unsecured and without fixed terms of repayment. The above loans were not conducted on an arm's length basis as Thomas Tan and SK Tan did not receive any benefit-in-kind, commission or interest from our Group. As at the Latest Practicable Date, these loans have been fully settled and we do not intend to obtain further loans from Thomas Tan and SK Tan in the future.

Loans to SK Tan

Our Group advanced loans amounting to S$300,000 in FY2011 to SK Tan. Such loans were interest-free, unsecured and without fixed terms of repayment and were not conducted on an arm's length basis. As at the Latest Practicable Date, these loans have been fully settled and we do not intend to provide further loans to SK Tan in the future.

Sale of motor vehicles to Thomas Tan and SK Tan

Our Group sold 1 motor vehicle to Thomas Tan and 1 motor vehicle to SK Tan in 2013 for a consideration of S$162,000 and S$112,000 respectively, which were equivalent to their respective net book values. Prior to the sale, the motor vehicles were held by Thomas Tan and SK Tan on trust for our Group as part of their employee benefits. As the sale was entered into in accordance with their then service agreements, the sale was not entered into on an arm's length basis and was not carried out on normal commercial terms. We do not intend to enter into such transactions with Thomas Tan and SK Tan in the future.

Personal guarantees for bank borrowings and banking facilities

Our bank borrowings and banking facilities for the Relevant Period were secured by personal guarantees provided by Thomas Tan, SK Tan and Chen Biqing as set out below:

Financial Institution	Type of facilities	Guarantors	Largest amount of facilities granted during the Relevant Period (S$'000)	Largest amount guaranteed during the Relevant Period (S$'000)	Largest amount outstanding during the Relevant Period (S$'000)
United Overseas Bank Limited	• Overdraft • Letter of credit/ trade receipt/ performance guarantee • Credit card • Term loan • Hire purchase	Thomas Tan and SK Tan	41,149	43,968	28,874
Malayan Banking Berhad	• Hire purchase	Thomas Tan and SK Tan	12,073	19,170	7,306
ORIX Leasing Singapore Limited	• Hire purchase • Vessel loan	Thomas Tan and SK Tan	7,537	7,537	3,633
Hong Leong Finance Limited	• Vessel loan	Thomas Tan and SK Tan	6,497	6,497	4,514
Sing Investments & Finance Limited	• Vessel loan	Thomas Tan and SK Tan	9,673	9,673	4,984
Singapura Finance Ltd	• Vessel loan	Thomas Tan and SK Tan	1,610	1,610	1,558
Singapura Finance Ltd	• Vessel loan	Thomas Tan, SK Tan and Chen Biqing	4,608	4,608	4,493
DBS Bank Ltd	• Vessel loan • Hire purchase	Thomas Tan and SK Tan	5,542	5,542	4,802
ETHOZ Capital Ltd	• Vessel loan	Thomas Tan and SK Tan	720	720	700
The Bank of East Asia, Limited	• Hire purchase	Thomas Tan and SK Tan	326	326	315

Financial Institution	Type of facilities	Guarantors	Largest amount of facilities granted during the Relevant Period (S$'000)	Largest amount guaranteed during the Relevant Period (S$'000)	Largest amount outstanding during the Relevant Period (S$'000)
Citibank Singapore Ltd	• Hire purchase	Thomas Tan and SK Tan	612	612	602
GE Commercial Financing (S) Limited	• Hire purchase	Thomas Tan and SK Tan	6,385	6,385	4,472
UMF (Singapore) Limited	• Hire purchase	Thomas Tan and SK Tan	833	833	295

The interest rates applicable to the above facilities ranged from 1.88% to 6.25% per annum, save for credit card facilities which had interest rates of 24.00% per annum. As at the Latest Practicable Date, the above facilities have been varied, supplemented, replaced and/or cancelled and the guarantees provided by the interested persons have been discharged.

As no benefit in kind, commission or interest was received by Thomas Tan, SK Tan and Chen Biqing for the provision of the guarantees, the above arrangements were not carried out on an arm's length basis. Our Directors are of the view that the guarantees were provided on terms beneficial to our Group.

Transactions with Tan Logistics

Tan Logistics had been engaged in the supply base services business for offshore operations in Australia. Following the disposal of its business to an unrelated third party, which was completed in June 2013, Tan Logistics has ceased business operations. Thomas Tan and SK Tan intend to wind up Tan Logistics upon the completion of liquidation proceedings involving TDJV which is 60.0% owned by Tan Logistics.

Before the sale of its business, the financial requirements of Tan Logistics were managed by Kim Heng Marine. Kim Heng Marine had prior to the Relevant Period, conducted trading activities with Tan Logistics, and has from time to time made advances to Tan Logistics for its working capital requirements during the Relevant Period. The working capital balances, which are non-trade in nature and interest-free with no fixed term of repayment, between Kim Heng Marine and Tan Logistics in the Relevant Period are as set out below:

(S$'000)	FY2010	FY2011	FY2012	1H2013	1 July 2013 up to the Latest Practicable Date	Largest amount outstanding during the Relevant Period	Amount outstanding as at the Latest Practicable Date
Inter-company loan made by Kim Heng Marine to Tan Logistics	–	–	754.4	533.0	–	1,287.4	–
Expenses paid by Kim Heng Marine on behalf of Tan Logistics	–	2.8	–	–	–	2.8	–

(S$'000)	FY2010	FY2011	FY2012	1H2013	1 July 2013 up to the Latest Practicable Date	Largest amount outstanding during the Relevant Period	Amount outstanding as at the Latest Practicable Date
Inter-company loan made by Tan Logistics to KimHeng Marine	252.0	–	–	–	–	252.0	–
Expenses paid by Tan Logistics on behalf of Kim Heng Marine	663.8	161.3	90.2	36.6	–	779.0	–

As at the Latest Practicable Date, the amounts above have been fully repaid and there are no outstanding amounts between Tan Logistics and our Group. Since the sale of its business in June 2013, Tan Logistics has ceased its business operations and there will be no further trading transactions and working capital advances between Tan Logistics and our Group.

PRESENT AND ON-GOING INTERESTED PERSON TRANSACTIONS

Provision of performance guarantee by Kim Heng Marine in favour of a third party, on behalf of TDJV

Kim Heng Marine has given a performance guarantee ("**Performance Guarantee**") in favour of Nexus Energy Corporate Pty Ltd ("**Nexus**") in connection with an offshore gas pipeline installation contract between Nexus and TDJV ("**Nexus Contract**"). Under the Performance Guarantee, Kim Heng Marine guaranteed the performance of TDJV of all its duties, liabilities and obligations under the Nexus Contract and its total liability was capped at 7.5% of the contract value (held in a range of currencies, which translates to approximately S$7 million).

As no compensation was received by Kim Heng Marine for the provision of the Performance Guarantee, the above arrangement was not carried out on an arm's length basis. SK Tan has undertaken to hold harmless and indemnify Kim Heng Marine for all losses, liabilities and claims arising out of or relating to the Performance Guarantee.

Honorarium payable to SK Tan

Our former COO, SK Tan, retired from our Group on 13 January 2014 to allow his younger brother, Tan Keng Hoe Melvin, and his daughter, Chen Biqing, to play a bigger role in our Group. In order to recognize and reward SK Tan's long service and contribution to the growth of our Group over the past 40 years, we will be paying SK Tan an honorarium of S$300,000 per year for only three (3) years after his retirement. Although the honorarium was not arrived at on an arm's length basis, our Directors, in particular our Remuneration Committee, are of the opinion that the honorarium is appropriate given SK Tan's significant contributions to the growth and development of our Group over the past 40 years.

Personal guarantees for bank borrowings and banking facilities

As at the Latest Practicable Date, Thomas Tan, SK Tan and Chen Biqing have provided personal guarantees to secure bank borrowings and banking facilities extended to our Group as set out below:

Financial Institution	Type of facilities	Guarantors	Total amount of facilities granted (S$'000)	Amount guaranteed (S$'000)	Amount Outstanding as at the Latest Practicable Date (S$'000)
United Overseas Bank Limited	• Overdraft • Letter of credit/ trade receipt/ performance guarantee • Credit card • Term loan • Hire purchase	Thomas Tan and SK Tan	13,592	19,614	5,119
Malayan Banking Berhad	• Hire purchase	Thomas Tan and SK Tan	7,956	9,215	1,162
ORIX Leasing Singapore Limited	• Hire purchase • Vessel loan	Thomas Tan and SK Tan	2,117	1,399	1,399
Sing Investments & Finance Limited	• Vessel loan	Thomas Tan and SK Tan	2,647	1,436	1,436
Singapura Finance Ltd	• Vessel loan	Thomas Tan, SK Tan and Chen Biqing	630	30	30
Singapura Finance Ltd	• Vessel loan	Thomas Tan and SK Tan	1,725	161	161
DBS Bank Ltd	• Vessel loan • Hire purchase	Thomas Tan and SK Tan	478	335	335
ETHOZ Capital Ltd	• Vessel loan	Thomas Tan and SK Tan	720	232	232
Citibank Singapore Ltd	• Hire purchase	Thomas Tan and SK Tan	308	135	135
The Bank of East Asia, Limited	• Hire purchase	Thomas Tan and SK Tan	326	198	198

As at the Latest Practicable Date, the aggregate amount guaranteed was S$32.7 million and the aggregate amount outstanding was S$10.2 million. The interest rate applicable to the above facilities ranged from 1.88% to 6.50% per annum, save for credit card facilities which had interest rates of 24.00% per annum.

The above arrangements were beneficial to our Group, but as no benefit in kind, commission or interest was paid to Thomas Tan, SK Tan or Chen Biqing for the provision of guarantees, the arrangements were not conducted at arm's length.

Following the admission of our Company to Catalist, we intend to request for the discharge of the above personal guarantees by the above guarantors and replace them with corporate guarantees provided by our Group. Our Directors do not expect any material change in the terms and conditions of the relevant credit facilities arising from the discharge of the personal guarantees. Nevertheless, each of the above Interested Persons has given an undertaking that in the event that the relevant financial institution does not agree to the release of his/her personal guarantees or to provide financing on comparable or better terms, he/she will not withdraw or revoke such guarantees and that such guarantees will remain in full force and effect. Each of them has further confirmed that he/she will not receive any consideration (monetary or otherwise) for the provision of the above guarantees in the future.

Provision of indemnities by Thomas Tan and SK Tan for security bonds for foreign workers

As our Group employs foreign workers in Singapore, a security bond of S$5,000 is required to be furnished to the MOM for each foreign worker before our Group is allowed to engage such foreign workers. Instead of furnishing the security bonds, our Group entered into arrangements with China Taiping Insurance (Singapore) Pte Ltd ("**China Taiping**") and L.C.H. (S) Pte Ltd ("**LCH**") for letters of guarantee to be issued to the MOM by China Taiping and LCH in respect of each foreign worker. In return for the issuance of such letters of guarantee, our Group pays China Taiping and LCH an insurance premium and Thomas Tan and SK Tan, provided indemnities to the insurance companies to secure our Group's obligations.

These indemnities were not provided on an arm's length basis as Thomas Tan and SK Tan did not receive any interest or other benefits from doing so. Our Group, however, benefited from the security bonds provided by China Taiping and LCH.

As at the Latest Practicable Date, Thomas Tan and SK Tan have provided indemnities to the insurance companies of up to S$5.0 million under the security bonds. The total outstanding amounts indemnified by Thomas Tan and SK Tan under the security bonds as at the end of FY2010, FY2011, FY2012, 1H2013 and as at the Latest Practicable Date are as follows:

	← As at 31 December →			As at 30 June 2013	As at the Latest Practicable Date
	2010 (S$'000)	2011 (S$'000)	2012 (S$'000)	(S$'000)	(S$'000)
Outstanding amounts indemnified under the security bonds	1,425	1,110	1,230	1,185	1,145

The largest aggregate outstanding amount indemnified by Thomas Tan and SK Tan during the Relevant Period was approximately S$3,075,000.

The above interested persons have agreed to continue providing the indemnities subsequent to the Invitation until such time the employment of the relevant foreign worker(s) is terminated, or if the insurance companies agree to replace the indemnities with corporate guarantees provided by our Group.

Transactions with Bayswater Shipping

Bayswater Shipping, a company incorporated in Singapore, is principally involved in the charter of ships, barges and boats with crew (freight). None of the directors and ultimate shareholders of Bayswater Shipping is a Shareholder or an employee of our Group.

Our Group and Bayswater Shipping supply services to each other from time to time, such services comprising mainly the rental of trailers and the chartering of ships, barges and boats to ship steel plates to our Group's customers in Indonesia. The total sales to and purchases from Bayswater Shipping during the Relevant Period were as follows:

	FY2010 (S$'000)	FY2011 (S$'000)	FY2012 (S$'000)	1H2013 (S$'000)	From 1 July 2013 to the Latest Practicable Date (S$'000)
Sales to Bayswater Shipping (Rental of trailers)	1.9	0.7	–	–	–
Purchases from Bayswater Shipping (Chartering of ships, barges and boats)	23.9	32.1	0.5	–	–

The aforesaid transactions were entered into on an arm's length basis and were carried out on normal commercial terms.

Our Directors envisage that transactions with Bayswater Shipping will continue in the future as and when the need arises, subject to compliance with our Group's policies and the requirements of the Catalist Rules.

GUIDELINES AND REVIEW PROCEDURES FOR FUTURE INTERESTED PERSON TRANSACTIONS

All future transactions with Interested Persons shall comply with the requirements of the Catalist Rules. As stated in the Catalist Rules, our Articles of Association require a Director to abstain from voting in any contract or arrangement in which he has a personal interest.

Our Audit Committee will ensure that all future Interested Person Transactions, including the aforementioned Interested Person Transactions are conducted on normal commercial terms and not prejudicial to the interests of our Company and its minority Shareholders. Such procedures will include the following:

(a) in relation to any purchase of products or procurement of services from Interested Persons, our Directors shall take into account the prices and terms of at least two (2) other comparative offers (where appropriate) from non-Interested Persons. The purchase price or fee for services shall not be higher than the most competitive price of the two (2) comparative offers (where appropriate) from non-interested persons. In determining the most competitive price or fee, all pertinent factors, including but not limited to quantity, quality, delivery time and track record will be taken into consideration;

(b) in relation to any sale of products or provision of services to Interested Persons, our Directors shall take into account the prices and terms of at least two (2) other successful transactions of similar nature and size to non-Interested Persons. The sale price or fee for the supply of services shall not be lower than the lowest sale price or fee of the other two (2) successful transactions to non-Interested Persons;

(c) when leasing property from or to Interested Persons, our Directors shall take appropriate steps to ensure that such lease commensurate with the prevailing market rates, including adopting measures such as making relevant enquiries with landlords of properties of similar location and size, or obtaining necessary reports or reviews published by property agents (including an independent valuation report by a property valuer, where appropriate). The rent payable shall be based on the most competitive market rental rate of similar properties in terms of size and location, based on the results of the relevant enquiries; and

(d) where it is not possible to compare against the terms of other transactions with non-Interested Persons and given that the products and/or services may be purchased only from an Interested Person, the Interested Person Transaction will be approved by at least two (2) Directors, each of whom shall not be an interested person with respect to the transaction, in accordance with our Group's usual business practices and policies. In determining the transaction price payable to the Interested Person for such products and/or services, factors such as, but not limited to, quantity, requirements and specifications will be taken into account.

In addition, we shall monitor all Interested Person Transactions entered into by us and categorise the transactions as follows:

(i) a "Category One" Interested Person Transaction is one where the value thereof is in excess of or equal to 3.0% of the latest audited NTA of our Group; and

(ii) a "Category Two" Interested Person Transaction is one where the value thereof exceeds S$100,000 and is below 3.0% of the latest audited NTA of our Group.

"Category One" Interested Person Transactions must be reviewed and approved by our Audit Committee prior to entry.

"Category Two" Interested Person Transactions must be approved by at least two (2) Directors, each of whom shall not be an interested person in respect of the particular transaction prior to entry and must be reviewed on a quarterly basis by our Audit Committee. In its review, our Audit Committee will ensure that all future Interested Person Transactions are conducted on normal commercial terms and are not prejudicial to the interests of our Company and its minority Shareholders.

All transactions with SK Tan (including those below S$100,000) are to be subject to the "Category One" and/or "Category Two" Interested Person Transaction review procedures above, as the case may be, for as long as SK Tan remains as an Interested Person.

In respect of all Interested Person Transactions, we shall adopt the following policies:

(a) in the event that a member of our Audit Committee is interested in any Interested Person Transaction, he will abstain from deliberating, reviewing and/or approving that particular transaction;

(b) we shall maintain a register to record all Interested Person Transactions which are entered into by our Group, including any quotations obtained from unrelated parties to support the terms of the interested person transactions;

(c) we shall incorporate into our internal audit plan a review of all Interested Person Transactions entered into by our Group; and

(d) our Audit Committee shall review the internal audit reports at least quarterly to ensure that all Interested Person Transactions, including all transactions with SK Tan which are below S$100,000, are carried out on an arm's length basis and in accordance with the procedures outlined above. Furthermore, if during these periodic reviews, our Audit Committee believes that the guidelines and procedures as stated above are not sufficient to ensure that the interests of minority Shareholders are not prejudiced, we will adopt new guidelines and procedures. Our Audit Committee may request for an independent financial adviser's opinion as it deems fit.

Our Audit Committee shall ensure that all Interested Person Transactions comply with the provisions in Chapter 9 of the Catalist Rules, and if required, we will seek independent Shareholders' approval for such transactions. In accordance with Rule 919 of the Catalist Rules, Interested Persons and their Associates shall abstain from voting on resolutions approving interested person transactions involving themselves and our Group. In addition, such Interested Persons shall not act as proxies in relation to such resolutions unless specific instructions as to voting have been given by the Shareholder(s).

Our Board will ensure that all Interested Person Transactions will be subject to the disclosure requirements of the Catalist Rules, and will be subject to Shareholders' approval if deemed necessary under the provisions of the Catalist Rules. We will disclose in our annual report the aggregate value of Interested Person Transactions conducted during the financial year.

INTERESTS OF DIRECTORS, CONTROLLING SHAREHOLDERS OR THEIR ASSOCIATES

Generally, a conflict of interest arises when any of our Directors, Controlling Shareholders or their Associates is carrying on the same business or dealing in similar products as our Group.

In conjunction with our former director and COO SK Tan's retirement from our Group on 13 January 2014, he has undertaken for a period of three (3) years from his retirement from our Group, *inter alia*, that he shall not carry on, be employed or otherwise engaged, concerned or interested in any capacity in any business involved in the supply of services provided by our Group in the countries in which our Group conducts business.

Save as disclosed in the section entitled "Interested Person Transactions" of this Offer Document, and personal investment (whether directly or through nominees) in quoted investments which may include companies listed on the SGX-ST, none of our Directors, Controlling Shareholders or any of their Associates has any interest, direct or indirect, in the following:

(a) any material transactions to which our Group was or is a party;

(b) any entity carrying on the same business or dealing in similar products which competes materially and directly with the existing business of our Group; and

(c) any enterprise or company that is our customer or supplier of goods or services.

INTERESTS OF EXPERTS

No expert is employed on a contingent basis by our Company or any of our Subsidiaries; or has a material interest, whether direct or indirect, in our Shares or the shares of our Subsidiaries; or has a material economic interest, whether direct or indirect, in our Company, including an interest in the success of the Invitation.

INTERESTS OF THE SPONSOR, UNDERWRITER AND PLACEMENT AGENT

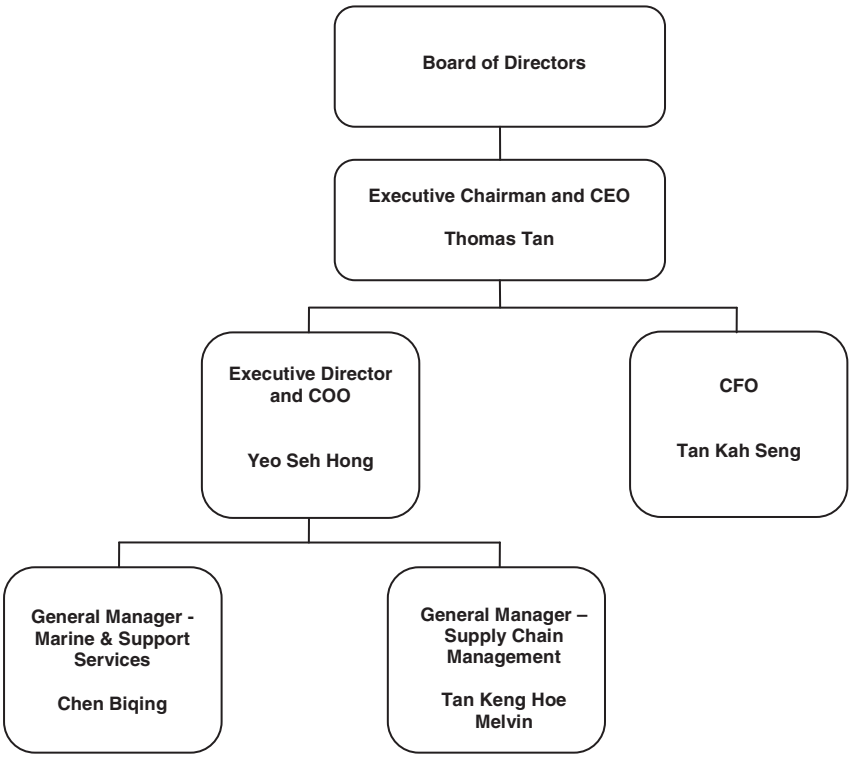
Save as disclosed below, in the reasonable opinion of our Directors, the Sponsor, Underwriter and Placement Agent does not have a material relationship with our Company:

(a) pursuant to the Management and Underwriting Agreement and the Placement Agreement entered into between our Company, the Vendor and Canaccord Genuity, our Company and the Vendor appointed Canaccord Genuity to act as our Sponsor, Underwriter and Placement Agent. Please refer to the section entitled "Management, Underwriting and Placement Agreements" of this Offer Document for further details; and

(b) Canaccord Genuity will be the continuing Sponsor of our Company for a period of three (3) years from the date our Company is admitted and listed on Catalist.

MANAGEMENT REPORTING STRUCTURE

The following chart shows our management reporting structure as at the Latest Practicable Date:



DIRECTORS

Our Directors are entrusted with the responsibility for the overall management and formulation of business strategies of our Group. The particulars of our Directors as at the date of this Offer Document are set out below:

Name	Age	Residential address	Designation
Thomas Tan	55	26D Peirce Road Singapore 248542	Executive Chairman and CEO
Yeo Seh Hong	56	19 Phoenix Road Singapore 668180	Executive Director and COO
Tan Chow Boon	54	55 Leedon Park Singapore 267919	Non-Executive Director
Douglas Owen Chester	61	18 Mainoru Place Hawker, ACT Australia, 2614	Lead Independent Director
Ho Boon Chuan Wilson	43	23 Merryn Drive Singapore 298551	Independent Director
Ong Sie Hou Raymond	43	20 Ewe Boon Road #01-05 Singapore 259344	Independent Director

Our Directors' career and academic history, business experience and general areas of responsibility within our Group are set out below:

Thomas Tan

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

Yeo Seh Hong

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

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

Tan Chow Boon

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

He began his career in Hewlett-Packard as an engineer and over seven years, held key operational and managerial positions in engineering, production, procurement and materials management. In 1991, he left Hewlett-Packard and together with two other partners, founded Omni Electronics (Singapore) Pte Ltd ("**Omni Electronics**"), a Singapore electronic manufacturing services company. In 1995, he founded Eteq Components Pte Ltd ("**Eteq Components**"), a Singapore electronics components distribution company to enhance the electronic manufacturing services offerings. Both Omni Electronics and Eteq Components were listed as part of Omni Industries Limited in 1997, which was later acquired by Celestica Inc ("**Celestica**"). in 2001. Between 1991 and 2004, he held various executive positions, including that of managing director of Omni Electronics and Eteq Components, Executive Director of Omni Industries and Senior Vice President of Celestica Asia Pte Ltd, a subsidiary of Celestica Inc. In 2005, he, together with Seow Kiat Wang, founded Boston Plastics Pte. Ltd., a plastics tooling and injection moulding company with operations in the PRC and led a management buyout of Eteq Components from Celestica. Subsequently in 2006, they, together with Koh Boon Hwee, founded and started Credence Capital Fund (Cayman) Limited, a private equity fund which is currently at its divestment phase. He is currently a director of Credence, a South East Asia private equity fund, providing growth stage capital and expertise to SMEs within the Manufacturing, Information Communication Technology, Services, Logistics and Consumer sectors. Credence is managed by Credence Partners, a Singapore-based private equity fund manager led by Koh Boon Hwee, Tan Chow Boon and Seow Kiat Wang.

Tan Chow Boon obtained his Bachelor's Degree in Mechanical Engineering from the National University of Singapore in 1984 and his Executive MBA from the Golden Gate University, California in 1992.

Douglas Owen Chester

Douglas Owen Chester is the Lead Independent Director of our Company and was appointed to the Board on 26 December 2013. He is also an independent director of Civmec Limited and Stamford Land Corporation Limited. He has had an illustrious career with the Australian Public Service for over 33 years up until his retirement in 2012. His key appointments with the Australian Public Service include deputy secretary of the Australian Department of Foreign Affairs and Trade (DFAT) (2003-2008), Australia's Ambassador to Asia-Pacific Economic Cooperation (2005), Australia's high commissioner to Brunei (2000) and most recently, Australia's high commissioner to Singapore (2008-2012). Prior to joining DFAT in 1990, he had an 11-year career with the then Australian Patent, Trade Marks and Design Office as a patent examiner. Before that he worked at the Australian National University as a research scientist.

Douglas Owen Chester graduated from the Australian National University in 1976 with a Bachelor of Science (Hons) degree.

Ho Boon Chuan Wilson

Ho Boon Chuan Wilson is an Independent Director of our Company and was appointed to the Board on 26 December 2013. He is the managing director of the Westcon Solutions Group of companies, an IT security and value added distribution business arm of Westcon Group Inc. across Asia. He is also an independent director of Sysma Holdings Limited. His experiences over the past 20 years include working in the capital markets group of DBS Bank, holding the post of CFO of a SGX-Main Board listed company and building and managing a regional IT distribution group.

Ho Boon Chuan Wilson graduated from the Nanyang Technological University with a Bachelor of Accountancy degree in 1994. He is a Chartered Accountant, Singapore, and a Chartered Financial Analyst.

Ong Sie Hou Raymond

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

Ong Sie Hou Raymond graduated from the National University of Singapore in 1996 with a Bachelor of Laws (Honours) degree. He was admitted as an Advocate & Solicitor to the Supreme Court of the Republic of Singapore in 1996.

Tan Chow Boon, Douglas Owen Chester, Ho Boon Chuan Wilson and Ong Sie Hou Raymond have prior experience as directors of public listed companies in Singapore. Thomas Tan and Yeo Seh Hong do not have prior experience as directors of public listed companies in Singapore but have received relevant training to familiarise themselves with the roles and responsibilities of a director of a company listed on Catalist.

None of our Independent Directors sits on the board of any of our subsidiaries. Our Independent Directors do not have any existing business or professional relationship of a material nature with our Group, our Directors or Substantial Shareholders. The list of present and past directorships of each Director over the last five (5) years preceding the date of this Offer Document is set out below:

Name	Present Directorships	Past Directorships
Thomas Tan	*Group Companies* ● Alpine Progress Shipping Pte. Ltd. ● Kim Heng Marine & Oilfield Pte Ltd ● Kim Heng Maritime Pte Ltd ● Kim Heng Offshore & Marine Holdings Limited ● Kim Heng Offshore & Marine Pte. Ltd. ● Kim Heng Shipbuilding & Engineering Pte. Ltd. ● Kim Heng Tubulars Pte Ltd	*Group Companies* ● Nil
	Other Companies ● KH Group Holdings Pte. Ltd. ● T-D Joint Venture Pty Ltd ● Tan Logistics Pty Ltd ● Tan Commercial Bins Pty Ltd	*Other Companies* ● 3 Tree Pte. Ltd. ● Alpine Marine & Industrial Supplies Pte Ltd ● Kim Heng Energy Holdings Pte. Ltd. ● Kim Heng Maritime & Offshore Pte. Ltd.
Yeo Seh Hong	*Group Companies* ● Kim Heng Marine & Oilfield Pte Ltd ● Kim Heng Offshore & Marine Holdings Limited ● Kim Heng Shipbuilding & Engineering Pte. Ltd. ● Kim Heng Tubulars Pte Ltd	*Group Companies* ● Nil
	Other Companies ● Nil	*Other Companies* ● Nil

Name	Present Directorships	Past Directorships
Tan Chow Boon	*Group Companies* ● Kim Heng Offshore & Marine Holdings Limited *Other Companies* ● 20Cube Logistics Pte. Ltd. ● Boston Plastics (Shanghai) Pte. Ltd. ● Credence Capital Fund II (Cayman) Limited ● Credence Capital Fund (Cayman) Limited ● Credence Investment (Cayman) Limited ● Credence Partners Pte. Ltd. ● Kaidun-NR Limited ● Nestronics Pte. Ltd. ● Singapore Youth for Christ ● Springboard Worldwide Pte Ltd ● Xenon Technologies Pte. Ltd. ● Youthworks Ltd.	*Group Companies* ● Nil *Other Companies* ● Aksaas Pte Ltd ● JL2 Pte. Ltd. ● Jupiter Land Pte. Ltd. ● Kaidun-DP Limited ● Kaidun-JK Limited ● Optimus Hill Pte. Ltd. ● Orbit Holdings Pte. Ltd. ● Sieger Technology Pte Ltd ● Springboard-Harper Investment Pte Ltd
Douglas Owen Chester	*Group Companies* ● Kim Heng Offshore & Marine Holdings Limited *Other Companies* ● Civmec Limited ● Stamford Land Corporation Limited	*Group Companies* ● Nil *Other Companies* ● Nil
Ho Boon Chuan Wilson	*Group Companies* ● Kim Heng Offshore & Marine Holdings Limited *Other Companies* ● PT Westcon Solutions ● Sysma Holdings Limited ● Westcon Solutions IMH Pte. Limited ● Westcon Solutions Pte. Limited ● Westcon Solutions (HK) Limited ● Westcon Solutions (M) Sdn. Bhd.	*Group Companies* ● Nil *Other Companies* ● Challenger Technologies Limited ● Multi-Chem Electronics (Kunshan) Co., Ltd. ● Multi-Chem Electronics (Wuxi) Co., Ltd. ● Multi-Chem Laser Technology (Suzhou) Co., Ltd. ● Multi-Chem Limited ● Multi-Chem PCB (Kunshan) Co., Ltd. ● Multi-Chem (Huaian) Co., Ltd. ● Multi-Chem (Suzhou) Co., Ltd. ● M.SAAS Solutions Pte Ltd ● M.Tech Products Aust Pty Limited ● M.Tech Products Japan KK ● M.Tech Products Pte Ltd ● M.Tech Products TW Pte. Ltd. ● M.Tech Products (HK) Pte. Limited ● M.Tech Solutions (India) Private Limited ● M.Tech (Shanghai) Co., Ltd. ● M-Precision Tech Sdn Bhd ● M-Security Technology Indochina Pte. Ltd. ● M-Security Technology Sdn Bhd ● M-Security Technology (Thailand) Co. Ltd. ● M-Solutions Technology Indochina Pte. Ltd. ● M-Solutions Technology (Thailand) Co., Ltd ● M-Virtual Technology India Private Limited ● PT M.Tech Products ● SecureOne India Holding Pte Ltd

Name	Present Directorships	Past Directorships
Ong Sie Hou Raymond	*Group Companies* ● Kim Heng Offshore & Marine Holdings Limited *Other Companies* ● CTLC Law Corporation ● Pegasus Offshore Pte. Ltd. ● Sunvic Chemical Holdings Limited	*Group Companies* ● Nil *Other Companies* ● Sports Asia Limited ● Yangzijiang Shipbuilding (Holdings) Ltd.

EXECUTIVE OFFICERS

Our day-to-day operations are entrusted to our Executive Directors who are assisted by a management team of experienced Executive Officers. The particulars of our Executive Officers as at the date of this Offer Document are set out below:

Name	Age	Residential Address	Country of principal residence	Position in our Company
Chen Biqing	31	6 Eng Kong Road Singapore 599083	Singapore	General Manager – Marine and Support Services
Tan Keng Hoe Melvin	50	33D Harvey Road Singapore 489535	Singapore	General Manager – Supply Chain Management
Tan Kah Seng	41	Blk 613, Bukit Panjang Ring Road, #18-850 Singapore 670613	Singapore	CFO

Our Executive Officers' career and academic history, business experience and general areas of responsibility within our Group are set out below:

Chen Biqing

Chen Biqing is the General Manager – Marine & Support Services of our Group. She serves as a director of Kim Heng Marine, Kim Heng Maritime and Kim Heng Shipbuilding. She began her career with Kim Heng Marine in September 2005 after completing her studies and started as project secretary for a pipeline installation for ROC Oil Australia for three months, where she was responsible for overseeing day-to-day administrative matters relating to the project. Thereafter, she was based in Australia as the marketing executive in Kim Heng Marine assisting in all marketing and operations related matters, handling the overall administration and preparing sales and chartering contracts of vessels and equipments. Between August 2006 and December 2007, she was with Oil Rich Marine & Offshore Pte Ltd as the general manager where she was responsible for setting up a new division dealing with marine and offshore supplies, developing new customers from offshore and ship owners, supervising daily sales and operations and taking charge of all administrative matters. She rejoined our Group in January 2008 and is responsible for the marketing and operations for vessel movements, rental, sale and purchase of maritime and offshore equipments and assisting in marine and logistics operations within our Group.

Chen Biqing holds a Diploma in Maritime Transportation Management from Singapore Maritime Academy at Singapore Polytechnic and a Bachelor Degree of Business majoring in Maritime and Logistics Management from Australian Maritime College, Launceston, Tasmania.

Tan Keng Hoe Melvin

Tan Keng Hoe Melvin is the General Manager – Supply Chain Management of our Group. His first stint with our Group was from 1987 to 1997 where he last held the position of Manager – Marine Division – Tugs & Barges operations and was responsible for towage, docking, maintenance & repair of tugs and barges in compliance with respective statutory classifications. He then went on to hold various logistics positions in the oil & gas sector including a position as project executive with UPS SCS (Panalpina) and Material & Logistics Supervisor for drilling rigs in Noble Drilling. He rejoined our Group in May 2010 and is responsible for supervising and managing of materials & logistics of our Group.

Tan Keng Hoe Melvin graduated from St Joseph's Institution in 1979. He also obtained a Diploma in Business Management from the University of Bradford in 2000.

Tan Kah Seng

Tan Kah Seng is the CFO of our Group. He began his career as an audit associate with Aljeffri & Co., an accounting firm in Malaysia in 1996 and was eventually promoted to audit senior. From 1999 to 2001, he was an accountant with Wawasan Puri Sdn Bhd and from 2001 to 2005, he was an audit supervisor with Lee, Song & Co. From 2005 to 2008, he was the group accountant of Star Furniture Industries Pte Ltd where he was responsible for, among others, reviewing and analysing financial statements of overseas subsidiaries, month-end consolidation and preparation of financial data and analyses, reconciling inter-company balances and liaising with auditors, tax agents and government authorities. In 2008, he joined our Group as group accountant and was eventually promoted to CFO. He oversees the finance and accounting function of our Group which includes monitoring and coordinating monthly closing of our Group Companies, assisting management in reviewing and evaluating financial information on business performance, handling all tax matters of our Group, managing cash flow budget, forecasting and management accounting and liaising with auditors, tax agents, banks and government authorities.

Tan Kah Seng is a member of the Chartered Certified Accountants (ACCA, UK), CA (Chartered Accountant, Malaysia) and a Chartered Accountant with the Institute of Singapore Chartered Accountants.

The list of present and past directorships of each Executive Officer over the last five (5) years preceding the date of this Offer Document is set out below:

Name	Present Directorships	Past Directorships
Chen Biqing	*Group Companies* ● Kim Heng Marine & Oilfield Pte Ltd ● Kim Heng Maritime Pte Ltd ● Kim Heng Shipbuilding & Engineering Pte. Ltd.	*Group Companies* ● Nil
	Other Companies ● TSKH Pte. Ltd. ● TSKI Pte. Ltd.	*Other Companies* ● Nil
Tan Keng Hoe Melvin	*Group Companies* ● Nil	*Group Companies* ● Nil
	Other Companies ● Nil	*Other Companies* ● Nil
Tan Kah Seng	*Group Companies* ● Nil	*Group Companies* ● Nil
	Other Companies ● Nil	*Other Companies* ● Nil

Relationships between our Directors, Controlling Shareholders, Substantial Shareholders and Executive Officers

Thomas Tan and Tan Keng Hoe Melvin are brothers. Chen Biqing is the niece of Thomas Tan and Tan Keng Hoe Melvin.

Save as disclosed above and in the section entitled "Ownership Structure" of this Offer Document, none of our Directors and Executive Officers has any family relationship with each other or with any Substantial Shareholder of our Company.

There is no arrangement or understanding with any Substantial Shareholder, customer or supplier of our Group or any other person, pursuant to which any of our Directors or Executive Officers was selected as a director or executive officer of our Group.

Information on the past working experiences, areas of responsibilities, qualifications and directorships held outside of our Group, and the declarations of our Directors and Executive Officers for the past five (5) years are set out in the sections entitled "Directors, Management and Staff" and "General and Statutory Information – Information on Directors, Executive Officers and Controlling Shareholders" of this Offer Document.

EMPLOYEES

The number of full-time employees of our Group for the Period Under Review is as follows:

	Number of full-time employees as at				
	31 December 2010	31 December 2011	31 December 2012	30 June 2013	Latest Practicable Date
Number of full-time employees	446	371	387	383	394

The number of full-time employees decreased in 2011 as compared to 2010 as we had completed a newbuilding project in 2011 and no longer required as many workers in 2011. Save for the abovementioned, we do not experience any significant seasonal fluctuations in our number of employees. We do not employ any temporary employees. We may engage subcontractors for our projects in order to have flexibility in managing our costs.

The functional activity distribution of our full-time employees for the Period Under Review is as follows:

	Number of full-time employees as at				
	31 December 2010	31 December 2011	31 December 2012	30 June 2013	Latest Practicable Date
Function:					
Corporate	2	2	2	2	2
Finance and administration	30	30	28	32	37
Business development and marketing	6	5	5	5	7
Operations	408	334	352	344	348
Total	446	371	387	383	394

All our full-time employees have been based in Singapore during the Period Under Review and as at the Latest Practicable Date.

None of our employees are unionised and we consider our relationship with our employees to be good.

Save for CPF contributions and other statutory contributions in Singapore, we have not set aside or accrued any amounts to provide for pension, retirement or similar benefits for any of our employees.

REMUNERATION OF DIRECTORS, EXECUTIVE OFFICERS AND RELATED EMPLOYEES

Directors and Executive Officers

The remuneration (which includes benefits-in-kind and bonuses) paid to our Directors and top 5 (in terms of amount of compensation) key executives (not being Directors) for services rendered to us on an aggregate basis and in remuneration bands of S$250,000[1] during FY2011 and FY2012 (being the two most recent completed financial years) and as estimated for FY2013, excluding bonuses and any profit-sharing plan or any other profit-linked agreement(s), is as follows:

Names	FY2011	FY2012	FY2013 (Estimated)
Directors[1]			
Thomas Tan[3]	Band C	Band C	Band C
Yeo Seh Hong	Band B	Band B	Band B
Tan Chow Boon	–[4]	–[4]	Band A
Douglas Owen Chester	–[4]	–[4]	Band A
Ho Boon Chuan Wilson	–[4]	–[4]	Band A
Ong Sie Hou Raymond	–[4]	–[4]	Band A
Top 5 key executives[1]			
Chen Biqing[3]	Band A	Band B	Band A
Tan Keng Hoe Melvin[3]	Band B	Band B	Band B
Sanket Ashok Kumar	–[5]	Band A	Band A
Heng Aik Soon	Band A	Band A	Band A
Tan Peck Ling Jocelyn[3]	Band A	Band A	Band A

Notes:

(1) Band A: Compensation from S$0 to S$250,000 per annum.
Band B: Compensation from S$250,001 to S$500,000 per annum.
Band C: Compensation from S$1,000,001 and above per annum.

(2) The estimated amount of remuneration payable in FY2013 excludes any bonus or profit-sharing plan or any other profit-linked agreement or arrangement.

(3) Thomas Tan and Tan Keng Hoe Melvin are brothers. Chen Biqing is the niece of Thomas Tan and Tan Keng Hoe Melvin. Tan Peck Ling Jocelyn is the daughter of Thomas Tan.

(4) Not appointed during the relevant period.

(5) Not employed by our Group during the relevant period.

Related Employees

For FY2011 and FY2012, the aggregate remuneration (including CPF contributions thereon and bonus) of employees (excluding Executive Officers) who are related to our Directors, Substantial Shareholders or Controlling Shareholders (including related employees who have since left our Group) amounted to approximately S$1.3 million and S$2.2 million respectively.

For the current financial year ending 31 December 2013, the estimated aggregate remuneration (including CPF contributions thereon and excluding bonus) of employees (excluding Executive Officers) who are related to our Directors, Substantial Shareholders or Controlling Shareholders is approximately S$1.5 million.

These employees are namely:

(a) SK Tan is the brother of our Controlling Shareholder, Executive Chairman and CEO, Thomas Tan. SK Tan was the COO and an executive Director of our Group until 26 December 2013. He retired from our Group on 13 January 2014;

(b) Yeo Ai Tee is the sister-in-law of our Controlling Shareholder, Executive Chairman and CEO, Thomas Tan. Yeo Ai Tee was last employed as Senior Manager in our Group and ceased employment on 31 May 2013;

(c) Tan Peck Ling Jocelyn is the daughter of our Controlling Shareholder, Executive Chairman and CEO, Thomas Tan. Ms Tan Peck Ling Jocelyn is employed as Corporate Development Manager in our Group;

(d) Tan Peck Ching Jeliane is the daughter of our Controlling Shareholder, Executive Chairman and CEO, Thomas Tan. Tan Peck Ching Jeliane is employed as Senior Purchasing Manager in our Group; and

(e) Tan Xing Kuan is the nephew of our Controlling Shareholder, Executive Chairman and CEO, Thomas Tan. Tan Xing Kuan is employed as General Manager – Logistics and Equipment Leasing in our Group.

Save as disclosed above, as at the Latest Practicable Date, none of our full-time employees are related to our Directors, Substantial Shareholders or Controlling Shareholders.

We will disclose in our annual report details of the remuneration of employees who are immediate family members of our Directors and Substantial Shareholders, and whose remuneration exceeds $50,000 during each year in incremental bands of S$50,000.

The remuneration of employees who are related to our Directors and/or Substantial Shareholders will be reviewed annually by our Remuneration Committee to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increases and/or promotions for these related employees will also be subject to the review and approval of our Remuneration Committee. In addition, any new employment of related employees and the proposed terms of their employment will also be subject to the review and approval of our Nominating Committee. In the event that a member of our Remuneration Committee or Nominating Committee is related to the employee under review, he will abstain from the review.

SERVICE AGREEMENTS

Our Company has entered into separate service agreements (collectively, the "**Service Agreements**" and individually, the "**Service Agreement**") with our Executive Chairman and CEO, Thomas Tan, and our Executive Director and COO, Yeo Seh Hong (collectively the "**Executives**" and individually the "**Executive**").

The Service Agreements are valid for an initial period of three (3) years upon the admission of our Company to Catalist (the "**Initial Term**"). Upon expiry of the Initial Term, the employment of the Executives shall be automatically extended on a yearly basis thereafter. Each party may terminate the Service Agreement at any time by giving to the other party not less than six (6) months' written notice, or in lieu of such notice an amount equal to six (6) months' salary based on his/her last drawn monthly salary.

Notwithstanding the other provisions of the Service Agreements, our Company may terminate the employment of the Executive at any time without notice or payment in lieu of notice under, *inter alia,* the following circumstances:

(a) if the Executive is guilty of any gross default or grave misconduct in connection with or affecting the business of our Group;

(b) in the event of any serious or repeated breach or non-observance by the Executive of any of the stipulations contained in the Service Agreement;

(c) if the Executive becomes bankrupt or makes any composition or enters into any deed of arrangement with his creditors;

(d) if the Executive shall become of unsound mind; and

(e) if the Executive commits any act of criminal breach or trust or dishonesty.

The Service Agreements provide for, *inter alia,* the salary payable to the Executives, annual leave, medical benefits, grounds of termination and certain restrictive covenants (including non-compete obligations). In addition, the Executives are entitled to the use of motor cars and their related expenses will be paid for by our Company.

Pursuant to the terms of the Service Agreements, the Executives will be entitled to a monthly salary as set out below. All reasonable travelling, hotel, entertainment and such out-of-pocket expenses incurred by the Executives in the discharge of their duties will be borne by our Company, subject to limits from time to time set by our Directors.

Executive	**Monthly Salary (S$)**
Thomas Tan	85,000
Yeo Seh Hong	40,000

Yeo Seh Hong is also entitled to a discretionary annual variable bonus ("**Discretionary Bonus**") while Thomas Tan is entitled to receive an incentive bonus ("**Incentive Bonus**") based on our Group's audited consolidated profit before tax, before the Incentive Bonus and after deducting profit before tax attributable to minority interests and excluding extraordinary items ("**PBT**") for that financial year, provided that he is under the employment of our Group on the last day of the relevant financial year. The amount of Incentive Bonus will be determined as follows:

		Incentive Bonus
Where PBT is below $6.0 million		Nil
Where PBT is S$6.0 million		3 months bonus
Where PBT is more than (S$'million)	6.0 up to 10.0	3 months bonus + 0.2% of PBT above $6.0 million
	10.0 up to 15.0	3 months bonus + 0.4% of PBT above $6.0 million
	15.0 up to 20.0	3 months bonus + 0.6% of PBT above $6.0 million
	20.0 up to 25.0	3 months bonus + 0.8% of PBT above $6.0 million
	25.0 up to 30.0	3 months bonus + 1.0% of PBT above $6.0 million
	30.0 up to 35.0	3 months bonus + 1.2% of PBT above $6.0 million
	35.0 and above	3 months bonus + 1.4% of PBT above $6.0 million

Under the Service Agreements, the remuneration of the Executives, including the Discretionary Bonus and/or Incentive Bonus (if applicable), is subject to annual review by the Remuneration Committee, and any revision to the terms of the remuneration or the Incentive Bonus (if applicable) as recommended by the Remuneration Committee shall be subject to the endorsement of the Board.

Subject to relevant approvals from the Shareholders of our Company, the SGX-ST and other regulatory authorities, where necessary, and subject to the eligibility set out in the rules of the relevant scheme or plan (including but not limited to the Kim Heng ESOS and the Kim Heng PSP), the Executives are eligible to participate in any employee share scheme or plan, executive bonus plan or any other compensation plans adopted by our Company on such terms as may be determined by the Committee at its sole discretion.

Had the Service Agreements and SK Tan's retirement been in place with effect from 1 January 2012, the aggregate remuneration (including CPF contributions, bonus and benefits-in-kind) paid to the Executives for FY2012 would have been approximately S$2.2 million instead of S$2.6 million and profit before tax for FY2012 would have been approximately S$21.6 million instead of S$21.1 million.

Save as disclosed above, there are no existing or proposed service agreements entered into or to be entered into between our Group with any of our Directors. There are no existing or proposed service agreements entered into or to be entered into by our Directors with our Group which provide for benefits upon termination of employment.

Save as disclosed above, there are no bonus or profit-sharing plans or any other profit-linked agreements or arrangements between our Company and any of our Directors, Executive Officers or employees. The Executives shall not be entitled to further Directors' fees under the Service Agreements.

Our Group has also previously entered into various letters of employment with all our Executive Officers in the ordinary course of business in accordance with our general employee guidelines, practices and policies. Such letters typically provide for the salary payable to our Executive Officers, medical benefits, grounds of termination and certain restrictive covenants. In addition, our Executive Officers may be entitled to the use of cars provided by our Company and the expenses relating to the cars will be paid for by our Company.

In conjunction with our listing on Catalist we have adopted an employee share option scheme known as the "Kim Heng Employee Share Option Scheme 2013" and a performance share plan known as the "Kim Heng Performance Share Plan 2013" both of which were approved pursuant to the resolutions of our Shareholders passed on 26 December 2013. The detailed rules of the Kim Heng ESOS and the Kim Heng PSP are set out in Appendices G and H of this Offer Document respectively.

Both the Kim Heng PSP and the Kim Heng ESOS will provide eligible participants with an opportunity to participate in the equity of our Company and to motivate them towards better performance through increased dedication and loyalty. Both the Kim Heng PSP and Kim Heng ESOS form an integral and important component of our compensation plan and are designed primarily to reward and retain employees whose services are vital to the growth and performance of our Company and/or our Group.

The Kim Heng PSP and Kim Heng ESOS are designed to complement each other in our Group's efforts to reward, retain and motivate employees to achieve better performance. The aim of implementing more than one incentive plan is to increase our Group's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to achieve increased performance by providing our Group with a more comprehensive set of remuneration tools and further strengthen our competitiveness in attracting and retaining local and foreign talent.

The Kim Heng ESOS will provide eligible participants with an opportunity to participate in the equity of our Company and to motivate them towards better performance through increased dedication and loyalty. The Kim Heng ESOS, which forms an integral and important component of our employee compensation plan, is designed to primarily reward and retain directors and employees whose services are vital to our well-being and success.

As at the Latest Practicable Date, no Options have been granted under the Kim Heng ESOS.

Capitalised terms used herein shall, unless otherwise defined, bear the same meanings as defined in Appendix G of this Offer Document.

Objectives of the Kim Heng ESOS

The objectives of the Kim Heng ESOS are as follows:

(a) to motivate Participants to optimise their performance standards and efficiency and to maintain a high level of contribution to our Group;

(b) to retain key employees and directors whose contributions are essential to the long-term growth and profitability of our Group;

(c) to instil loyalty to, and a stronger identification by Participants with the long-term prosperity of our Group;

(d) to attract potential employees with relevant skills to contribute to our Group and to create value for our Shareholders; and

(e) to align the interests of Participants with the interests of our Shareholders.

Summary of the Kim Heng ESOS

The following is a summary of the rules of the Kim Heng ESOS:

(1) Participants

Subject to the absolute discretion of the Committee, the following persons shall be eligible to participate in the Kim Heng ESOS:

(a) Confirmed employees of our Group; and

(b) Non-executive directors of our Group,

provided that, as of the relevant date of grant of the Option, they have attained the age of 21 years, have not entered into any compositions with their respective creditors and are not undischarged bankrupts, and who hold such position as may be designated by our Company from time to time.

Pursuant to Rule 852 of the Catalist Rules, participation in the Kim Heng ESOS by the Controlling Shareholder(s) and their Associates must be approved by independent Shareholders of our Company and a separate resolution must be passed for each such persons to approve the actual number and terms of the Options to be granted to such person. Controlling Shareholders and their Associates shall abstain from voting on any resolution in relation to their participation in the Kim Heng PSP and grant of Options to them.

Subject to the Companies Act and any requirement of the SGX-ST, the terms of eligibility for participation in the Kim Heng ESOS may be amended from time to time at the absolute discretion of the Committee.

(2) Administration

The Kim Heng ESOS shall be administered by the Committee which will consist of Directors (including Directors or persons who may be Participants of the Kim Heng ESOS). A member of the Committee who is also a Participant of the Kim Heng ESOS shall abstain from deliberation in respect of the Options granted or to be granted to him.

(3) Size of the Kim Heng ESOS

The aggregate number of Shares over which the Committee may grant Options on any date under the Kim Heng ESOS, when added to the number of Shares issued and/or issuable in respect of (a) all Options granted under the Kim Heng ESOS; (b) all Awards granted under the Kim Heng PSP; and (c) all outstanding options or awards granted under such other schemes implemented by our Company, shall not exceed 15.0% of the total issued share capital of our Company (excluding treasury shares, as defined in the Companies Act) on the day immediately preceding the relevant date of grant of the Option.

Our Directors believe that this limit gives us sufficient flexibility to decide upon the number of ESOS Shares to offer to our existing and new employees. The number of eligible participants is expected to grow over the years. Our Company, in line with its goal of ensuring sustainable growth, is constantly reviewing its position and considering the expansion of its talent pool which may involve employing new employees. The employee base, and thus the number of eligible participants will increase as a result. If the number of Options available under the Kim Heng ESOS is limited, our Company may only be able to grant a small number of Options to each eligible participant which may not be a sufficiently attractive incentive. Our Company is of the opinion that it should have sufficient number of Options to offer to new employees as well as to existing ones. The number of Options offered must also be significant to serve as a meaningful reward for contributions to our Group. However, it does not necessarily mean that the Committee will definitely issue ESOS Shares up to the prescribed limit. The Committee shall exercise its discretion in deciding the number of ESOS Shares to be granted to each employee which will depend on the performance and value of the employee to our Group.

(4) Maximum entitlements

The number of Shares over which Options may be granted to a Participant under the Kim Heng ESOS shall be determined at the absolute discretion of the Committee, which shall take into consideration, where applicable, factors such as rank, job performance, years of service, contribution to the success of our Group, potential for future development of that Participant and the extent of effort and resourcefulness required to achieve the service conditions and/or performance targets within the performance and/or service periods.

The aggregate number of Shares for which Options may be granted under the Kim Heng ESOS to the Controlling Shareholders and their Associates shall not exceed 25.0% of the total number of Shares available under the Kim Heng ESOS. The number of Shares over which Options may be granted under the Kim Heng ESOS to each Controlling Shareholder or his Associate shall not exceed 10% of the total number of Shares available under the Kim Heng ESOS.

(5) Options, exercise period and exercise price

The Options that are granted under the Kim Heng ESOS may have exercise prices that are, at the Committee's discretion, set at a price (the "**Market Price**") equal to the average of the last dealt prices for the Shares on the Official List of Catalist for the five (5) consecutive Market Days immediately preceding the relevant date of grant of the relevant Option; or at a discount to the Market Price (subject to a maximum discount of 20.0%). Options which are fixed at the Market Price ("**Market Price Option**") may be exercised after the first anniversary of the date of grant of that Option while Options exercisable at a discount to the Market Price ("**Discounted Option**") may only be exercised after the second anniversary from the date of grant of the Option. Options granted under the Kim Heng ESOS will have a life span of 10 years.

(6) Grant of Options

Under the rules of the Kim Heng ESOS, there are no fixed periods for the grant of Options. As such, offers for the grant of Options may be made at any time at the discretion of the Committee. However, no Option shall be granted during the period of 30 days immediately preceding the date of announcement of our Company's interim and/or final results (as the case may be).

In addition, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, offers may only be made after the second market day from the date on which the aforesaid announcement is released.

(7) Termination of Options

Special provisions in the rules of the Kim Heng ESOS deal with the lapse or earlier exercise of Options in circumstances which include the termination of the Participant's employment in our Group, the bankruptcy of the Participant, the death of the Participant, a take-over of our Company and the winding-up of our Company.

(8) Acceptance of Offer

The grant of Options shall be accepted within 30 days from the date of offer. Offers of Options made to grantees, if not accepted by the closing date, will lapse. Upon acceptance of the offer, the grantee must pay our Company a consideration of S$1.00 or such amount as the Committee may decide.

(9) Rights of Shares arising from the exercise of Options

Shares arising from the exercise of Options are subject to the provisions of the Memorandum and Articles of Association of our Company. The Shares so allotted will upon issue rank *pari passu* in all respects with the then existing issued Shares, save for any dividend, rights, allotments or distributions, the record date for which is prior to the relevant exercise date of the Option. For such purposes, "record date" means the date as at the close of business on which our Shareholders must be registered in order to participate in any dividends, rights, allotments or other distributions (as the case may be).

(10) Duration of the Kim Heng ESOS

The Kim Heng ESOS shall continue in operation for a maximum duration of 10 years commencing on the date on which the Kim Heng ESOS was adopted by our Company in general meeting and may be continued for any further period thereafter with the approval of our Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

(11) Abstention from voting

Shareholders who are eligible to participate in the Kim Heng ESOS are to abstain from voting on any resolution of Shareholders relating to the Kim Heng ESOS.

(12) Reporting Requirements

Under the Catalist Rules, an immediate announcement must be made on the date of grant of an Option and provide details of the grant, including the following:

(a) date of grant;

(b) exercise price of the Options granted;

(c) number of Options granted;

(d) market price of the Shares on the date of grant;

(e) number of Options granted to each Director and Shareholder (and each of their associates), if any; and

(f) the validity period of the Options.

The following disclosures (as applicable) will be made by our Company in our annual report for so long as the Kim Heng ESOS continues in operation:

(a) the names of the members of the Committee administering the Kim Heng ESOS;

(b) the information required in the table below for the following Participants of the Kim Heng ESOS:

(i) Directors of our Company;

(ii) Controlling Shareholders and their Associates; and

(iii) Participants (other than those in paragraphs (b)(i) and (ii) above) who have received 5.0% or more of the total number of Shares available under the Kim Heng ESOS:

Name of Participant	Options granted under the Kim Heng ESOS during the financial year under review (including terms)	Aggregate Options granted since commencement of the Kim Heng ESOS to the end of the financial year under review	Aggregate Options exercised since commencement of the Kim Heng ESOS to the end of the financial year under review	Aggregate Options outstanding as at the end of the financial year under review

(c) the number and proportion of Options granted at a discount during the financial year under review in respect of every 10.0% discount range, up to the maximum quantum of discount granted; and

(d) such other information as may be required by the Catalist Rules or the Companies Act,

provided that if any of the above requirements are not applicable, an appropriate negative statement should be included herein.

Grant of Discounted Options

Discounted Options will only be granted to deserving employees whose performance has been consistently good and/or whose future contributions to our Group will be invaluable. The ability to offer Discounted Options will operate as a means to recognise the performance of Participants as well as to motivate them to continue to excel while encouraging them to focus on improving the profitability and return of our Group to a level that benefits our Shareholders when these are eventually reflected through an appreciation of our share price. Discounted Options would be perceived in a more positive light by the Participants, inspiring them to work hard and produce results in order to be offered Discounted Options as only employees who have made significant contributions to the success and development of our Group would be granted Discounted Options.

The flexibility to grant Discounted Options is also intended to cater to situations where the stock market performance has overrun the general market conditions. In such events, the Committee will have absolute discretion to:

(a) grant Options set at a discount to the Market Price of a Share (subject to a maximum limit of 20.0%); and

(b) determine the Participants to whom, and the Options to which, such reduction in exercise prices will apply.

In determining whether to give a discount and the quantum of the discount, the Committee shall be at liberty to take into consideration factors including the performance of our Company, our Group, the performance of the Participant concerned, the contribution of the Participant to the success and development of our Group and the prevailing market conditions.

At present, our Company foresees that Discounted Options may be granted principally in the following circumstances:

(a) Firstly, where it is considered more effective to reward and retain talented employees by way of a Discounted Option rather than a Market Price Option. This is to reward the outstanding performers who have contributed significantly to our Group's performance and the Discounted Option serves as additional incentive to such Group employees. Options granted by our Company on the basis of market price may not be attractive and realistic in the event of an overly buoyant market and inflated share prices. Hence during such periods the ability to offer Discounted Options would allow our Company to grant Options on a more realistic and economically feasible basis. Furthermore, Discounted Options will give an opportunity to our Group employees to realise some tangible benefits even if external events cause the Share price to remain largely static.

(b) Secondly, where it is more meaningful and attractive to acknowledge a Participant's achievements through a Discounted Option rather than paying him a cash bonus. For example, Discounted Options may be used to compensate employees and to motivate them during economic downturns when wages (including cash bonuses and annual wage supplements) are frozen or cut, or they could be used to supplement cash rewards in lieu of larger cash bonuses or annual wage supplements. Accordingly, it is possible that merit-based cash bonuses or rewards may be combined with grants of Market Price Options or Discounted Options, as part of eligible employees'

compensation packages. The Kim Heng ESOS will provide our Group employees with an incentive to focus more on improving the profitability of our Group thereby enhancing shareholder value when these are eventually reflected through the price appreciation of our Shares after the vesting period.

The Committee will have the absolute discretion to grant Discounted Options, to determine the level of discount (subject to a maximum discount of 20.0% of the Market Price) and the grantees to whom, and the Options to which, such discount in the exercise price will apply provided that our Shareholders in general meeting shall have authorised, in a separate resolution, the making of offers and grants of Options under the Kim Heng ESOS at a discount not exceeding the maximum discount as aforesaid. Our Company may also grant Options without any discount to the Market Price. Additionally, our Company may, if it deems fit, impose conditions on the exercise of the Options (whether such Options are granted at the market price or at a discount to the Market Price), such as restricting the number of Shares for which the Option may be exercised during the initial years following its vesting.

Rationale for participation by Controlling Shareholder(s) and their Associates

As the objectives of the Kim Heng ESOS as set out above apply equally to Controlling Shareholder(s) and their Associates, the Kim Heng ESOS may in the future include the participation of such Controlling Shareholder(s) and their Associates who have actively contributed to the progress and success of our Group. Pursuant to Rule 852 of the Catalist Rules, independent Shareholders' approval will be sought in the event of any participation by a Controlling Shareholder and their Associates in the Kim Heng ESOS.

Rationale for participation by our Non-Executive Directors (including Independent Directors)

Although our Non-Executive Directors are not involved in the day-to-day running of our operations, they play an invaluable role in furthering the business interests of our Group by contributing their experience and expertise. The participation by Non-Executive Directors in the Kim Heng ESOS will provide our Company with a further avenue to acknowledge and recognise their services and contributions to our Group as it may not always be possible to compensate them fully or appropriately by increasing the directors' fees or other forms of cash payment. For instance, the Non-Executive Directors may bring strategic or other value to our Company which may be difficult to quantify in monetary terms. The grant of Options to Non-Executive Directors will allow our Company to attract and retain experienced and qualified persons from different professional backgrounds to join our Company as Non-Executive Directors, and to motivate existing Non-Executive Directors to take extra efforts to promote the interests of our Company and/or our Group.

In deciding whether to grant Options to the Non-Executive Directors, the Committee will take into consideration, among other things, the services and contributions made to the growth, development and success of our Group and the years of service of a particular Non-Executive Director. The Committee may also, where it considers relevant, take into account other factors such as the economic conditions and our Company's performance.

In order to minimise any potential conflict of interests and not to compromise the independence of the Non-Executive Directors, our Company intends to grant only a nominal number of Options granted under the Kim Heng ESOS to such Non-Executive Directors.

Cost of Options granted under the Kim Heng ESOS

The Kim Heng ESOS will increase our issued share capital to the extent of the new Shares that will be issued and allotted pursuant to the exercise of options. Under the Financial Reporting Standard 102 on Share-based Payment ("**FRS 102**"), the fair value of employee services received in exchange for the grant of the options would be recognised as an expense. For equity-settled share-based payment transactions, the total amount to be expensed in the income statement over the vesting period is determined by reference to the fair value of each option granted at the grant date and the number of options vested by vesting date, with a corresponding increase in equity.

Before the end of the vesting period, at each balance sheet date, the entity revises its estimates of the number of options that are expected to vest by the vesting date and recognises the impact of this revision in the income statement with a corresponding adjustment to equity. After the vesting date, no adjustment to the income statement would be made. The proceeds net of any directly attributable transaction costs are credited to the share capital when the options are exercised.

During the vesting period, the consolidated EPS would be reduced by both the expenses recognised and the potential ordinary shares to be issued under the Kim Heng ESOS. When the Options are exercised, the consolidated NTA will be increased by the amount of cash received for exercise of the Options. On a per Share basis, the effect is accretive if the exercise price is above the NTA per Share but dilutive otherwise.

There will be no cash outlay expended by us at the time of grant of such Options as compared to the payment of cash bonuses. However, as Shareholders may be aware, any Options granted to subscribe for new Shares (whether the exercise price is set at the Market Price of the Shares at the date of grant or otherwise) have a fair value at the time of grant. The fair value of an Option is an estimate of the amount that a willing buyer would pay a willing seller for the Option on the grant date. Options are granted to Participants at a nominal consideration of S$1.00. Insofar as such Options are granted at a consideration that is less than their fair value at the time of grant, there will be a cost to our Company in that we will receive from the Participant upon the grant of the Option a consideration that is less than the fair value of the Option.

Share Capital

The Kim Heng ESOS will result in an increase in our Company's issued share capital when new Shares are issued to Participants. The number of new Shares issued will depend on, *inter alia*, the size of the Options granted under the Kim Heng ESOS. Whether and when the Options granted under the Kim Heng ESOS will be exercised will depend on the exercise price of the Options, when the Options will vest as well as the prevailing trading price of the Shares. In any case, the Kim Heng ESOS provides that the number of Shares to be issued or transferred under the Kim Heng ESOS, when aggregated with the aggregate number of Shares over which options or awards are granted under any other share option schemes or share schemes of our Company, will be subject to the maximum limit of 15.0% of our Company's total number of issued Shares (excluding Shares held by our Company as treasury shares) from time to time. If instead of issuing new Shares to participants, existing Shares are purchased for delivery to participants, the Kim Heng ESOS will have no impact on our Company's issued share capital.

NTA

As described in paragraph (c) below on EPS, the grant of Options will be recognised as an expense, the amount of which will be computed in accordance with FRS 102. When new Shares are issued pursuant to the exercise of Options, there would be no effect on the NTA due to the offsetting effect of expenses recognised and the increase in share capital. However, if instead of issuing new Shares to participants, existing Shares are purchased for delivery to participants, the NTA would be impacted by the cost of the Shares purchased.

EPS

Without taking into account earnings that may be derived by our Company from the use of the proceeds from the issuance of Shares pursuant to the exercise of Options granted under the Kim Heng ESOS, any new Shares issued pursuant to any exercise of the Options will have a dilutive impact on our Company's EPS.

Dilutive Impact

The issuance of new Shares under the Kim Heng ESOS will have a dilutive impact on our consolidated EPS.

In conjunction with our listing on Catalist we have adopted a performance share plan known as the "Kim Heng Performance Share Plan 2013" which was approved pursuant to resolutions passed by our Shareholders on 26 December 2013. The detailed rules of the Kim Heng PSP are set out in Appendix H of this Offer Document.

Unlike the Kim Heng ESOS whereby Participants are required to pay the exercise price of the Options, the Kim Heng PSP allows our Group to provide an incentive for Participants to achieve certain specific performance targets by awarding fully paid Shares to Participants after these targets have been met. In addition, the assessment criteria for granting Option(s) under the Kim Heng ESOS are more general (for example, based on length of service and general performance of our Group) and do not relate to specific performance targets imposed by our Group. In contrast, the assessment criteria for granting of Awards under the Kim Heng PSP will be based on specific performance targets or to impose time-based service conditions, or a combination of both.

As at the Latest Practicable Date, no Awards have been granted under the Kim Heng PSP.

Capitalised terms used herein shall, unless otherwise defined, bear the same meanings as defined in Appendix H of this Offer Document.

Objectives of the Kim Heng PSP

The main objectives of the Kim Heng PSP are:

(a) to attract potential employees with relevant skills to contribute to our Company and to create value for Shareholders;

(b) to instil loyalty to, and a stronger identification by the Participants with the long-term prosperity of our Company;

(c) to motivate the Participants to optimise their performance standards and efficiency and to maintain a high level of contribution to our Company;

(d) to give recognition to the contributions made by the Participants to the success of our Company; and

(e) to retain key employees of our Company whose contributions are essential to the long-term prosperity of our Company.

Summary of the Kim Heng PSP

The following is a summary of the rules of the Kim Heng PSP:

(1) Eligibility

Subject to the absolute discretion of the Committee, the following persons shall be eligible to participate in the Kim Heng PSP:

(a) Confirmed employees of our Group; and

(b) Non-Executive Directors of our Group,

provided that, as of the relevant date of Award, such persons have attained the age of 21 years, are not undischarged bankrupts, and in the opinion of the Committee, have contributed or will contribute to the success of our Group.

Pursuant to Rule 852 of the Catalist Rules, participation in the Kim Heng PSP by the Controlling Shareholder(s) and their Associates must be approved by independent Shareholders of our Company and a separate resolution must be passed for each such persons to approve the actual number and terms of the Awards to be granted to such person.

There shall be no restriction on the eligibility of any Participant to participate in any other share incentive schemes or share plans implemented or to be implemented by our Company or any other company within our Group.

Subject to the Companies Act and any requirement of the SGX-ST, the terms of eligibility for participation in the Kim Heng PSP may be amended from time to time at the absolute discretion of the Committee.

(2) Awards

Awards represent the right of a Participant to receive fully paid Shares free of charge, upon the Participant (i) achieving prescribed performance targets; (ii) achieving service conditions or otherwise having performed well; and/or (iii) having made a significant contribution to our Company and/or any of its subsidiaries.

The selection of the Participants and the number of Shares which are the subject of each Award to be granted to a Participant in accordance with the Kim Heng PSP shall be determined at the absolute discretion of the Committee, which shall take into consideration, where applicable, factors such as rank, scope of responsibilities, performance, years of service and potential for future development, contribution to the success of our Group and the extent of effort and resourcefulness required to achieve the service conditions and/or performance targets within the performance and/or service periods.

Awards may be granted at any time, provided that in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, Awards may only be vested, and hence any Shares comprised in such Awards may only be delivered on or after the second Market Day from the date on which the aforesaid announcement is made.

An Award letter will be sent to each Participant as soon as reasonably practicable after the Award is finalised, specifying, *inter alia*, in relation to the Award:

(a) in relation to a performance-related Award, the performance targets and the period during which the prescribed performance targets shall be met;

(b) the number of Shares to be vested on the Participant; and

(c) the date by which the Award shall be vested.

The Committee will take into account various factors when determining the method to arrive at the exact number of Shares comprised in an Award. Such factors include, but are not limited to, the current price of the Shares, the total issued share capital of our Company and the pre-determined dollar amount which the Committee decides that a Participant deserves for meeting his performance targets. For example, Shares may be awarded based on predetermined dollar amounts such that the quantum of Shares comprised in Awards is dependent on the closing price of Shares transacted on the Market Day the Award is vested. Alternatively, the Committee may decide absolute numbers of Shares to be awarded to Participants irrespective of the price of the Shares. The Committee shall monitor the grant of Awards carefully to ensure that the size of the Kim Heng PSP will comply with the relevant Catalist Rules.

(3) Size and Duration of the Kim Heng PSP

The aggregate number of Shares over which Awards may be granted under the Kim Heng PSP, when added to the number of Shares issued and/or issuable in respect of (a) all Awards granted under the Kim Heng PSP; (b) all Options granted under the Kim Heng ESOS; and (c) all other Shares issued and/or issuable under any other schemes of our Company, shall not exceed 15% of the total issued share capital of our Company (excluding treasury shares) on the day preceding the relevant date of Award.

Our Directors believe that the size of the Kim Heng PSP will give our Company sufficient flexibility to decide the number of Shares to be offered under the Kim Heng PSP. However, it does not indicate that the Committee will definitely issue Shares up to the prescribed limit. The Committee will exercise its discretion in deciding the number of Shares to be granted to each Participant under the Kim Heng PSP. This, in turn, will depend on and be commensurate with the performance and value of the Participant to our Group.

The aggregate number of Shares for which Awards may be granted under the Kim Heng PSP to Controlling Shareholders and their Associates shall not exceed 25.0% of the total number of Shares available under the Kim Heng PSP. The number of Shares over which an Award may be granted under the PSP to each Controlling Shareholder or his Associate shall not exceed 10.0% of the Shares available under the Kim Heng PSP.

The Kim Heng PSP shall continue in force at the discretion of the Committee, subject to a maximum period of 10 years commencing on the date on which the Kim Heng PSP is adopted by our Company in general meeting, provided always that the Kim Heng PSP may continue beyond the above stipulated period with the approval of our Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

The termination or expiration of the Kim Heng PSP shall not affect any Award(s) which have been made to Participants.

(4) Operation of the Kim Heng PSP

No minimum vesting periods are prescribed under the Kim Heng PSP and the length of the vesting period in respect of each Award will be determined by the Committee on a case-by-case basis. The Committee may also make an Award where, in its opinion, a Participant's performance and/or contribution justified such an Award.

Subject to the prevailing legislation and the Catalist Rules, our Company will have the flexibility to deliver Shares to Participants upon vesting of their Awards by way of (a) an issue of new Shares and/or subject to applicable laws, the purchase of existing Shares. In determining whether to issue new Shares or to purchase existing Shares for delivery to Participants upon the vesting of their Awards, our Company will take into account factors such as the number of Shares to be delivered, the prevailing market price of the Shares and the cost to our Company of either issuing new Shares or purchasing existing Shares.

New Shares allotted and issued on the release of an Award shall rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the record date for which is on or after the date of issue of the new Shares or the date of transfer of treasury shares pursuant to the vesting of the Award, and shall in all other respects rank *pari passu* with other existing Shares then in issue.

(5) Adjustments and Alterations under the Kim Heng PSP

- Variation of Capital

  If a variation in the issued ordinary share capital of our Company (whether by way of a capitalisation of profits or reserves or rights issue, capital reduction, subdivision, consolidation, distribution or otherwise) shall take place, then:

  (i) the class and/or number of Shares which are the subject of an Award to the extent not yet vested and the rights attached thereto;

  (ii) the class and/or number of Shares over which future Awards may be granted under the Kim Heng PSP; and/or

  (iii) the maximum number of new Shares which may be issued pursuant to Awards granted under the Kim Heng PSP,

shall be adjusted in such a manner by the Committee may determine to be appropriate and, except in relation to a capitalisation issue, upon auditors (acting as experts and not as arbitrators) having confirmed in writing that, in their opinion, such adjustment is fair and reasonable.

The following (whether singly or in combination) shall not be regarded as events requiring adjustments:

(i) the issue of securities as consideration for an acquisition or a private placement of securities;

(ii) any issue of securities pursuant to any joint venture and/or debt conversion;

(iii) any increase in the number of issued Shares as a consequence of the exercise of any options or conversion of any loan stock or any other securities convertibles into Shares or subscription rights of any warrants issued from time to time by our Company enabling holders thereof to acquired new Shares in the capital of our Company;

(iv) any issue of Shares pursuant to any scrip dividend scheme for the time being of our Company; or

(v) any reduction in the number of issued Shares as a result of the cancellation of issued Shares purchased or acquired by our Company by way of a market purchase of such Shares undertaken by our Company on Catalist during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force.

Notwithstanding the provisions of the rules of the Kim Heng PSP:

(i) no such adjustment shall be made if as a result, the Participant receives a benefit that a Shareholder does not receive; and

(ii) no such adjustment shall be made unless the Committee, after considering all relevant circumstances considers it equitable to do so.

- Modifications to the Kim Heng PSP

The Kim Heng PSP may be modified and/or altered at any time and from time to time by resolution of the Committee, provided that:

(i) no modification or alteration shall adversely affect the rights attached to Awards granted prior to such modification or alteration, except with the written consent of such number of Participants under the Kim Heng PSP who, if their Awards are vested to them, would thereby become entitled to not less than three-quarters in number of all the Shares which would be issued in full of all outstanding Awards under the Kim Heng PSP; and

(ii) any modification or alteration which would be to the advantage of holder of the Awards under the Kim Heng PSP shall be subject to the prior approval of Shareholders in a general meeting.

(6) Reporting Requirements

Under the Catalist Rules, an immediate announcement must be made on the date of grant of an Award and provide details of the grant, including the following:

(a) date of grant;

(b) market price of the Shares on the date of grant of the Award;

(c) number of Shares granted under the Award;

(d) number of Shares granted to each Director and Controlling Shareholder (and each of their associates) under the Award, if any; and

(e) the vesting period in relation to the Award.

The following disclosures (as applicable) will be made by our Company in our annual report for so long as the Kim Heng PSP continues in operation:

(a) the names of the members of the Committee administering the Kim Heng PSP

(b) the information required in the table below for the following Participants of the Kim Heng PSP:

(i) Directors of our Company;

(ii) Controlling Shareholders and their Associates; and

(iii) Participants (other than those in paragraphs (b)(i) and (ii) above) who have received 5.0% or more of the total number of Shares available under the Kim Heng PSP:

Name of Participant	Total number of Shares comprised in Awards under the Kim Heng PSP during the financial year under review (including terms)	Aggregate number of Shares comprised in Awards vested to such Participant since commencement of the Kim Heng PSP to the end of the financial year under review	Aggregate number of Shares comprised in Awards issued since commencement of the Kim Heng PSP to the end of the financial year under review	Aggregate number of Shares comprised in Awards which have not been released as at the end of the financial year under review

(c) such other information as may be required by the Catalist Rules or the Companies Act,

provided that if any of the above requirements are not applicable, an appropriate negative statement should be included herein.

(7) Role and composition of the Committee

The Committee shall be responsible for the administration of the Kim Heng PSP and shall consist of the Directors.

In compliance with the requirements of the Catalist Rules, any Participant of the Kim Heng PSP who is a member of the Committee shall not be involved in its deliberations in respect of Awards to be granted to him.

Rationale for participation by Controlling Shareholder(s) and their Associates

As the objectives of the Kim Heng PSP as set out above apply equally to Controlling Shareholder(s) and their Associates, the Kim Heng PSP may in the future include the participation of such Controlling Shareholder(s) and their Associates who have actively contributed to the progress and success of our Group. Pursuant to Rule 852 of the Catalist Rules, independent Shareholders' approval will be sought in the event of any participation by a Controlling Shareholder and their Associates in the Kim Heng PSP.

Rationale for participation by our Non-Executive Directors (including Independent Directors)

While the Kim Heng PSP caters principally to Group employees, it is recognised that there are other persons who make significant contributions to our Group through their close working relationships with our Group, even though they are not employed within our Group. Such persons include the Non-Executive Directors.

The Non-Executive Directors are persons from different professions and working backgrounds, bringing to our Group their wealth of knowledge, business expertise and contacts in the business community. They play an important role in helping our Group shape its business strategy by allowing our Group to draw on their diverse backgrounds and working experience. It is crucial for our Group to attract, retain and incentivise the Non-Executive Directors. By aligning the interests of the Non-Executive Directors with the interests of Shareholders, our Company aims to inculcate a sense of commitment on the part of the Non-Executive Directors towards serving the short and long-term objectives of our Group.

Our Directors are of the view that including the Non-Executive Directors in the Kim Heng PSP will show our Company's appreciation for, and further motivate them in their contribution towards the success of our Group. However, as their services and contributions cannot be measured in the same way as the fulltime employees of our Group, while it is desired that participation in the Kim Heng PSP be made open to the Non-Executive Directors, any Awards that may be granted to any such Non-Executive Director would be intended only as a token of our Company's appreciation.

For the purpose of assessing the contributions of the Non-Executive Directors, the Remuneration Committee will propose a performance framework comprising mainly non-financial performance measurement criteria such as the extent of involvement and responsibilities shouldered by the Non-Executive Directors. In addition, the Remuneration Committee will also consider the scope of advice given, the number of contacts and size of deals which our Group is able to procure from the contacts and recommendations of the Non-Executive Directors. The Remuneration Committee may also decide that no Awards shall be made in any financial year or no grant and/or Award may be made at all. It is envisaged that the vesting of Awards, and hence the number of Shares to be delivered to the Non-Executive Directors based on the criteria set out above will be relatively small, in terms of frequency and numbers. Based on this, our Directors are of the view that the participation by the Non-Executive Directors in the Kim Heng PSP will not compromise the independent status of those who are Independent Directors.

Financial effects of the Kim Heng PSP

Cost of Awards

Singapore Financial Reporting Standard 102 ("**FRS 102**") relating to share-based payment takes effect for all listed companies beginning 1 January 2005. Participants will receive Shares and the Awards would be accounted for as equity-settled share-based transactions, as described in the following paragraphs.

The fair value of employee services received in exchange for the grant of the Awards will be recognised as a charge to profit or loss over the period between the grant date and the vesting date of an Award. The total amount of the charge over the vesting period is determined by reference to the fair value of each Award granted at the grant date and the number of Shares vested at the vesting date, with a corresponding credit to reserve account. Before the end of the vesting period, at each accounting year end, the estimate of the number of Awards that are expected to vest by the vesting date is subject to revision, and the impact of the revised estimate will be recognised in profit or loss with a corresponding adjustment to the reserve account. After the vesting date, no adjustment to the charge to profit or loss is

made. This accounting treatment has been referred to as the "modified grant date method" because the number of Shares included in the determination of the expense relating to employee services is adjusted to reflect the actual number of Shares that eventually vest but no adjustment is made to changes in the fair value of the Shares since the grant date.

The amount charged to profit or loss would be the same whether our Company settles the Awards by issuing new Shares or by purchasing existing Shares. The amount of the charge to profit or loss also depends on whether or not the performance target attached to an Award is measured by reference to the market price of the Shares. This is known as a market condition. If the performance target is a market condition, the probability of the performance target being met is taken into account in estimating the fair value of the Award granted at the grant date, and no adjustments to amounts charged to profit or loss are made if the market condition is not met. However, if the performance target is not a market condition, the fair value per Share of the Awards granted at the grant date is used to compute the amount to be charged to profit or loss at each accounting date, based on an assessment at that date of whether the non-market conditions would be met to enable the Awards to vest. Thus, where the vesting conditions do not include a market condition, there would be no charge to profit or loss if the Awards do not ultimately vest.

In the event that the Participants receive cash, our Company shall measure the fair value of the liability at grant date. Until the liability is settled, our Company shall re-measure the fair value of the liability at each accounting date and at the date of settlement, with changes in the fair value recognised in profit or loss.

Share capital

The Kim Heng PSP will result in an increase in our Company's issued share capital where new Shares are issued to Participants. The number of new Shares issued will depend on, among others, the size of the Awards granted under the Kim Heng PSP. In any case, the Kim Heng PSP provides that the number of Shares to be issued under the said PSP will be subject to a maximum limit of 15.0% of our total issued Shares. The aggregate number of Shares available under the Kim Heng PSP shall not exceed 15.0% of the total issued share capital of our Company post-Invitation and from time to time. If instead of issuing new Shares to the Participants, treasury shares are transferred to Participants or our Company pays the equivalent cash value, the Kim Heng PSP would have no impact on our Company's total number of issued Shares.

NTA

The Kim Heng PSP will result in a charge to our Company's profit or loss over the period from the grant date to the vesting date of the Awards. The amount of the charge will be computed in accordance with FRS 102. When new Shares are issued under the Kim Heng PSP, there would be no effect on the NTA. However, instead of issuing new Shares to Participants, existing Shares are purchased for delivery to Participants, or our Company pays the equivalent cash value, the NTA would be impacted by the cost of the Shares.

EPS

The Kim Heng PSP will result in a charge to earnings equivalent over the period from the grant date to the vesting date, computed in accordance with FRS 102.

It should again be noted that the delivery of Shares to Participants of the Kim Heng PSP will generally be contingent upon the Participants meeting the prescribed performance targets and conditions.

CORPORATE GOVERNANCE

Our Directors recognise the importance of corporate governance and the offering of high standards of accountability to our Shareholders, and will follow closely the best practices outlined in the Best Practices Guide issued by SGX-ST. Our Board of Directors has formed three committees: (i) the Audit Committee, (ii) the Remuneration Committee and (iii) the Nominating Committee.

We have six (6) Directors on our Board of Directors, of which three (3) are Independent Directors. Our Independent Directors do not have any existing business or professional relationship of a material nature with our Group, our other Directors and/or Substantial Shareholders. Our Independent Directors are also not related to other Directors and/or Substantial Shareholders.

Douglas Owen Chester is our Lead Independent Director. As Lead Independent Director, he is the contact person for Shareholders in situations where there are concerns or issues which communication with our Executive Chairman and CEO or CFO has failed to resolve or where such communication is inappropriate.

Audit Committee

Our Audit Committee comprises our Independent Directors, Douglas Owen Chester, Ho Boon Chuan Wilson and Ong Sie Hou Raymond. The Chairman of the Audit Committee is Ho Boon Chuan Wilson.

Our Audit Committee will assist our Board of Directors in discharging their responsibility to safeguard our assets, maintain adequate accounting records and develop and maintain effective systems of internal control, with the overall objective of ensuring that our management creates and maintains an effective control environment in our Group.

Our Audit Committee will provide a channel of communication between our Board of Directors, our management and our external auditors on matters relating to audit.

Our Audit Committee shall meet periodically to perform the following functions:

(a) assist our Board in the discharge of its responsibilities on financial reporting matters;

(b) review, with the internal and external auditors, the audit plans, scope of work, their evaluation of the system of internal accounting controls, their management letter and our management's response, and results of our audits compiled by our internal and external auditors;

(c) review the periodic consolidated financial statements and results announcements before submission to our Board of Directors for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with financial reporting standards as well as compliance with the Catalist Rules and any other statutory and regulatory requirements;

(d) review the effectiveness and adequacy of our internal control procedures addressing financial, operational and compliance risks, and ensure co-ordination between our internal and external auditors, and our management, reviewing the assistance given by our management to the auditors, and discuss problems and concern, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of our management where necessary);

(e) review the scope and results of the external audit, and the independence and objectivity of the external auditors;

(f) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our Group's operating results or financial position, and our management's response;

(g) make recommendations to the Board on the proposals to the Shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

(h) review significant financial reporting issues and judgments with the CFO and the external auditors so as to ensure the integrity of the financial statements of our Group and any formal announcements relating to our Group's financial performance before their submission to our Board of Directors;

(i) review and report to the Board at least annually the adequacy and effectiveness of our Group's material internal controls with the CFO, the finance manager and the internal and external auditors, including financial, operation, compliance and information technology controls via reviews carried out by the internal auditors;

(j) review and approve transactions falling within the scope of Chapter 9 and Chapter 10 of the Catalist Rules (if any);

(k) review any potential conflicts of interest;

(l) review the suitability of the CFO and the adequacy of the finance team on an on-going basis;

(m) review and approve all hedging policies and instruments (if any) to be implemented by our Group;

(n) undertake such other reviews and projects as may be requested by our Board and report to our Board its findings from time to time on matters arising and requiring the attention of our Audit Committee;

(o) review our financial risk areas, with a view to providing an independent oversight on our Group's financial reporting, the outcome of such review to be disclosed in the annual reports or if the findings are material, to be immediately announced via SGXNET;

(p) review and establish procedures for receipt, retention and treatment of complaints received by our Group, *inter alia*, criminal offences involving our Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on our Group;

(q) review our Group's compliance with such functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time;

(r) review arrangements by which our staff may, in confidence, raise concerns about improprieties in matters of financial reporting or other matters, and to ensure that those arrangements are in place for independent investigations of such matters and for appropriate follow-up; and

(s) undertake generally such other functions and duties as may be required by law or the Catalist Rules, and by such amendments made thereto from time to time.

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

Based on the internal controls established and maintained by our Group, work performed by the internal and external auditors, and reviews performed by management, the Board with the concurrence of the Audit Committee, are of the opinion that our Group's internal controls, addressing financial, operational and compliance risks, are adequate as at the Latest Practicable Date.

In addition, all future transactions with interested parties shall comply with the requirements of the Catalist Rules. As required by paragraph (9)(e) of Appendix 4C of the Catalist Rules, our Directors shall abstain from voting in respect of any contract or arrangement or proposed contract or arrangement in which he has directly or indirectly a personal material interest. Please refer to the section entitled "Interested Person Transactions – Guidelines and Review Procedures for Future Interested Person Transactions" of this Offer Document for further details.

Our Audit Committee, having conducted an interview with Tan Kah Seng, our CFO, and considered:

(a) the qualifications and past working experience of Tan Kah Seng (as described in the section entitled "Directors, Management and Staff – Executive Officers" of this Offer Document) which include audit, taxation and accounting related experiences which are compatible with his position as CFO;

(b) Tan Kah Seng's demonstration of the requisite competency in finance-related matters in connection with the preparation for the listing of our Company;

(c) the absence of negative feedback on Tan Kah Seng from the representatives of our Group's Auditors and Reporting Accountants; and

(d) the absence of internal control weaknesses attributable to Tan Kah Seng identified during the internal control review conducted by the internal auditors,

the Audit Committee is of the view that Tan Kah Seng is suitable for the position of CFO of our Group.

In addition, Tan Kah Seng will be subject to performance appraisal by our Audit Committee on an annual basis to ensure satisfactory performance. Our Audit Committee confirms that, after making all reasonable enquiries, and to the best of their knowledge and belief, nothing has come to their attention to cause them to believe that Tan Kah Seng does not have the competence, character and integrity expected of a CFO of a company listed on the SGX-ST.

The Audit Committee shall also commission an annual internal control audit until such time as the Audit Committee is satisfied that our Group's internal controls are robust and effective enough to mitigate our Group's internal control weaknesses (if any). Prior to the decommissioning of such an annual audit, our Board is required to report to the SGX-ST and the Sponsor on how the key internal control weaknesses have been rectified, and the basis, for the decision to decommission the annual internal control audit. Thereafter, such audits may be initiated by the Audit Committee as and when it deems fit to satisfy itself that our Group's internal controls remain robust and effective. Upon completion of the internal control audit, appropriate disclosure must be made via SGXNET on any material, price-sensitive internal control weaknesses and any follow-up actions to be taken by our Board.

Remuneration Committee

Our Remuneration Committee comprises our Independent Directors, Douglas Owen Chester, Ho Boon Chuan Wilson and Ong Sie Hou Raymond. The Chairman of the Remuneration Committee is Ong Sie Hou Raymond. Our Remuneration Committee will recommend to our Board of Directors a framework of remuneration for our Directors and Executive Officers and determine specific remuneration packages for each Executive Director. The recommendations of our Remuneration Committee should be submitted for endorsement by the entire Board of Directors. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses and benefits-in-kind shall be covered by our Remuneration Committee. Each member of the Remuneration Committee shall abstain from voting on any resolution in respect of his remuneration package. The remuneration of employees who are related to our Directors and Substantial Shareholders will also be reviewed annually by our Remuneration Committee to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. They will also review and approve any bonuses, pay increases and/or promotions for these employees.

Nominating Committee

Our Nominating Committee comprises our Independent Directors, Douglas Owen Chester, Ho Boon Chuan Wilson and Ong Sie Hou Raymond. The Chairman of the Nominating Committee is Douglas Owen Chester. The Nominating Committee has been set up to take the responsibility of recommending the appointment of new Directors and the re-nomination of our existing Directors (including Independent Directors) taking into consideration each Director's contribution and performance. The Nominating Committee is also charged with the responsibility of determining annually whether a Director is independent, deciding whether a Director is able to and has adequately carried out his duties, and assessing the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board. The Nominating Committee will review and approve any employment of persons related to our Directors and Substantial Shareholders and the proposed terms of their employment. Each member of the Nominating Committee will not take part in determining his own re-nomination or independence, or his own assessment.

Term of Office

Our articles of association provide that our Board of Directors will consist of not less than two Directors. None of our Directors are appointed for any fixed terms.

Our Directors are appointed by our Shareholders at general meeting, and an election of Directors takes place annually. One-third (or the number nearest one-third) of our Directors, are required to retire from office at each annual general meeting. Every Director must retire from office at least once every three years. However, a retiring Director is eligible for re-election at the meeting at which he retires.

Corporate Social Responsibility

In addition, our Company shall be required to disclose its corporate social responsibility policies with reference to the SGX-ST's Guide to Sustainability Reporting for Listed Companies published on 27 June 2011.

The Board of Directors of our Company will establish a corporate social responsibility policy which will include the review of the following areas of our Group's activities:

(a) to review and recommend our Group's policy in respect of corporate social responsibility issues;

(b) to review our Group's health, safety and environmental policies and standards;

(c) to review the social impact of our Group's business practices in the communities that it operates in;

(d) to review and recommend policies and practices with regard to key stakeholders (suppliers, customers and employees); and

(e) to review and recommend policies and practices with regard to regulators.

Environment

Our Group is committed to minimising the potential impact of our operations on the environment, by having proper processes for the minimisation of waste, waste management, containment of pollutants and provision of dispersal and absorption materials on board our vessels and at our yards. We have in the past infringed the environmental laws and regulations in relation to the use of open fire. We were fined for such infringements and the amount of fines was not material. We implemented a set of "Environmental Management Guidelines" which was last revised in 2011, and carried out periodic training of workers on compliance with the applicable environmental regulations.

We were awarded ISO 50001:2011 certification on 28 May 2013 which certifies that we operate an energy management system for the provision of shipbuilding and repair services and the provision of engineering services for marine and oilfield industries.

Occupational Health and Safety

Safe and reliable operations are vital to us. We conduct rigorous quality control checks and service training, and aim to actively implement the industry's best practices in ensuring operational and safety excellence. Our Group adopts the OHSAS Occupational Health and Safety Management System, which is the basis of the safety management system within our Group. We have established a Workplace Safety and Health Policy to ensure that our employees work in an accident-free environment. Such measures include ensuring that our staff are properly and adequately equipped with personal protective equipment such as helmets and boots at all times, fire safety equipment are well-maintained and fire safety procedures are made known to all staff. We believe that work accidents can be prevented, and therefore, employees are constantly reminded to identify potential hazards and to maintain and ensure compliance with all regulatory requirements. We are therefore committed to provide a safe and healthy workplace for all our employees, contractors and visitors.

In this respect, Kim Heng Marine has also been awarded the BizSAFE Certificate of Achievement (Enterprise Level 3) which is valid up to 27 August 2016 and the BizSAFE Certificate of Achievement (Recognised BizSAFE Partner) which is valid up to 12 September 2014 from the Workplace Safety and Health Council. The BizSAFE accreditation programme was launched to drive shipyards and marine companies to incorporate workplace safety and health practices as an integral part of their business.

BOARD PRACTICES

Term of office

The period of which each of our Directors has served in office in our Company as at the Latest Practicable Date is as follows:

Name	Date of commencement
Thomas Tan	20 May 2013
Yeo Seh Hong	26 December 2013
Tan Chow Boon	26 December 2013
Douglas Owen Chester	26 December 2013
Ho Boon Chuan Wilson	26 December 2013
Ong Sie Hou Raymond	26 December 2013

Our Directors have no fixed terms of office. They are however subject to retirement by rotation in accordance with Articles 103 to 105 of our Articles of Association which have been extracted and set out in Appendix C of this Offer Document.

Save as disclosed under the "Restructuring Exercise" and "Interested Person Transactions" sections of this Offer Document and below, none of our Directors, Controlling Shareholder and their respective Associates was or is interested in any transaction undertaken by our Group which is considered material in itself during the Period Under Review and for the period from 1 July 2013 to the Latest Practicable Date.

EXCHANGE CONTROLS

There are no Singapore governmental laws, decrees, regulations or other legislation in force that may affect:

(a) the repatriation of capital, including the availability of cash and cash equivalents for use by our Group; and

(b) the remittance of profits that may affect dividends, interests or other payments to non-resident holders of our Company's securities.

Upon listing and quotation on Catalist, our Shares will be traded under the book-entry settlement system of the CDP, and all dealings in and transactions of our Shares through the SGX-ST will be effected in accordance with the terms and conditions for the operation of Securities Accounts with the CDP, as amended from time to time.

Our Shares will be registered in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through depository agents, Securities Accounts with CDP. Persons named as direct Securities Account holders and depository agents in the depository register maintained by the CDP, other than CDP itself, will be treated, under our Articles of Association and the Companies Act, as members of our Company in respect of the number of Shares credited to their respective Securities Accounts.

Persons holding our Shares in Securities Account with CDP may withdraw the number of Shares they own from the book-entry settlement system in the form of physical share certificate(s). Such share certificate(s) will, however, not be valid for delivery pursuant to trades transacted on the SGX-ST, although they will be *prima facie* evidence of title and may be transferred in accordance with our Articles of Association. A fee of S$10.00 for each withdrawal of 1,000 Shares or less and a fee of S$25.00 for each withdrawal of more than 1,000 Shares is payable upon withdrawing the Shares from the book-entry settlement system and obtaining physical share certificates.

In addition, a fee of S$2.00 or such other amount as our Directors may decide, is payable to the Share Registrar for each share certificate issued and a stamp duty of S$10.00 is also payable where our Shares are withdrawn in the name of the person withdrawing our Shares or S$0.20 per S$100.00 or part thereof of the last-transacted price where it is withdrawn in the name of a third party. Persons holding physical share certificates who wish to trade on the SGX-ST must deposit with CDP their share certificates together with the duly executed and stamped instruments of transfer in favour of CDP, and have their respective Securities Accounts credited with the number of Shares deposited before they can effect the desired trades. A fee of S$10.00 is payable upon the deposit of each instrument of transfer with CDP. The above fees may be subject to such changes as may be in accordance with CDP's prevailing policies or the current tax policies that may be in force in Singapore from time to time.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's Securities Account being debited with the number of Shares sold and the buyer's Securities Account being credited with the number of Shares acquired. No transfer of stamp duty is payable for the Shares that are settled on a book-entry basis.

A Singapore clearing fee for trades in our Shares on Catalist is payable at the rate of 0.04% of the transaction value subject to a maximum of S$600.00 per transaction. The clearing fee, instrument of transfer deposit fee and share withdrawal fee may be subject to GST at 7.0% (or such other rate prevailing from time to time).

Dealings of our Shares will be carried out in Singapore dollars and will be effected for settlement through CDP on a scripless basis. Settlement of trades on a normal "ready" basis on Catalist generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the following business day. CDP holds securities on behalf of investors in Securities Accounts. An investor may open a direct account with CDP or a sub-account with a CDP agent. The CDP agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

INFORMATION ON DIRECTORS, EXECUTIVE OFFICERS AND CONTROLLING SHAREHOLDERS

1. Save as disclosed below, none of our Directors, Executive Officers or Controlling Shareholders:

   (a) has at any time during the last 10 years, had an application or a petition under any bankruptcy laws of any jurisdiction 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 two (2) years from the date he ceased to be a partner;

   (b) has at any time during the last 10 years, had an application or a petition under any law of any jurisdiction 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 two (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;

   (c) has any unsatisfied judgment against him;

   (d) 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;

   (e) 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 been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach;

   (f) has at any time during the last 10 years, has judgment 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 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;

   (g) has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;

   (h) 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;

   (i) 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;

   (j) 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;

      (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;

      (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 the period when he was so concerned with the entity or business trust; or

(k) has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Authority or any other regulatory authority, exchange, professional body or governmental agency, whether in Singapore or elsewhere.

Disclosure relating to our Executive Chairman and CEO, Thomas Tan

2. In 2009, various winding up applications were commenced against TDJV on the grounds of insolvency. Thomas Tan was a director of TDJV at the time the winding up applications were commenced and remains a director of TDJV as at the date of this Offer Document. On 23 December 2009, official liquidators of TDJV were appointed by the Supreme Court of Western Australia. Liquidation proceedings are still ongoing and there is a risk that Thomas Tan may be subject to penalties under the Australian Corporations Act 2001 (Cth) and may not be able to continue in his role as Executive Chairman and CEO of our Group. In the remote chance that any potential adverse outcome from the liquidation of TDJV impinges on Thomas Tan's ability to serve as Executive Chairman and CEO of our Group, we are of the opinion that any associated impact on the functioning of our Board can be managed. Mitigating factors and/or actions that can be taken include Thomas Tan continuing to function as the CEO of our Group despite not being a Director, Yeo Seh Hong taking over the function of CEO or appointing a professional CEO to manage our Group.

Disclosure relating to our Independent Director, Ho Boon Chuan Wilson

3. In late 2005 or early 2006, Ho Boon Chuan Wilson lodged a police report and assisted in the investigation of a director/employee under M.Tech Training Centre Pte. Ltd. ("**MTC**"), in which he was then also a director. Ho Boon Chuan Wilson was interviewed by the Commercial Affairs Department ("**CAD**") and was in court as a witness in the trial. The case involved the said director/employee forging invoices and deceiving both MTC and the then National Infocomm Competency Centre ("**NICC**"), an affiliate of the Infocomm Development Authority ("**IDA**") under a scheme known as the Critical Infocomm Technology Resource Programme. NICC has since been restructured as part of IDA.

4. Ho Boon Chuan Wilson was an independent director of Memory Devices Limited ("**MDL**") until he retired from office on 24 April 2007. MDL was a company listed on the Main Board of the SGX-ST until it was delisted from the SGX-ST in March 2010, as a result of the winding up actions in Hong Kong against MDL and its subsidiaries filed in January and February 2009. Ho Boon Chuan Wilson had no executive and/or management role in MDL and/or its subsidiaries whilst he was an independent director of MDL.

5. There is no shareholding qualification for Directors under the Articles of Association of our Company.

6. None of our Directors is interested, directly or indirectly, in the promotion of, or in any property or assets which have, within the two years preceding the date of this Offer Document, been acquired or disposed of by or leased to, our Company or any of our Subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our Subsidiaries.

7. No sum or benefit has been paid or is agreed to be paid to any Director or expert, or to any firm in which such Director or expert is a partner or any corporation in which such Director or expert holds shares or debentures, in cash or shares or otherwise, by any person to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by such firm or corporation in connection with the promotion or formation of our Company.

SHARE CAPITAL

Save as set out in this section and in the section entitled "Restructuring Exercise" of this Offer Document, there were no changes in the issued and paid-up share capital or changes to the registered share capital of our Company and our subsidiaries within the three years preceding the Latest Practicable Date:

Date	Number of Shares Issued/Registered Capital Contributed	Subscription Price per Share	Purpose of Issue or Investment	Resultant Paid-Up Share Capital/ Registered Capital
Kim Heng Offshore				
5 June 2013	999,998 shares	S$36.13	Restructuring Exercise	S$36,133,119
Kim Heng Tubulars				
29 October 2012	998 shares	S$0.01	Capital Increase	S$11.98

As at the date of this Offer Document, our Company has only one (1) class of shares, being ordinary shares. The rights and privileges of our Shares are stated in our Articles of Association. There are no founder, management or deferred shares. No person has been, or is entitled to be, given an option to subscribe for or purchase any securities of our Company or any of its subsidiaries.

No debentures of our Company or any of our subsidiaries have been issued, or were proposed to be issued within the three years preceding the date of this Offer Document.

There are no shares in our Company that are held by or on behalf of our Company or by our subsidiaries.

Save as disclosed above and in the section entitled "Restructuring Exercise" of this Offer Document, no shares in our Company or our subsidiaries have been issued for a consideration other than cash during the three years preceding the date of lodgement of this Offer Document.

MATERIAL CONTRACTS

The following contracts not being contracts entered into in the ordinary course of business, have been entered into by our Company and our subsidiaries within the two (2) years preceding the date of lodgement of this Offer Document and are or may be material:

(a) the Management and Underwriting Agreement dated 14 January 2014 entered into between our Company, SK Tan and Canaccord Genuity as Sponsor and Underwriter to manage the Invitation and underwrite the Offer Shares;

(b) the Placement Agreement dated 14 January 2014 entered into between our Company, SK Tan and Canaccord Genuity as Placement Agent pursuant to which Canaccord Genuity has agreed to subscribe and/or purchase or procure subscribers and/or purchasers for the Placement Shares;

(c) the sale and purchase agreement dated 15 May 2013 as amended and restated by an accession, amended and restated agreement dated 6 June 2013 entered into between our Company, Kim Heng Offshore, Thomas Tan, SK Tan, TSKI and KH Group pursuant to which Kim Heng Offshore acquired the total issued and paid-up capital of Alpine Progress, Kim Heng Maritime, Kim Heng Marine, Kim Heng Shipbuilding and Kim Heng Tubulars from their respective shareholders, being SK Tan, Thomas Tan, TSKI and KH Group (the "**Restructuring SPA**");

(d) the investment agreement dated 15 May 2013 as amended by an accession, amended and restated agreement dated 6 June 2013 entered into between our Company, Kim Heng Offshore, KH Group, Thomas Tan, TSKI, TSKH Pte. Ltd., SK Tan and Credence, pursuant to which TSKI renounced its right to be allotted Shares in the capital of our Company (the "**Investment Agreement**");

(e) the deed of indemnity dated 26 December 2013 entered into between SK Tan and Kim Heng Marine in relation to the Performance Guarantee as described in the section entitled "Interested Person Transactions – Present and Ongoing Interested Person Transactions" of this Offer Document; and

(f) the non-competition undertaking deed dated 26 December 2013 entered into between SK Tan and our Company as described in the section entitled "Potential Conflicts of Interests – Interests of Directors, Controlling Shareholders or their Associates" of this Offer Document.

For further details on the Management and Underwriting Agreement and the Placement Agreement, please refer to the section entitled "Management, Underwriting and Placement Agreements" in this Offer Document. For further details on the Restructuring SPA and the Investment Agreement, please refer to the section entitled "Restructuring Exercise" in this Offer Document.

LITIGATION

Save as disclosed below, our Group has not been involved in any legal or arbitration proceedings, including those that are pending or known to be contemplated, which may have, or have had in the 12 months preceding the date of this Offer Document, a material effect on our financial position or profitability.

Kim Heng Shipbuilding has been served several letters of demand by Marine Accomm Pte. Ltd. ("**Marine Accomm**") on 14 January 2011, 12 September 2011, 16 February 2012, 5 September 2012 and 29 November 2013 for an outstanding sum of S$950,024.75. We have disputed the sum outstanding. The High Court of Singapore had on 12 October 2012 ordered the winding up of Marine Accomm's operations. As at the Latest Practicable Date, no writ of summons has been served on us by Marine Accomm or its liquidators.

Kim Heng Shipbuilding had on 12 September 2013 been served with a writ of summons by ISC Singapore Marine Works Pte. Ltd. ("**ISC Singapore**") for an outstanding sum of S$802,812.60. We are disputing the sum outstanding and have filed our defence and a counterclaim for the sum of S$341,123.59. Both parties are currently exploring the possibility of resolving this dispute through mediation.

From time to time, we are subject to personal injury claims by workers who are involved in accidents at our premises during the course of their work or duties. These claims are generally settled through our insurers pursuant to the workmen's compensation scheme where such workers may opt for a claim under the common law.

MISCELLANEOUS

There has not been any public takeover offer by a third party in respect of our Shares, or by our Company in respect of shares of another corporation or units of a business trust, which has occurred during the period between 1 January 2013 and the Latest Practicable Date.

Save as disclosed in this Offer Document, our Directors are not aware of any relevant material information including trading factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Company and our subsidiaries.

Save as disclosed in this Offer Document, the financial condition and operating results of our Group are not likely to be affected by any of the following:

(a) known trends or demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group's liquidity increasing or decreasing in any material way;

(b) material commitments for capital expenditure;

(c) unusual or infrequent events or transactions or any significant economic changes that will materially affect the amount of reported income from operations; and

(d) known trends or uncertainties that have had or that we reasonably expect to have a material favourable or unfavourable impact on revenues or operating income.

Save as disclosed in this Offer Document, our Directors are not aware of any event that has occurred from 1 January 2013 to the Latest Practicable Date which may have a material effect on the financial position or results of our Group.

Details, including the name, address and professional qualifications (including membership in a professional body) of the auditor of our Company for FY2010, FY2011 and FY2012 and up to the date of lodgement of this Offer Document are as follows:

KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Partner-in-charge: Lucas Tran
(a member of the Institute of Singapore Chartered Accountants)

We currently have no intention of changing our independent auditor after the admission of our Company to Catalist.

CONSENTS

KPMG LLP, the Independent Auditors and Reporting Accountants, has given and has not withdrawn their written consent to the issue of this Offer Document with the inclusion herein of the "Independent Auditors' Report on the audited Combined Financial Statements of Kim Heng Offshore & Marine Holdings Limited and its Subsidiaries for the Financial Years Ended 31 December 2010, 2011 and 2012" and the "Independent Auditors' Report on the unaudited Combined Financial Statements of Kim Heng Offshore & Marine Holdings Limited and its Subsidiaries for the Six Months Period Ended 30 June 2013" as set out in Appendix A of this Offer Document in the form and context in which they are included and references to their name in the form and context in which it appears in this Offer Document and to act in such capacity in relation to this Offer Document.

Canaccord Genuity, the Sponsor, Underwriter and Placement Agent, has given and has not withdrawn its written consent to the issue of this Offer Document with the inclusion herein of its names and references thereto in the form and context in which it appears in this Offer Document and to act in such respective capacities in relation to this Offer Document.

The Solicitors to the Invitation have given, and have not before the registration of this Offer Document, withdrawn their written consent to being named in this Offer Document as the Solicitors to the Invitation.

The Solicitors to the Sponsor, Underwriter and Placement Agent have given, and have not before the registration of this Offer Document, withdrawn their written consent to being named in this Offer Document as the Solicitors to the Sponsor, Underwriter and Placement Agent.

The Legal Advisers to our Company on Indonesia Law, Ali Budiardjo, Nugroho, Reksodiputro have given, and have not before the registration of this Offer Document, withdrawn their written consent to being named in this Offer Document as the Legal Advisers to our Company on Indonesia Law.

Each of the Solicitors to the Invitation, the Share Registrar and the Share Transfer Office, the Principal Bankers and the Receiving Banker do not make or purport to make any statement in this Offer Document or any statement upon which a statement in this Offer Document is based and each of them makes no representation regarding any statement in this Offer Document and to the maximum extent permitted by law, expressly disclaim and takes no responsibility for any liability to any person which is based on, or arises out of, any statement, information or opinions in, or omission from, this Offer Document.

RESPONSIBILITY STATEMENT BY THE DIRECTORS OF OUR COMPANY AND THE VENDOR

Our Directors and the Vendor collectively and individually accept full responsibility for the accuracy of the information given in this Offer Document and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Offer Document constitutes full and true disclosure of all material facts about the Invitation, our Company and our subsidiaries, and our Directors and the Vendor are not aware of any facts the omission of which would make any statement in this Offer Document misleading. Where information in this Offer Document has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of our Directors and the Vendor have been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Offer Document in its proper form and context.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our registered office during normal business hours for a period of six months from the date of registration of this Offer Document by the SGX-ST acting as agent on behalf of the Authority:

(a) the Memorandum and Articles of Association of our Company;

(b) "Independent Auditors' Reports on the Combined Financial Statements of Kim Heng Offshore & Marine Holdings Limited and its Subsidiaries for the Financial Years Ended 31 December 2010, 2011 and 2012 and Six Months Period Ended 30 June 2013" as set out in Appendix A of this Offer Document;

(c) the material contracts referred to in the section entitled "General and Statutory Information – Material Contracts" of this Offer Document;

(d) the letters of consent referred to in the section entitled "General and Statutory Information – Consents" of this Offer Document; and

(e) the Service Agreements referred to in the section entitled "Directors, Management and Staff – Service Agreements" of this Offer Document.

14 January 2014

The Board of Directors
Kim Heng Offshore & Marine Holdings Limited
9 Pandan Crescent
Singapore 128465

Dear Sirs

We have audited the accompanying combined financial statements of Kim Heng Offshore & Marine Holdings Limited. (collectively known as the "Group" or the "Kim Heng Group"), which comprise the Group's combined statements of financial position as at 31 December 2010, 2011 and 2012 and the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the years then ended, and a summary of significant accounting policies and other explanatory notes ("Combined Financial Statements"), as set out on pages A-5 to A-56.

Management's responsibility for the financial statements

Management is responsible for the preparation of the combined financial statements that give a true and fair view in accordance with Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements of the Group present fairly, in all material respects, the combined financial position of the Group as 31 December 2010, 2011 and 2012, and the combined results, changes in equity and cash flows for the years then ended, in accordance with Singapore Financial Reporting Standards.

This report has been prepared for inclusion in the Offer Document to be issued by Kim Heng Offshore & Marine Holdings Limited. No audited financial statements of the Group have been prepared for any period subsequent to 31 December 2012.

KPMG LLP
Public Accountants and
Chartered Accountants

Lucas Tran
Partner-in-charge

Singapore

14 January 2014

The Board of Directors
Kim Heng Offshore & Marine Holdings Limited
9 Pandan Crescent
Singapore 128465

Dear Sirs

We have reviewed the accompanying interim combined financial statements of Kim Heng Offshore & Marine Holdings Limited. (collectively known as the "Group" or the "Kim Heng Group") which comprise the interim combined statement of financial position as at 30 June 2013 and the related interim combined statements of comprehensive income, changes in equity and cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory notes (the "Interim Combined Financial Statements") as set out on pages A-5 to A-56. Management is responsible for the preparation and fair presentation of these Interim Combined Financial Statements in accordance with Singapore Financial Reporting Standards ("FRS") 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these Interim Combined Financial Statements based on our review.

Scope of review

We conducted our review in accordance with Singapore Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Combined Financial Statements do not present fairly, in all material respects, the financial position of the Group as at 30 June 2013, and of its results, changes in equity and cash flows for the six months period then ended in accordance with FRS 34 Interim Financial Reporting.

This report has been prepared for inclusion in the Offer Document to be issued by Kim Heng Offshore & Marine Holdings Limited.

KPMG LLP
Public Accountants
and Chartered Accountants

Lucas Tran
Partner-in-charge

Singapore

COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2010, 2011 AND 2012 AND 30 JUNE 2013

	Note	31 December 2010 S$'000	31 December 2011 S$'000	31 December 2012 S$'000	(Unaudited) 30 June 2013 S$'000
Non-current assets					
Property, plant and equipment	3	85,409	67,273	60,604	64,372
Club memberships	4	44	44	44	44
		85,453	67,317	60,648	64,416
Current assets					
Inventories	5	5,822	3,447	1,443	2,249
Trade and other receivables	6	15,564	24,144	23,585	19,845
Cash and cash equivalents	7	2,951	1,139	1,114	3,363
		24,337	28,730	26,142	25,457
Total assets		109,790	96,047	86,790	89,873
Equity					
Share capital	8	3,370	3,370	3,370	30,549
Reserves	9	(267)	(214)	(235)	(32,986)
Accumulated profits		15,808	32,401	40,226	45,255
Equity attributable to owners of the Company		18,911	35,557	43,361	42,818
Non-current liabilities					
Loans and borrowings	10	24,674	14,974	6,126	5,902
Amounts due to shareholders	1.2	–	–	–	5,584
Deferred tax liabilities	11	1,195	3,765	5,872	5,872
		25,869	18,739	11,998	17,358
Current liabilities					
Loans and borrowings	10	32,149	14,851	12,605	8,643
Trade and other payables	12	32,523	26,634	18,062	19,712
Current tax payable		338	266	764	1,342
		65,010	41,751	31,431	29,697
Total liabilities		90,879	60,490	43,429	47,055
Total equity and liabilities		109,790	96,047	86,790	89,873

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

COMBINED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2010, 2011 AND 2012 AND SIX MONTHS PERIODS ENDED 30 JUNE 2012 AND 2013

		Year ended 31 December			(Unaudited) Six months period ended 30 June	
	Note	2010 S$'000	2011 S$'000	2012 S$'000	2012 S$'000	2013 S$'000
Revenue	14	80,600	69,388	86,728	50,924	40,956
Cost of sales		(57,589)	(37,528)	(49,551)	(29,572)	(23,593)
Gross profit		23,011	31,860	37,177	21,352	17,363
Other income	15	421	12,246	2,232	975	256
Distribution expenses		(1,543)	(1,235)	(1,579)	(917)	(514)
Administrative expenses		(16,477)	(14,219)	(13,128)	(6,579)	(7,390)
Other expenses		(12,000)	(5,038)	(2,149)	(1,170)	66
Finance costs	16	(3,373)	(2,701)	(1,451)	(799)	(496)
Profit/(Loss) before income tax	17	(9,961)	20,913	21,102	12,862	9,285
Income tax credit/(expense)	18	770	(2,385)	(3,817)	(2,301)	(1,256)
Profit/(Loss) for the year/period		(9,191)	18,528	17,285	10,561	8,029
Other comprehensive income/ (loss) for the year/period						
Translation differences relating to financial statements of foreign operations		(108)	53	(21)	(6)	12
Total comprehensive income/ (loss) for the year/period		(9,299)	18,581	17,264	10,555	8,041
Basic and diluted earnings/(loss) per share (cents)	19	(1.7)	3.4	3.1	1.9	1.5

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

COMPREHENSIVE STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2010, 2011 AND 2012 AND THE SIX MONTHS PERIODS ENDED 30 JUNE 2012 AND 2013

	Note	Share capital S$'000	Merger deficit S$'000	Currency translation reserve S$'000	Accumulated profits S$'000	Total equity S$'000
At 1 January 2010		3,370	–	(159)	24,999	28,210
Total comprehensive income for the year						
Loss for the year		–	–	–	(9,191)	(9,191)
Other comprehensive income/ Total other comprehensive income						
Translation differences relating to financial statements of foreign operations		–	–	(108)	–	(108)
Total comprehensive income for the year		–	–	(108)	(9,191)	(9,299)
At 31 December 2010		3,370	–	(267)	15,808	18,911
Total comprehensive income for the year						
Profit for the year		–	–	–	18,528	18,528
Other comprehensive income/Total other comprehensive income						
Translation differences relating to financial statements of foreign operations		–	–	53	–	53
Total comprehensive income for the year		–	–	53	18,528	18,581
Distribution to owners						
Dividend	21	–	–	–	(1,935)	(1,935)
Total transaction with owners		–	–	–	(1,935)	(1,935)
At 31 December 2011		3,370	–	(214)	32,401	35,557
Total comprehensive income for the year						
Profit for the year		–	–	–	17,285	17,285
Other comprehensive income/Total other comprehensive income						
Translation differences relating to financial statements of foreign operations		–	–	(21)	–	(21)
Total comprehensive income for the year		–	–	(21)	17,285	17,264
Transactions with owners/ Distribution to owners						
Issue of ordinary shares	8	*	–	–	–	*
Dividends	21	–	–	–	(9,460)	(9,460)
Total transactions with owners		*	–	–	(9,460)	(9,460)
At 31 December 2012		3,370	–	(235)	40,226	43,361

** Less than S$1,000*

COMPRENSIVE STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2010, 2011 AND 2012 AND THE SIX MONTHS PERIODS ENDED 30 JUNE 2012 AND 2013

	Note	Share capital S$'000	Merger deficit S$'000	Currency translation reserve S$'000	Accumulated profits S$'000	Total equity S$'000
30 June 2012 (unaudited)						
At 1 January 2012		3,370	–	(214)	32,401	35,557
Total comprehensive income for the period						
Profit for the period		–	–	–	10,561	10,561
Other comprehensive income/ Total other comprehensive income						
Translation differences relating to financial statements of foreign operations		–	–	(6)	–	(6)
Total comprehensive income for the period		–	–	(6)	10,561	10,555
Distribution to owners						
Dividends	21	–	–	–	(8,300)	(8,300)
Total transaction with owners		–	–	–	(8,300)	(8,300)
At 30 June 2012		3,370	–	(220)	34,662	37,812
30 June 2013 (unaudited)						
At 1 January 2013		3,370	–	(235)	40,226	43,361
Total comprehensive income for the period						
Profit for the period		–	–	–	8,029	8,029
Other comprehensive income/Total other comprehensive income						
Translation differences relating to financial statements of foreign operations		–	–	12	–	12
Total comprehensive income for the period		–	–	12	8,029	8,041
Adjustment pursuant to restructuring exercise		(3,370)	(32,763)	–	–	(36,133)
Issuance of restructuring shares	1.2	30,549	–	–	–	30,549
Distribution to owners						
Dividend	21	–	–	–	(3,000)	(3,000)
Total transaction with owners		27,179	(32,763)	–	(3,000)	(8,584)
At 30 June 2013		30,549	(32,763)	(223)	45,255	42,818

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

COMBINED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2010, 2011 AND 2012 AND THE SIX MONTHS PERIODS ENDED 30 JUNE 2012 AND 2013

		Year ended 31 December			(Unaudited) Six months period ended 30 June	
	Note	2010 S$'000	2011 S$'000	2012 S$'000	2012 S$'000	2013 S$'000
Cash flows from operating activities						
(Loss)/Profit before income tax		(9,961)	20,913	21,102	12,862	9,285
Adjustments for:						
Depreciation of property, plant and equipment	3	6,462	5,692	5,050	2,558	2,266
Gain on disposal of property, plant and equipment	15	(321)	(12,133)	(1,984)	(1,070)	(205)
Interest income	15	(7)	(4)	(3)	(2)	(1)
Interest expense	16	3,373	2,701	1,451	799	496
Allowance for/(Reversal of) inventory obsolescence	17	3,526	2,331	(215)	–	(1,562)
Impairment recognised/(reversed) in relation to						
- trade receivables	17	615	99	(505)	(198)	129
- other receivables	17	4,317	23	–	–	–
Exchange loss on translation		187	–	–	–	–
		8,191	19,622	24,896	14,949	10,408
Changes in working capital:						
Inventories		4,125	17	1,930	1,964	756
Trade and other receivables		14,661	(8,009)	3,311	2,707	3,612
Trade and other payables		(10,863)	(6,059)	(6,937)	(5,952)	1,580
Amounts due to directors		2,584	(2,014)	(412)	–	(120)
Cash generated from operations		18,698	3,557	22,788	13,668	16,236
Income tax refunded/(paid)		(795)	113	(853)	(878)	(677)
Net cash from operating activities		17,903	3,670	21,935	12,790	15,559
Cash flows from investing activities						
Deposits pertaining to purchase of property, plant and equipment		–	(1,025)	(1,246)	(418)	(293)
Purchase of property, plant and equipment		(380)	(2,618)	(2,771)	(1,411)	(1,479)
Proceeds from disposal of property, plant and equipment		336	28,286	8,130	3,900	916
Interest received		7	4	3	2	1
Net cash from/(used in) investing activities		(37)	24,647	4,116	2,073	(855)

	Note	Year ended 31 December			(Unaudited) Six months period ended 30 June	
		2010 S$'000	2011 S$'000	2012 S$'000	2012 S$'000	2013 S$'000
Cash flows from financing activities						
Interest paid		(3,364)	(2,701)	(1,451)	(799)	(496)
Dividend paid		(4,192)	(198)	(11,723)	(7,118)	(2,811)
Repayment of finance lease liabilities - net		(6,865)	(8,897)	(7,000)	(3,421)	(4,207)
(Repayment of)/Proceeds from trust receipts		(1,104)	(3,395)	1,067	(16)	(1,233)
Proceeds from term loans		–	2,289	338	–	–
Repayment of term loans		(4,654)	(16,259)	(7,702)	(3,772)	(3,634)
Proceeds from issue of share capital		–	–	*	–	–
Deposits pledged		1,893	1,978	(2)	26	(265)
Net cash used in financing activities		(18,286)	(27,183)	(26,473)	(15,100)	(12,646)
Net (decrease)/increase in cash and cash equivalents		(420)	1,134	(422)	(237)	2,058
Cash and cash equivalents at beginning of the year/period		(2,646)	(3,004)	(1,827)	(1,827)	(2,281)
Effect of exchange rate fluctuations on cash and cash equivalents		62	43	(32)	–	5
Cash and cash equivalents at end of the year/period	7	(3,004)	(1,827)	(2,281)	(2,064)	(218)
Significant non-cash transactions during the year/period						
Purchase of property, plant and equipment under finance leases, term loans and deposits		16,374	1,138	1,777	568	4,965
Issuance of restructuring shares		–	–	–	–	30,549

** Less than S$1,000*

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010, 2011 AND 2012 AND SIX MONTHS PERIOD ENDED 30 JUNE 2013

These notes form an integral part of the combined financial statements.

These combined financial statements were authorised for issue by the Board of Directors on 14 January 2014 and have been prepared for inclusion in the Offer Document to be issued by Kim Heng Offshore & Marine Holdings Limited.

1 CORPORATE INFORMATION

1.1 Domicile and Activities

Kim Heng Offshore & Marine Holdings Limited, Kim Heng Offshore & Marine Pte Ltd, Kim Heng Marine & Oilfield Pte Ltd, Kim Heng Maritime Pte Ltd, Kim Heng Tubulars Pte Ltd, Kim Heng Shipbuilding & Engineering Pte. Ltd. and Alpine Progress Shipping Pte. Ltd. are incorporated in the Republic of Singapore and had their registered office at 9 Pandan Crescent, Singapore 128465.

The principal activities of the companies are as follows:

Name of Company	Principal Activities
Kim Heng Offshore & Marine Holdings Limited ("KHOMH") (formerly known as Namilton Pte Ltd)	Investment holding
Kim Heng Offshore & Marine Pte Ltd ("KHOM") (formerly known as Kim Heng Holdings Pte Ltd)	Investment holding
Kim Heng Marine & Oilfield Pte Ltd ("KHMO")	Chartering, freight, servicing and repair of vessels, provision of services of marine engineers, consultants, sub-contractors and labour supply
Kim Heng Maritime Pte Ltd ("KHM")	Vessel chartering and provision of port operation services
Kim Heng Tubulars Pte Ltd ("KHT")	Trading in drill pipes and related drilling materials, provision of services and rental of marine equipment
Kim Heng Shipbuilding & Engineering Pte. Ltd. ("KHSE")	Offshore engineering, shipbuilding and fabrication services
Alpine Progress Shipping Pte. Ltd. ("APS")	Vessel chartering and provision of port operating services

1.2 Group Restructuring

For the purpose of listing the Group on the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Group underwent a restructuring exercise (the "**Restructuring Exercise**"). KHOMH acquired the entire issued and paid up capital of KHOM for a purchase consideration of S$2.00 in cash on 21 May 2013.

Pursuant to a sale and purchase agreement dated 15 May 2013 as amended and restated by an accession, amended and restated agreement dated 6 June 2013 entered into between KHOMH, KHOM and the shareholders of KHMO, KHM, KHT, KHSE and APS (the "**SPA**"), KHOM acquired the entire issued and paid-up capital of KHMO, KHM, KHT, KHSE and APS for a total purchase consideration of S$36,133,199 based on the respective net tangible asset of the companies as at 31 December 2011. The purchase consideration was satisfied by the allotment and issuance of 999,998 new shares (the "**Consideration Shares**") in the capital of KHOM to the shareholders of KHMO, KHM, KHT, KHSE and APS (the "**Vendors**").

In accordance with the terms of the SPA, the Vendors directed that the Consideration Shares be allotted and issued to KHOMH and that KHOMH would in turn allot and issue 999,998 new shares ("**Restructuring Shares**") in the capital of the Company to the Vendors or any persons they may nominate. Upon the completion of the Restructuring Exercise, KHOMH became the holding company of KHOM and KHOM became the holding company of KHMO, KHM, KHT, KHSE and APS. As at 30 June 2013, KHOMH had issued 845,453 Restructuring Shares amounting to S$30,549,199 in relation to the Restructuring Exercise.

Pursuant to an investment agreement dated 15 May 2013 as amended by an accession, amended and restated agreement dated 6 June 2013 (the "**Investment Agreement**"), the balance 154,545 Restructuring Shares, amounting to S$5,584,000 of the purchase consideration, was issued to a shareholder on 24 December 2013. This amount was accordingly disclosed as amounts due to shareholders as at 30 June 2013.

1.3 Basis of Preparation

For the purposes of the combined financial statements, the entities of the Group consist of companies under common control during the financial years ended 2010, 2011 and 2012 (the "relevant period"), and the six months period ended 30 June 2013, and continue to be under common control after 30 June 2013.

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory. Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of common controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

The combined financial statements of the Group for the relevant period were prepared in a manner similar to the "pooling-of-interest" method, as if the entities within the Group were operating as a single economic enterprise from the beginning of the earliest comparative period covered by the relevant period or the dates of incorporation of entities within the Group, if later. Such manner of presentation reflects the economic substance of the combining companies, which were under common control throughout the relevant period.

The identifiable assets and liabilities of all commonly controlled entities are accounted for at their historical costs. The accounting policies of common controlled entities have been changed where necessary to align them with the policies adopted by the Group.

The acquisition of KHMO, KHM, KHT, KHSE, and APS from their shareholders in exchange for the shares issued by KHOM were accounted for using the 'pooling-of-interest' method of consolidation. Any excess or deficiency of the nominal value of the shares acquired is taken to the shareholders' equity as a merger reserve or deficit.

These combined financial statements of the Group are the combination or aggregation of all of the financial statements of the entities of the Group and have been prepared based on:

(a) the separate audited statutory financial statements of KHMO, KHM, KHT, KHSE and APS for the financial years ended 31 December 2010, 2011 and 2012 prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The statutory financial statements of KHMO, KHM, KHT, KHSE and APS for the relevant period were audited by KPMG LLP Singapore, a firm of Chartered Accountants registered with the Accounting and Corporate Regulatory Authority, in accordance with Singapore Standards on Auditing. These audited statutory financial statements are not subject to any audit qualifications, modifications or disclaimers;

(b) the separate unaudited financial statements of KHOM for the financial years ended 31 December 2010, 2011 and 2012. KHOM was dormant prior to the Restructuring Exercise; and

(c) the separate unaudited financial statements of the entities of the Group for the six months periods ended 30 June 2012 and 2013.

All material intra-group transactions and balances have been eliminated on combination.

1.3.1 Statement of Compliance

The combined financial statements have been prepared in accordance with FRS.

1.3.2 Basis of Measurement

The combined financial statements have been prepared on the historical cost basis, except for certain financial assets and financial liabilities which are stated at fair value.

1.3.3 Functional and Presentational Currency

The combined financial statements are presented in Singapore dollars. Except for KHT, whose functional currency is United States dollars, the functional currency of the other entities within the Group is Singapore dollars. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

1.3.4 Use of Estimates and Judgements

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

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 3 – depreciation and impairment of property, plant and equipment
- Note 5 – allowance for inventory obsolescence
- Note 6 – allowance for doubtful receivables
- Note 14 – revenue recognition on shipbuilding and fabrication contracts
- Note 18 – income taxes

2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these combined financial statements.

2.1 Foreign Currency

Foreign Currency Transactions

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

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

Foreign Operations

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

Foreign currency differences are recognised in other comprehensive income, and presented in the currency translation reserve in equity. When a foreign operation is disposed of, in part or in full, the relevant portion of the cumulative amount in the currency translation reserve is reclassified to profit or loss as part of the profit or loss on disposal.

2.2 Property, Plant and Equipment

Recognition and Measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

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

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

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

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income or expenses in profit or loss.

Subsequent Costs

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

Depreciation

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

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

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

Freehold building	30 years
Leasehold land and building	remaining lease term of 2.5 - 5 years
Renovation and improvements	5 years
Machinery and equipment	3 - 20 years
Vessels	5 - 20 years
Motor vehicles	5 years
Furniture, fittings, office equipment and computers	3 - 10 years

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

2.3 Club Memberships

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

2.4 Inventories

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

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

2.5 Work-in-progress

Work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date on uncompleted shipbuilding, repair and fabrication contracts. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects incurred in the Group's contract activities based on normal operating capacity.

Work in progress is presented as part of inventories in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as part of trade and other payables in the statement of financial position.

2.6 Financial Instruments

Non-derivative Financial Assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the assets and settle the liability simultaneously.

Non-derivative financial assets of the Group comprise loans and receivables.

Loans and Receivables

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

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

Cash and cash equivalents comprise fixed deposits and cash and bank balances. For the purpose of the statement of cash flows, pledged deposits are excluded whilst bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

Non-derivative Financial Liabilities

All financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

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

The Group classifies non-derivative liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

The Group's non-derivative financial liabilities comprise loans and borrowings, and trade and other payables.

Share Capital

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

Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

2.7 Impairment

Non-derivative Financial Assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, or indications that a debtor or issuer will enter bankruptcy, or adverse changes in the payment status of borrowers or issuers.

Loans and Receivables

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

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial Assets

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

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

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

2.8 Employee Benefits

Defined Contribution Plans

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

Short-term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Employee Leave Entitlement

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

2.9 Provision

A provision is recognised if, as a result of past event, the Group has a present legal or a constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

2.10 Revenue Recognition

Sale of Goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfers of risks and rewards varies depending on the individual terms of the contract of sale.

Chartering, Towage and Rental of Equipment

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

Services Rendered

Revenue from marine offshore support services and freight income is recognised upon rendering of services.

Contract Revenue

Revenue arising from shipbuilding and fabrication contracts is recognised in profit or loss in accordance with the agreed stage of completion which is assessed by reference to survey of work performed and agreement with customers or the proportion of contract costs incurred for work performed to date to the estimated total contract costs, to the extent that it is probable that the contracts will result in revenue that can be measured reliably. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

When it is probable that the total contract costs will exceed the total contract revenue, the expected loss is recognised immediately in profit or loss.

When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that are probable to be recoverable.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due and associated costs.

2.11 Finance Income and Finance Costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

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

2.12 Leases

When Entities within the Group are Lessees of Finance Leases

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

Leased assets are depreciated over the shorter of the lease term and their useful lives. Minimum lease payments are apportioned between finance cost and reduction of the outstanding liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

At inception, an arrangement that contains a lease is accounted for as such based on the terms and conditions even though the arrangement is not in the legal form of a lease.

When Entities within the Group are Lessees of Operating Leases

Leases, which are operating leases, are not recognised in the Group's statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

Determining whether an Arrangement Contains a Lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

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

2.13 Income Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In the ordinary course of business, there are many transactions and calculations for which the ultimate tax treatment is uncertain. Therefore, the Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when the Group believes that certain positions may not be fully sustained upon review by tax authorities, despite the Group's belief that its tax return positions are supportable. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of multifaceted judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities, such changes to tax liabilities will impact tax expense in the period that such a determination is made.

2.14 Earnings per Share

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

2.15 Segment Reporting

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

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

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

2.16 New Standards and Interpretations not Adopted

A number of new standards, amendments to standards and interpretations have been issued and are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the combined financial statements of the Group.

3. PROPERTY, PLANT AND EQUIPMENT

	Freehold building S$'000	Leasehold land and building S$'000	Renovation and improvements S$'000	Machinery and equipment S$'000	Vessels S$'000	Motor vehicles S$'000	Furniture, fittings, office equipment and computers S$'000	Total S$'000
Cost								
At 1 January 2010	880	8,756	553	53,558	36,028	49	1,528	101,352
Additions	–	645	–	962	15,137	–	10	16,754
Disposals	–	–	–	(782)	(2,068)	(49)	–	(2,899)
Translation differences	–	(173)	(44)	(2)	–	–	(39)	(258)
At 31 December 2010	880	9,228	509	53,736	49,097	–	1,499	114,949
Additions	–	607	–	572	2,568	–	9	3,756
Disposals	(880)	(4,603)	–	(1,022)	(14,699)	–	–	(21,204)
Translation differences	–	(51)	3	*	–	–	3	(45)
At 31 December 2011	–	5,181	512	53,286	36,966	–	1,511	97,456
Additions	–	276	–	736	3,503	–	33	4,548
Disposals	–	–	–	(2,606)	(6,105)	–	(11)	(8,722)
Translation differences	–	–	(28)	(1)	–	–	(25)	(54)
At 31 December 2012	–	5,457	484	51,415	34,364	–	1,508	93,228
Additions (unaudited)	–	–	–	185	6,521	–	32	6,738
Disposals (unaudited)	–	–	–	(1,206)	(1,130)	–	(124)	(2,460)
Translation differences (unaudited)	–	–	17	*	–	–	15	32
At 30 June 2013 (unaudited)	–	5,457	501	50,394	39,755	–	1,431	97,538

** Less than S$1,000*

	Freehold building S$'000	Leasehold land and building S$'000	Renovation and improvements S$'000	Machinery and equipment S$'000	Vessels S$'000	Motor vehicles S$'000	Furniture, fittings, office equipment and computers S$'000	Total S$'000
Accumulated depreciation								
At 1 January 2010	59	3,405	119	11,570	9,979	49	815	25,996
Depreciation for the year	29	461	56	3,882	1,833	–	201	6,462
Disposals	–	–	–	(766)	(2,059)	(49)	–	(2,874)
Translation differences	–	(20)	(11)	(2)	–	–	(11)	(44)
At 31 December 2010	88	3,846	164	14,684	9,753	–	1,005	29,540
Depreciation for the year	–	211	98	3,593	1,634	–	156	5,692
Disposals	(88)	(1,074)	–	(506)	(3,383)	–	–	(5,051)
Translation differences	–	(6)	4	*	–	–	4	2
At 31 December 2011	–	2,977	266	17,771	8,004	–	1,165	30,183
Depreciation for the year	–	123	101	3,112	1,587	–	127	5,050
Disposals	–	–	–	(715)	(1,854)	–	(6)	(2,575)
Translation differences	–	–	(16)	(1)	–	–	(17)	(34)
At 31 December 2012	–	3,100	351	20,167	7,737	–	1,269	32,624
Depreciation for the period (unaudited)	–	62	48	1,274	830	–	52	2,266
Disposals (unaudited)	–	–	–	(1,206)	(418)	–	(124)	(1,748)
Translation differences (unaudited)	–	–	12	*	–	–	12	24
At 30 June 2013 (unaudited)	–	3,162	411	20,235	8,149	–	1,209	33,166
Carrying amounts								
At 1 January 2010	821	5,351	434	41,988	26,049	–	713	75,356
At 31 December 2010	792	5,382	345	39,052	39,344	–	494	85,409
At 31 December 2011	–	2,204	246	35,515	28,962	–	346	67,273
At 31 December 2012	–	2,357	133	31,248	26,627	–	239	60,604
At 30 June 2013 (unaudited)	–	2,295	90	30,159	31,606	–	222	64,372

** Less than S$1,000*

The carrying amount of property, plant and equipment of the Group includes amounts totalling 2010: S$36,184,000; 2011: S$31,441,000; 2012: S$29,939,000 and 30 June 2013 (unaudited): S$28,419,000 in respect of machinery and equipment held under finance leases.

Property, plant and equipment amounting to 2010: S$43,603,000; 2011: S$25,376,000; 2012: S$25,315,000 and 30 June 2013 (unaudited): S$22,370,000 are pledged as collaterals for secured term loans, trust receipts and bank overdrafts.

In 2011, the leasehold land and building for one of the entities within the Group was sold to a third party for a consideration of S$9,073,000 with a gain of S$7,473,000. The gain was recognised in the profit and loss account of 2011. Thereafter, the Group entered into an operating lease agreement with the third party to lease the leasehold land and building for a period of 3 years commencing on 12 May 2011. The lease is accounted for as an operating lease.

Depreciation and impairment of property, plant and equipment

The cost of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 2.5 years to the remaining lease term. The Group reviews annually the estimated useful lives of property, plant and equipment based on factors that include asset utilisation, internal technical evaluation, technological changes and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase depreciation expense and decrease non-current assets.

The Group assesses the carrying amount of its property, plant and equipment against their recoverable amounts at each reporting date to determine whether there is an indication of impairment. The estimated recoverable amounts are based on valuation report obtained from an independent valuer or market values, being the estimated amount for which property, plant and equipment could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The recoverable amounts could change significantly as a result of changes in market conditions and the assumptions used in determining the market value.

Change in accounting estimates

In 2011, KHT conducted a review of the expected useful lives of its property, plant and equipment and revised their useful lives to better reflect the pattern of consumption of the future economic benefits embodied in the assets over the remaining lease term. As a result, the useful lives of furniture and fittings and renovations were reduced from a range of 5 to 10 years to the remaining lease term of approximately 2.5 years.

The change was applied prospectively and resulted in the following changes on depreciation expenses:

	2011 S$'000	2012 S$'000	2013 S$'000	2014 S$'000	2015 S$'000	2016 S$'000	2017 S$'000
Increase/(Decrease) in depreciation expense	81	81	81	(16)	(84)	(84)	(58)

4 CLUB MEMBERSHIPS

	31 December			(Unaudited)
	2010	2011	2012	30 June 2013
	S$'000	S$'000	S$'000	S$'000
Cost	106	106	106	106
Impairment losses	(62)	(62)	(62)	(62)
	44	44	44	44

5 INVENTORIES

	31 December			(Unaudited)
	2010	2011	2012	30 June 2013
	S$'000	S$'000	S$'000	S$'000
Finished goods - at cost	9,115	8,904	6,286	5,822
Allowance for inventory obsolescence	(3,342)	(5,774)	(5,322)	(3,948)
	5,773	3,130	964	1,874
Work-in-progress	49	317	479	375
	5,822	3,447	1,443	2,249
Work-in-progress comprises:				
Cost incurred and attributable profits	49	317	479	375

Changes in inventories recognised in cost of sales in profit or loss amounted to 2010: S$2,994,000; 2011: S$1,804,000; 2012: S$812,000 and 30 June 2013 (unaudited): S$ 718,000.

Allowance for inventory obsolescence

A review is made periodically on inventory for excess inventory, obsolescence and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. These reviews require management to estimate future demand for the Group's products. Possible changes in these estimates could result in revisions to the valuation of inventory. An increase in the Group's allowance for inventory obsolescence would increase the Group's recorded other expenses and decrease current assets.

The write-down/(write-back) of inventories to net realisable value amounted to 2010: S$3,526,000; 2011: S$2,331,000; 2012: (S$215,000) and 30 June 2013 (unaudited): (S$1,562,000).

6 TRADE AND OTHER RECEIVABLES

	31 December			(Unaudited) 30 June
	2010	2011	2012	2013
	S$'000	S$'000	S$'000	S$'000
Trade receivables	21,137	28,795	27,280	24,333
Allowance for impairment	(7,254)	(7,373)	(7,076)	(7,350)
Net receivables	13,883	21,422	20,204	16,983
Deposits	136	220	111	479
Advance payment to suppliers	235	76	73	–
Accrued revenue	–	648	66	117
Other receivables	4,844	5,249	6,198	5,877
Allowance for impairment	(4,757)	(4,757)	(4,547)	(4,403)
Net other receivables	87	492	1,651	1,474
Loans and receivables	14,341	22,858	22,105	19,053
Deposits pertaining to purchase of property, plant and equipment	812	1,025	1,246	293
Prepayments	411	261	234	499
	15,564	24,144	23,585	19,845

The Group's exposure to credit and currency risks, and impairment losses related to trade and other receivables is disclosed in note 13.

Allowance for doubtful receivables

The Group maintains an allowance for doubtful accounts on the estimated losses resulting from the subsequent inability of the Group's customers to make required payments, at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the Group on the basis of factors that affect the collectibility of the individual accounts. Management specifically analyses accounts receivables and analyses historical bad debts, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful debts. The amount and timing of recorded expenses for any period would differ if the Group made different judgement or utilised different estimates. An increase in the Group's allowance for doubtful accounts would increase the Group's recorded other expenses and decrease current assets.

7 CASH AND CASH EQUIVALENTS

	Note	31 December 2010 S$'000	2011 S$'000	2012 S$'000	(Unaudited) 30 June 2013 S$'000
Cash at bank and in hand		71	237	210	2,194
Fixed deposits		2,880	902	904	1,169
Cash and cash equivalents		2,951	1,139	1,114	3,363
Bank overdrafts	10	(3,075)	(2,064)	(2,491)	(2,412)
Deposits pledged		(2,880)	(902)	(904)	(1,169)
Cash and cash equivalents in the statements of cash flows		(3,004)	(1,827)	(2,281)	(218)

The fixed deposits bore interest at fixed rates at the year end as follows:

	31 December 2010 %	2011 %	2012 %	(Unaudited) 30 June 2013 %
Interest rate	0.09 – 0.33	0.10 – 0.45	0.10 – 0.25	0.10 – 0.25

Interest rates are revised upon rollover of the fixed deposits.

The fixed deposits for the one of the entities within the Group are pledged as security deposit for its operating lease of office premises and warehouse. The remaining fixed deposits are pledged to secure bank overdrafts, trust receipts, term loans and finance lease liabilities (see note 10).

The terms and conditions of the bank overdrafts at each reporting date are disclosed in note 10.

The Group's exposure to interest rate and currency risks is disclosed in note 13.

8 SHARE CAPITAL

	31 December			(Unaudited)
	2010	2011	2012	30 June 2013
	No. of shares ('000)	No. of shares ('000)	No. of shares ('000)	No. of shares ('000)
Issued and fully paid ordinary shares, with no par value:				
At 1 January	3,370	3,370	3,370	3,371
Adjustment pursuant to the Restructuring Exercise	–	–	–	(3,371)
Issued during the year	–	–	1	–
Issued pursuant to the Restructuring Exercise	–	–	–	845
At 31 December/30 June	3,370	3,370	3,371	845

For the purpose of this report, the total number of shares as at 31 December 2010, 2011 and 2012 represent the aggregate number of issued and fully paid shares of all entities within the Group. Pursuant to the Restructuring Exercise (Note 1.2), the total number of shares as at 30 June 2013 represent the number of issued and fully paid shares of the ultimate holding company, KHOMH.

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

Issue of ordinary shares

On 29 October 2012, KHT issued 998 ordinary shares at an issue price of S$0.01 per share for cash.

Pursuant to the Restructuring Exercise, KHOMH issued 845,453 ordinary shares at an issue price of S$36.13 per share.

Capital management

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

The shareholders ensure that the Group is adequately capitalised in order to meet its contractual obligations. There were no changes in the Group's approach to capital management during the period.

The Group is not subject to externally imposed capital requirements except for one of the entities within the Group. The entity's loan facilities are subject to externally imposed capital requirements to maintain its financial position in excess of specified financial thresholds. Except for the breaches as at 31 December 2010 as disclosed in note 10, the entity complied with these covenants at the reporting date.

9 RESERVES

The reserves of the Group comprise the following balances:

	31 December			(Unaudited)
	2010	2011	2012	30 June 2013
	S$'000	S$'000	S$'000	S$'000
Merger deficit	–	–	–	(32,763)
Currency translation reserve	(267)	(214)	(235)	(223)
	(267)	(214)	(235)	(32,986)

Merger deficit

The merger deficit arises from the difference between the nominal value of the shares issued by the Company and the nominal value of shares of the subsidiaries acquired under the pooling-of-interest method of consolidation as described in Note 1.3.

Currency translation reserve

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

10 LOANS AND BORROWINGS

		31 December			(Unaudited)
	Note	2010	2011	2012	30 June 2013
		S$'000	S$'000	S$'000	S$'000
Non-current liabilities					
Term loans	10(a)	9,834	7,223	2,653	3,217
Finance lease liabilities	10(a), (b)	14,840	7,751	3,473	2,685
		24,674	14,974	6,126	5,902
Current liabilities					
Bank overdrafts	7, 10(a)	3,075	2,064	2,491	2,412
Trust receipts	10(a)	3,561	166	1,233	–
Term loans	10(a)	17,192	5,781	4,087	3,342
Finance lease liabilities	10(a), (b)	8,321	6,840	4,794	2,889
		32,149	14,851	12,605	8,643

(a) The bank overdrafts, trust receipts, term loans and finance lease liabilities are secured as follows:

- Property, plant and equipment and fixed deposits as disclosed in notes 3 and 7 respectively;
- Joint and several personal guarantees are granted by Tan Sek Khoon and Tan Keng Siong Thomas, who are directors of the Group, to banks in respect of banking facilities amounting to 2010: S$80,054,000; 2011: S$30,458,000; 2012: S$30,739,000 and 30 June 2013 (unaudited): S$36,123,000; and
- Corporate guarantees from one of the entities within the Group, KHMO.

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

	Principal S$'000	Interest S$'000	Payments S$'000
31 December 2010			
Payable within 1 year	8,321	1,229	9,550
Payable after 1 year but within 5 years	14,807	1,001	15,808
Payable after 5 years	33	1	34
	14,840	1,002	15,842
	23,161	2,231	25,392
31 December 2011			
Payable within 1 year	6,840	639	7,479
Payable after 1 year but within 5 years	7,695	392	8,087
Payable after 5 years	56	1	57
	7,751	393	8,144
	14,591	1,032	15,623
31 December 2012			
Payable within 1 year	4,794	244	5,038
Payable after 1 year but within 5 years	3,473	173	3,646
	8,267	417	8,684
30 June 2013 (unaudited)			
Payable within 1 year	2,889	79	2,968
Payable after 1 year but within 5 years	2,633	195	2,828
Payable after 5 years	52	6	58
	2,685	201	2,886
	5,574	280	5,854

Terms and debt repayment schedule

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

	Note	Nominal interest rate %	Year of maturity S$'000	Face value S$'000	Carrying amount S$'000
31 December 2010					
Bank overdrafts		5.25 – 7.00	2011	3,075	3,075
Trust receipts		1.86 – 9.00	2011	3,561	3,561
Term loans					
- Fixed rate	(i)	3.50 – 6.96	2011 – 2015	10,357	10,357
- Floating rate	(ii)	3.50 – 5.00	2011 – 2022	16,669	16,669
Finance lease liabilities		2.20 –3.58	2011 – 2018	25,392	23,161
				59,054	56,823
31 December 2011					
Bank overdrafts		5.00 – 7.00	2012	2,064	2,064
Trust receipts		2.26	2012	166	166
Term loans					
- Fixed rate	(i)	2.80 – 3.75	2012 – 2015	6,816	6,816
- Floating rate	(ii)	2.87 – 6.25	2012 – 2016	6,188	6,188
Finance lease liabilities		1.88 – 3.58	2012 – 2018	15,623	14,591
				30,857	29,825
31 December 2012		5.00 – 7.00	2013	2,491	2,491
Bank overdrafts		2.26 – 5.25	2013	1,233	1,233
Trust receipts					
Term loans		2.80 – 3.75	2013 – 2015	3,508	3,508
- Fixed rate		2.87 – 6.25	2013 – 2016	3,232	3,232
- Floating rate		1.88 – 3.58	2013 – 2018	8,684	8,267
Finance lease liabilities				19,148	18,731
30 June 2013 (unaudited)					
Bank overdrafts		5.00	2013	2,412	2,412
Term loans					
- Fixed rate		2.20 – 6.50	2013 – 2016	5,047	5,047
- Floating rate		6.25	2013 – 2016	1,512	1,512
Finance lease liabilities		1.88 – 3.50	2013 – 2018	5,854	5,574
				14,825	14,545

(i) Included in the fixed rate term loans was a property loan of S$1,423,000 secured against the leasehold building with a carrying value of S$1,610,000. The leasehold building was disposed in 2011 and the outstanding balance of the property loan was fully settled in 2011.

(ii) Included in the floating rate term loans were:

- a bridging term loan of S$528,000 and the outstanding balance of the bridging bank loan was fully settled in 2011.

- a secured term loan of S$704,000 obtained for the sole purpose of financing the purchase of the freehold building. The freehold building was disposed in 2011 and the outstanding balance of the term loan was fully settled in 2011.

Breach of loan covenants

There was no breach of loan covenants as at 31 December 2011, 31 December 2012 and 30 June 2013 (unaudited). The following were breaches of loan covenants by one of the entities within the Group as at 31 December 2010.

Loan from Bank A

As at 31 December 2010, the entity's gearing ratio (defined as total bank borrowings over total tangible net worth) of 3.6 times exceeded the 2.2 times as stipulated in the agreement with Bank A for banking facilities amounting to S$10,993,000. On 4 January 2012, Bank A issued a letter to the entity stating that it has reviewed and accommodated for this breach. For financial statements presentation purpose, the contractual non-current portion of the loans owing to Bank A as at 31 December 2010, amounting to S$4,196,000, was re-classified to current liabilities as the letter of accommodation was received after 31 December 2010.

Loan from Bank B

As at 31 December 2010, the entity's gearing ratio (defined as total liabilities over net worth) of 6.4 times exceeded the 2.5 times as stipulated in the agreement with Bank B for banking facilities amounting to S$4,575,000. On 11 January 2012, Bank B issued a letter to the entity stating that it has reviewed and accommodated for this breach on an exception basis. For financial statements presentation purpose, the contractual non-current portion of the loans owing to Bank B as at 31 December 2010, amounting to S$3,750,000, was re-classified to current liabilities as the letter of accommodation was received after 31 December 2010.

11 DEFERRED TAX LIABILITIES

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

	At 1 January S$'000	Recognised in profit or loss (Note 18) S$'000	Exchange differences S$'000	At 31 December S$'000
31 December 2010				
Deferred tax liabilities				
Property, plant and equipment	2,186	(460)	(1)	1,725
Deferred tax assets				
Provisions	(174)	(29)	–	(203)
Tax benefit of capital allowances carried forward	–	(327)	–	(327)
	(174)	(356)	–	(530)
	2,012	(816)	(1)	1,195
31 December 2011				
Deferred tax liabilities				
Property, plant and equipment	1,725	3,470	–	5,195
Deferred tax assets				
Provisions	(203)	(21)	–	(224)
Receivables	–	(809)	–	(809)
Tax benefit of capital allowances carried forward	(327)	(70)	–	(397)
	(530)	(900)	–	(1,430)
	1,195	2,570	–	3,765

	At 1 January S$'000	Recognised in profit or loss (Note 18) S$'000	Exchange differences S$'000	At 31 December S$'000
31 December 2012				
Deferred tax liabilities				
Property, plant and equipment	5,195	1,532	–	6,727
Deferred tax assets				
Provisions	(224)	146	–	(78)
Receivables	(809)	32	–	(777)
Tax benefit of capital allowances carried forward	(397)	397	–	–
	(1,430)	575	–	(855)
	3,765	2,107	–	5,872
30 June 2013 (unaudited)				
Deferred tax liabilities				
Property, plant and equipment	6,727	–	–	6,727
Deferred tax assets				
Provisions	(78)	–	–	(78)
Receivables	(777)	–	–	(777)
	(855)	–	–	(855)
	5,872	–	–	5,872

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

	31 December			(Unaudited)
	2010 S$'000	2011 S$'000	2012 S$'000	30 June 2013 S$'000
Deferred tax liabilities	1,195	3,765	5,872	5,872

The following temporary differences have not been recognised:

	31 December			(Unaudited) 30 June
	2010	2011	2012	2013
	S$'000	S$'000	S$'000	S$'000
Unutilised tax losses	8,452	9,373	8,807	8,895
Deductible temporary differences	2,768	5,406	5,205	4,000
Taxable temporary differences	(1,615)	(222)	449	232
	9,605	14,557	14,461	13,127

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

12 TRADE AND OTHER PAYABLES

	31 December			(Unaudited) 30 June
	2010	2011	2012	2013
	S$'000	S$'000	S$'000	S$'000
Trade payables	17,254	14,886	11,205	11,375
Accrued operating expenses	8,216	5,163	3,141	4,262
Advance billings	–	913	–	206
Deposits from customers	629	153	1,061	1,607
Dividends payable	2,428	4,229	1,885	2,074
Other payables	1,412	720	650	188
Amounts due to directors (non-trade)	2,584	570	120	–
	32,523	26,634	18,062	19,712

The amounts due to directors were unsecured, interest-free and repayable on demand.

The Group's exposure to currency and liquidity risks related to trade and other payables is disclosed in note 13.

Provision for performance guarantee

In 2007, KHMO issued a performance guarantee for an Australian project undertaken by T-D Joint Venture Pty Ltd ("TDJV"), in which a related party is a joint venture partner. The maximum potential amount of the performance guarantee is approximately S$7 million. The performance guarantee was called by the customer in 2009. However, based on independent legal advice and subsequent developments of the project, the directors believe that it is not probable that there will be any outflow of cash required to settle the performance guarantee. Accordingly, no provision for the performance guarantee has been made in the financial statements of the Group.

13 FINANCIAL RISK MANAGEMENT

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

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

Credit risk

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

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all new customers. Cash and cash equivalents of the Group are placed with financial institutions which are regulated.

At reporting date, there was no significant concentration of credit risk.

The carrying amount of the respective financial assets represents the maximum exposure to credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	31 December 2010 S$'000	31 December 2011 S$'000	31 December 2012 S$'000	(Unaudited) 30 June 2013 S$'000
Loans and receivables	6	14,341	22,858	22,105	19,053
Cash and cash equivalents	7	2,951	1,139	1,114	3,363
		17,292	23,997	23,219	22,416

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

	31 December			(Unaudited) 30 June
	2010	2011	2012	2013
	S$'000	S$'000	S$'000	S$'000
Singapore	5,487	16,628	11,206	11,851
Southeast Asia excluding Singapore	1,325	2,442	1,870	4,099
Australasia	1,937	1,306	1,999	563
Middle East	236	248	222	1,249
Europe and others	5,356	2,234	6,808	1,291
	14,341	22,858	22,105	19,053

The ageing of loans and receivables that were not impaired at the reporting date was:

	31 December			(Unaudited) 30 June
	2010	2011	2012	2013
	S$'000	S$'000	S$'000	S$'000
Not past due	9,009	11,033	9,012	10,214
Past due 0 – 30 days	1,869	5,625	6,273	1,956
Past due 31 – 120 days	3,031	4,848	5,099	6,777
More than 120 days	432	1,352	1,721	106
	14,341	22,858	22,105	19,053

The movement in the allowance for impairment in respect of loans and receivables during the years/period were as follows:

	31 December			(Unaudited) 30 June
	2010	2011	2012	2013
	S$'000	S$'000	S$'000	S$'000
At 1 January	7,084	12,011	12,130	11,623
Impairment loss recognised/(reversed)	4,932	122	(505)	129
Translation differences	(5)	(3)	(2)	1
At 31 December/30 June	12,011	12,130	11,623	11,753

Based on historical default rates, the Group believes that no additional impairment allowance is necessary in respect of loans and receivables as at each reporting date. These loans and receivables mainly arise from customers that have a good payment record with the Group.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

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

As at 30 June 2013, included in total assets of the Group at the reporting date are net trade receivables totalling S$16,983,000 (2010: S$13,883,000; 2011: S$21,422,000; 2012: S$20,204,000). The liquidity of the Group is primarily dependent on the timely settlement of trade receivables. The Group carefully monitors current and expected liquidity requirements to ensure that it maintains sufficient working capital and adequate external financing to meet its liquidity requirements in the short and longer term.

As at 30 June 2013, the Group maintained cash and bank balance S$3.4 million and available credit facilities of S$18.4 million, of which S$15.5 million were utilised and S$2.9 million were unutilised. These credit facilities comprise term loans of S$6.6 million, finance leases of S$5.6 million and banking facilities of S$6.3 million. Term loans, finance leases and banking facilities remained outstanding at approximately S$6.6 million, S$5.6 million and S$2.9 million respectively as at 30 June 2013. The effective interest rates for the term loans ranged from 5.28% to 6.50% per annum.

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

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements or breaches of loan covenants:

		Cash flows			
	Carrying amount S$'000	**Contractual cash flows S$'000**	**Within 1 year S$'000**	**Within 1 to 5 years S$'000**	**More than 5 years S$'000**
31 December 2010					
Bank overdrafts	3,075	(3,133)	(3,133)	–	–
Trust receipts	3,561	(3,664)	(3,664)	–	–
Term loans					
- Fixed rate	10,357	(11,479)	(4,158)	(7,321)	–
- Floating rate	16,669	(18,526)	(6,526)	(11,031)	(969)
Finance lease liabilities	23,161	(25,392)	(9,550)	(15,808)	(34)
Trade and other payables	32,523	(32,523)	(32,523)	–	–
	89,346	(94,717)	(59,554)	(34,160)	(1,003)

		Cash flows			
	Carrying amount S$'000	Contractual cash flows S$'000	Within 1 year S$'000	Within 1 to 5 years S$'000	More than 5 years S$'000
31 December 2011					
Bank overdrafts	2,064	(2,093)	(2,093)	–	–
Trust receipts	166	(167)	(167)	–	–
Term loans					
- Fixed rate	6,816	(7,457)	(3,477)	(3,980)	–
- Floating rate	6,188	(6,720)	(2,880)	(3,840)	–
Finance lease liabilities	14,591	(15,623)	(7,479)	(8,087)	(57)
Trade and other payables	26,634	(26,634)	(26,634)	–	–
	56,459	(58,694)	(42,730)	(15,907)	(57)
31 December 2012					
Bank overdrafts	2,491	(2,522)	(2,522)	–	–
Trust receipts	1,233	(1,249)	(1,249)	–	–
Term loans					
- Fixed rate	3,508	(3,683)	(2,404)	(1,279)	–
- Floating rate	3,232	(3,400)	(1,922)	(1,478)	–
Finance lease liabilities	8,267	(8,684)	(5,038)	(3,646)	–
Trade and other payables	18,062	(18,062)	(18,062)	–	–
	36,793	(37,600)	(31,197)	(6,403)	–
30 June 2013 (unaudited)					
Bank overdrafts	2,412	(2,472)	(2,472)	–	–
Term loans					
- Fixed rate	5,047	(5,352)	(2,591)	(2,761)	–
- Floating rate	1,512	(1,531)	(1,006)	(525)	–
Finance lease liabilities	5,574	(5,854)	(2,968)	(2,828)	(58)
Trade and other payables	19,712	(19,712)	(19,712)	–	–
	34,257	(34,921)	(28,749)	(6,114)	(58)

Market risk

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

Foreign currency risk

The Group's exposure to market risk mainly relates to changes in foreign exchange rates on sales, cash and cash equivalents and purchases that are denominated in currencies other than the functional currencies of the respective entities within the Group. The currencies giving rise to this risk are primarily US dollar and Australian dollar.

The Group's exposure to foreign currencies is as follows:

	31 December			(Unaudited) 30 June
	2010 S$'000	2011 S$'000	2012 S$'000	2013 S$'000
United States dollar				
Trade and other receivables	7,172	12,160	17,680	13,482
Cash and cash equivalents	11	–	20	2,169
Trade and other payables	(1,615)	(3,818)	(5,209)	(3,912)
	5,568	8,342	12,491	11,739
Australian dollar				
Trade and other receivables	5,122	4,830	5,496	4,390
Trade and other payables	(1,361)	–	(37)	(348)
	3,761	4,830	5,459	4,042

The Group does not hedge its financial assets and liabilities denominated in foreign currencies in view that the exposure to foreign exchange risk is not significant.

Sensitivity analysis

A 10% strengthening of the US dollar and Australian dollar against the functional currencies of the respective entities within the Group at the reporting date would increase/(decrease) the profit before tax by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010, 2011, 2012 and 2013, albeit that the reasonably possible foreign exchange rate variances may have been different.

	Profit before tax			
	31 December			(Unaudited) 30 June
	2010 S$'000	2011 S$'000	2012 S$'000	2013 S$'000
United States dollar	557	834	1,249	1,174
Australian dollar	376	483	546	404
	933	1,317	1,795	1,578

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

Interest rate risk

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

At the reporting date, the interest rate profile of the Group's interest bearing financial instruments was:

	31 December			(Unaudited)
	2010	2011	2012	30 June 2013
	S$'000	S$'000	S$'000	S$'000
Fixed rate instruments				
Fixed deposits	2,880	902	904	1,169
Trust receipts	(3,561)	(166)	(1,233)	–
Fixed rate loans	(10,357)	(6,816)	(3,508)	(5,047)
Finance lease liabilities	(23,161)	(14,591)	(8,267)	(5,574)
	(34,199)	(20,671)	(12,104)	(9,452)
Variable rate instruments				
Bank overdrafts	(3,075)	(2,064)	(2,491)	(2,412)
Floating rate loans	(16,669)	(6,188)	(3,232)	(1,512)
	(19,744)	(8,252)	(5,723)	(3,924)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010, 2011, 2012 and 2013.

	Profit before tax			
	31 December			(Unaudited)
	2010	2011	2012	30 June 2013
	S$'000	S$'000	S$'000	S$'000
100 bp increase				
Variable rate instruments	(197)	(83)	(57)	(39)
100 bp decrease				
Variable rate instruments	197	83	57	39

Estimations of the fair value

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

Non-derivative financial liabilities (non-current)

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

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

Other financial assets and liabilities

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

Fair values versus carrying amounts

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

	Loans and receivables S$'000	Other financial liabilities S$'000	Other financial liabilities outside the scope of FRS 39 S$'000	Total carrying amount S$'000	Fair value S$'000
31 December 2010					
Assets					
Loans and receivables	14,341	–	–	14,341	14,341
Cash and cash equivalents	2,951	–	–	2,951	2,951
	17,292	–	–	17,292	17,292
Liabilities					
Loans and borrowings	–	(33,662)	(23,161)	(56,823)	(56,703)
Trade and other payables	–	(32,523)	–	(32,523)	(32,523)
	–	(66,185)	(23,161)	(89,346)	(89,226)

	Loans and receivables S$'000	Other financial liabilities S$'000	Other financial liabilities outside the scope of FRS 39 S$'000	Total carrying amount S$'000	Fair value S$'000
31 December 2011					
Assets					
Loans and receivables	22,858	–	–	22,858	22,858
Cash and cash equivalents	1,139	–	–	1,139	1,139
	23,997	–	–	23,997	23,997
Liabilities					
Loans and borrowings	–	(15,234)	(14,591)	(29,825)	(28,464)
Trade and other payables	–	(26,634)	–	(26,634)	(26,634)
	–	(41,868)	(14,591)	(56,459)	(55,098)
31 December 2012					
Assets					
Loans and receivables	22,105	–	–	22,105	22,105
Cash and cash equivalents	1,114	–	–	1,114	1,114
	23,219	–	–	23,219	23,219
Liabilities					
Loans and borrowings	–	(10,464)	(8,267)	(18,731)	(18,497)
Trade and other payables	–	(18,062)	–	(18,062)	(18,062)
	–	(28,526)	(8,267)	(36,793)	(36,559)
30 June 2013 (unaudited)					
Assets					
Loans and receivables	19,053	–	–	19,053	19,053
Cash and cash equivalents	3,363	–	–	3,363	3,363
	22,416	–	–	22,416	22,416
Liabilities					
Loans and borrowings	–	(8,971)	(5,574)	(14,545)	(14,332)
Trade and other payables	–	(19,712)	–	(19,712)	(19,712)
	–	(28,683)	(5,574)	(34,257)	(34,044)

Interest rates used in determining fair values

The interest rates used to discount estimated cash flows, where applicable, are as follows:

	31 December			(Unaudited) 30 June
	2010	2011	2012	2013
	%	%	%	%
Fixed rate loans	3.50 – 6.96	3.95 – 6.60	3.95 – 6.60	4.20 – 6.96
Finance lease liabilities	5.17 – 6.98	3.60 – 6.37	3.60 – 6.37	3.63 – 6.78

14 REVENUE

	Year ended 31 December			(Unaudited) Six months period ended 30 June	
	2010	2011	2012	2012	2013
	S$'000	S$'000	S$'000	S$'000	S$'000
Offshore Rig Services and Supply Chain Management					
- Marine offshore support services rendered	23,708	30,769	30,420	15,700	13,548
- Chartering and towage income	20,799	14,987	13,011	9,033	4,526
- Freight services income	678	1,175	609	514	12
- Equipment rental income	2,688	6,589	10,515	5,059	5,030
- Sale of goods	16,651	14,369	27,298	19,938	16,879
Vessel Sales and Newbuild					
- Sale of goods	4,300	1,499	4,875	680	961
- Revenue from shipbuilding	11,776	–	–	–	–
	80,600	69,388	86,728	50,924	40,956

Revenue recognition on shipbuilding and fabrication contracts

The Group uses the percentage-of-completion method in accounting for its contract revenue where it is probable that contract costs are recoverable. The stage of completion is measured by reference to surveys of work performed or the proportion of contract costs incurred for work performed to date to the estimated total costs.

Significant judgement is required in determining the stage of completion, the estimated total contract revenue and contract costs, as well as the recoverability of and foreseeable losses relating to the contracts. Total contract revenue also includes an estimation of the variation works and claims that are recoverable from the customers. In making the judgement, the Group relies on past experience and the work of specialists. The amount and timing of recorded revenue and raw materials and consumables used would differ if the Group made different judgements.

15 OTHER INCOME

	Year ended 31 December			(Unaudited) Six months period ended 30 June	
	2010 S$'000	2011 S$'000	2012 S$'000	2012 S$'000	2013 S$'000
Gain on disposal of property, plant and equipment	321	12,133	1,984	1,070	205
Interest income	7	4	3	2	1
Miscellaneous income	93	109	245	(97)	50
	421	12,246	2,232	975	256

16 FINANCE COSTS

	Year ended 31 December			(Unaudited) Six months period ended 30 June	
	2010 S$'000	2011 S$'000	2012 S$'000	2012 S$'000	2013 S$'000
Interest paid and payable on:					
- Bank overdrafts and term loans	1,760	1,301	761	401	272
- Finance lease liabilities	1,479	1,242	688	397	190
- Trust receipts	134	158	2	1	34
	3,373	2,701	1,451	799	496

17 PROFIT/(LOSS) BEFORE INCOME TAX

The following items have been included in arriving at profit/(loss) before income tax:

	Note	Year ended 31 December			(Unaudited) Six months period ended 30 June	
		2010	2011	2012	2012	2013
		S$'000	S$'000	S$'000	S$'000	S$'000
Operating lease expenses		2,077	1,874	2,066	1,176	1,003
Operating lease income		(548)	(554)	(643)	(102)	(301)
Staff costs		13,094	10,205	10,587	5,513	5,475
Contributions to defined contribution plans included in staff costs		1,343	1,087	1,100	284	222
Impairment recognised / (reversed) in relation to						
- trade receivables		615	99	(505)	(198)	129
- other receivables		4,317	23	–	–	–
Allowance for/(Reversal of) allowance for inventory obsolescence		3,526	2,331	(215)	–	(1,562)
Depreciation of property, plant and equipment	3	6,462	5,692	5,050	2,558	2,266
Exchange loss/(gain)		964	360	218	185	70

18 INCOME TAX (CREDIT)/EXPENSE

	Note	Year ended 31 December			(Unaudited) Six months period ended 30 June	
		2010	2011	2012	2012	2013
		S$'000	S$'000	S$'000	S$'000	S$'000
Current tax expense/(credit)						
Current year		2	117	1,732	1,044	1,256
Under/(Over) provided in prior years		44	(302)	(22)	–	–
		46	(185)	1,710	1,044	1,256
Deferred tax (credit)/expense						
Movements in temporary differences		(694)	2,099	2,107	1,257	–
(Over)/Under provided in prior years		(122)	471	–	–	–
	11	(816)	2,570	2,107	1,257	–
		(770)	2,385	3,817	2,301	1,256

	Note	Year ended 31 December			(Unaudited) Six months period ended 30 June	
		2010 S$'000	2011 S$'000	2012 S$'000	2012 S$'000	2013 S$'000
Reconciliation of effective rate						
(Loss)/Profit before income tax		(9,961)	20,913	21,102	12,862	9,285
Tax using the Singapore tax rate of 2010; 2011; 2012: 17%; 30 June 2012 (unaudited) and 30 June 2013 (unaudited): 17%		(1,693)	3,555	3,587	2,187	1,578
Income not subject to tax		(150)	(2,362)	(344)	(201)	(200)
Non-deductible expenses		218	205	556	315	260
Utilisation of previously unrecognised deferred tax assets		(67)	(194)	(47)	–	(382)
Deferred tax benefits not recognised		1,000	1,012	79	–	–
(Over)/Under provided in prior years		(78)	169	(22)	–	–
Others		–	–	8	–	–
		(770)	2,385	3,817	2,301	1,256

Income taxes

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

19 EARNINGS/(LOSS) PER SHARE

Basic and diluted earnings/(loss) per share are calculated based on the following:

	Year ended 31 December			(Unaudited) Six months period ended 30 June	
	2010 S$'000	2011 S$'000	2012 S$'000	2012 S$'000	2013 S$'000
Profit/(Loss) for the year/period (S$'000)	(9,191)	18,528	17,285	10,561	8,029

The calculation of the basic and diluted earnings/(loss) per share for each of the years ended 31 December 2010, 2011 and 2012 and the Six months periods ended 30 June 2012 and 2013 is based on the profit/(loss) for the respective years/periods and the pre-invitation number of shares of the Company of 550,000,000 shares.

There were no dilutive potential ordinary shares in existence for the years ended 31 December 2010, 2011 and 2012 and the unaudited Six months periods ended 30 June 2012 and 2013.

20 OPERATING SEGMENTS

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

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

(b) Vessel Sales and Newbuild: Includes trading of vessels and newbuild.

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

	Offshore Rig Services and Supply Chain Management S$'000	Vessel Sales and Newbuild S$'000	The Group S$'000
Year ended 31 December 2010			
Total revenue from external customers	64,524	16,076	80,600
Inter-segment revenue	1,921	–	1,921
Total segment revenue	66,445	16,076	82,521
Other income	1,207	6	1,213
Finance costs	(3,128)	(245)	(3,373)
Segment results	(5,933)	(4,028)	(9,961)
Income tax credit			770
Loss for the year			(9,191)
Segment assets	107,998	8,792	116,790
Segment liabilities	80,018	17,861	97,879
Capital Expenditure	12,753	4,001	16,754
Significant Non-Cash Expenses			
- Depreciation	5,208	1,254	6,462
- Allowance for inventory obsolescence	3,526	–	3,526
- Impairment recognised in relation to trade and other receivables	4,906	26	4,932
Year ended 31 December 2011			
Total revenue from external customers	67,889	1,499	69,388
Inter-segment revenue	965	–	965
Total segment revenue	68,854	1,499	70,353
Other income	13,989	–	13,989
Finance costs	(2,661)	(40)	(2,701)
Segment results	20,956	(43)	20,913
Income tax expense			(2,385)
Profit for the year			18,528
Segment assets	100,923	2,124	103,047
Segment liabilities	66,040	1,450	67,490
Capital Expenditure	2,664	1,092	3,756

	Offshore Rig Services and Supply Chain Management S$'000	Vessel Sales and Newbuild S$'000	The Group S$'000
Year ended 31 December 2011			
Significant Non-Cash Expenses			
- Depreciation	5,674	18	5,692
- Allowance for inventory obsolescence	2,331	–	2,331
- Impairment recognised/(reversed) in relation to trade and other receivables	122	–	122
Year ended 31 December 2012			
Total revenue from external customers	81,853	4,875	86,728
Inter-segment revenue	717	–	717
Total segment revenue	82,570	4,875	87,445
Other income	4,230	–	4,230
Finance costs	(1,420)	(31)	(1,451)
Segment results	20,106	996	21,102
Income tax expense			(3,817)
Profit for the year			17,285
Segment assets	93,232	558	93,790
Segment liabilities	49,981	448	50,429
Capital Expenditure	3,349	1,199	4,548
Significant Non-Cash Expenses			
- Depreciation	4,989	61	5,050
- Reversal of allowance for inventory obsolescence	(215)	–	(215)
- Impairment reversed in relation to trade and other receivables	(505)	–	(505)

	Offshore Rig Services and Supply Chain Management S$'000	Vessel Sales and Newbuild S$'000	The Group S$'000
Six months period ended 30 June 2012 (unaudited)			
Total revenue from external customers	50,244	680	50,924
Inter-segment revenue	1,389	–	1,389
Total segment revenue	51,633	680	52,313
Other income	1,091	–	1,091
Finance costs	(799)	–	(799)
Segment results	12,547	315	12,862
Income tax expense			(2,301)
Profit for the period			10,561
Capital Expenditure	2,398	–	2,398
Significant Non-Cash Expenses			
- Depreciation	2,558	–	2,558
- Impairment reversed in relation to trade and other receivables	198	–	198
Six months period ended 30 June 2013 (unaudited)			
Total revenue from external customers	39,995	961	40,956
Inter-segment revenue	1,468	–	1,468
Total segment revenue	41,463	961	42,424
Other income	301	–	301
Finance costs	(496)	–	(496)
Segment results	9,001	284	9,285
Income tax expense			(1,256)
Profit for the period			8,029
Segment assets	96,873	–	96,873
Segment liabilities	54,055	–	54,055
Capital Expenditure	6,737	–	6,737
Significant Non-Cash Expenses			
- Depreciation	2,266	–	2,266
- Reversal of allowance for inventory obsolescence	(1,562)	–	(1,562)
- Impairment recognised in relation to trade and other receivables	129	–	129

** Less than S$1,000*

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

	Year ended 31 December			(Unaudited) Six months period ended 30 June	
	2010	2011	2012	2012	2013
	S$'000	S$'000	S$'000	S$'000	S$'000
Revenues					
Total revenue for reportable segments	82,521	70,353	87,445	52,313	42,424
Elimination of inter-segment revenue	(1,921)	(965)	(717)	(1,389)	(1,468)
Consolidated revenue	80,600	69,388	86,728	50,924	40,956
Other material items					
Other income for reportable segments	1,213	13,989	4,230	1,091	301
Adjustments	(792)	(1,743)	(1,998)	(116)	(45)
Consolidated other income	421	12,246	2,232	975	256

Geographical Information

The Group's operations are mainly in the region of Southeast Asia, Australasia (comprising mainly Australia and Marshall Islands), Middle East, Europe and North America. In presenting information on geographical segments, segment revenue are based on the delivery order address of customers. Segment assets, based on the geographical location of the assets, are all in Singapore.

	Year ended 31 December			(Unaudited) Six months period ended 30 June	
	2010	2011	2012	2012	2013
	S$'000	S$'000	S$'000	S$'000	S$'000
Revenues					
Australia	6,108	2,392	9,736	4,863	1,505
Indonesia	2,087	2,318	5,220	2,491	3,001
Malaysia	2,841	2,297	4,924	3,020	670
Marshall Islands	8,400	343	–	–	–
Portugal	–	–	6,744	844	463
Qatar	4,058	132	2	–	–
Singapore	46,180	49,749	52,935	35,624	25,953
United Arab Emirates	968	223	17	17	4,269
United States of America	383	6,221	726	315	442
Others	9,575	5,713	6,424	3,750	4,653
	80,600	69,388	86,728	50,924	40,956

	Singapore $'000	The Group $'000
Non-current assets		
31 December 2010	85,453	85,453
31 December 2011	67,317	67,317
31 December 2012	60,648	60,648
30 June 2013 (unaudited)	64,416	64,416

21 DIVIDENDS

The Group declared and paid dividends as follows:

	Year ended 31 December			(Unaudited) Six months period ended 30 June	
	2010 S$'000	2011 S$'000	2012 S$'000	2012 S$'000	2013 S$'000
Interim tax exempt one-tier dividend of S$0.97 million per ordinary share in respect of KHT for 2011	–	1,935	–	–	–
Interim tax exempt one-tier dividend of S$2.20 per ordinary share in respect of KHMO for 2012	–	–	6,600	6,600	–
Interim tax exempt one-tier dividend of S$8 per ordinary share in respect of KHSE for 2012	–	–	800	800	–
Interim tax exempt one-tier dividend of S$10 per ordinary share in respect of KHSE for 2012	–	–	1,000	–	–
Interim tax exempt one-tier dividend of S$4.28 per ordinary share in respect of KHMT for 2012	–	–	300	300	–
Interim tax exempt one-tier dividend of S$3.80 per ordinary share in respect of APS for 2012	–	–	760	600	–
Interim tax exempt one-tier dividend of S$1 per ordinary share in respect of KHMO for financial year ending 31 December 2013	–	–	–	–	3,000
	–	1,935	9,460	8,300	3,000

22 COMMITMENTS

(a) At reporting date, the Group have commitments for future minimum lease payments under non-cancellable operating leases as follows:

	31 December			(Unaudited) 30 June
	2010	2011	2012	2013
	S$'000	S$'000	S$'000	S$'000
Within 1 year	1,156	1,947	1,948	1,922
After 1 year but within 5 years	4,133	4,852	2,977	2,390
After 5 years	604	–	–	508
	5,893	6,799	4,925	4,820

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

(b) The Group entered into several contracts to purchase vessels for S$1,071,000, S$1,025,000, S$4,988,000 during the year ended 31 December 2010, 2011 and 2012 respectively. No contracted purchases as at 31 December 2012 were outstanding as at 30 June 2013 (unaudited). Several new contracts with aggregate purchases amounting to S$1,950,000 were entered into by the Group to purchase vessels during the period ended 30 June 2013 (unaudited).

23 CONTINGENT LIABILITIES

Guarantees issued

There were contingent liabilities in respect of the following:

(a) Immigration bond given to Ministry of Manpower by the one of the entities within the Group in respect of the employment of foreign workers amounting to 2010: S$3,560,000; 2011: S$3,500,000; 2012: S$3,500,000 and 30 June 2013 (unaudited): S$5,000,000.

(b) Bankers' guarantees given to customers, suppliers and port authorities by the one of the entities within the Group in respect of services rendered amounted to 2010: S$202,000; 2011: S$966,000; 2012: S$761,000 and 30 June 2013 (unaudited): S$930,000.

(c) As at 31 December 2010, there were contingent liabilities in respect of bankers' guarantees amounting to S$4,750,000 given to a customer by one of the entities within the Group in respect of a contract entered into between parties for the construction and sale of a vessel. The construction of the vessel was completed in 2010 and the contractual obligations under the contract were discharged in May 2012.

24 RELATED PARTIES

For the purposes of these combined financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel compensation

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

The key management personnel compensation comprised:

	Year ended 31 December			(Unaudited) Six months period ended 30 June	
	2010	2011	2012	2012	2013
	S$'000	S$'000	S$'000	S$'000	S$'000
Short term employee benefits	3,083	2,425	2,939	1,334	1,363

Other related party transactions

During the financial year, other than those transactions as disclosed elsewhere in the financial statements, there were the following related parties transactions carried out on terms agreed between the parties:

	Year ended 31 December			(Unaudited) Six months period ended 30 June	
	2010	2011	2012	2012	2013
	S$'000	S$'000	S$'000	S$'000	S$'000
Companies in which the directors have substantial financial interests:					
Sale/(purchase) of goods	39	(539)	–	–	*
Services rendered/(received)	(17)	410	–	–	–
Management fee income/(expense)	(49)	–	–	–	–
Operating lease income/(expense)	(1)	*	–	–	–
Equipment rental income/(expense)	–	2	–	–	–

** Less than S$1,000*

25 SUBSEQUENT EVENTS

Subsequent to 30 June 2013, KHSE had on 12 September 2013 been served with a writ of summons by ISC Singapore Marine Pte Ltd for an outstanding sum of S$802,000. KHSE is disputing the sum outstanding and has filed its defence and counterclaim for the sum of S$341,000. Both parties are currently exploring the possibilities of resolving this dispute through mediation.

Our Group companies are subject to the laws and regulations which are of general application in the jurisdictions in which our Group companies carry on business and operations. Apart from these laws and regulations, our Group companies are also subject to the specific laws and regulations of Singapore, and international conventions, standards, protocols and codes applicable to the maritime industry, as set out below.

International Ship and Port Facility Security Code (the "ISPS Code")

We adopt the ISPS Code, which came into effect on 1 July 2004, on a voluntary basis.

The ISPS Code seeks to enhance the maritime security and the management of risk of terrorist attacks at sea. The requirements of the ISPS Code provide a framework through which vessels and ports can cooperate to detect and deter acts of terrorism which pose a threat to the world maritime trade.

The ISPS Code provides a number of mandatory requirements that cargo vessels above 500 gross tonnage, mobile drilling rigs and passenger ships which sail the international sea lanes have to comply with.

The ISPS Code prescribes the following requirements:

- Owners of vessels are required to develop and implement a Ship Security Plan and ensure that they are aware of their security duties;
- The crew are conversant with the Ship Security Plan;
- Vessels are to be installed with automatic information systems which enable vessel-to-vessel and vessel-to-shore communications;
- Vessels are to be installed with ship security alert systems; and
- Owners of vessels are required to designate 1 or more company security officers to ensure the safety of the crew and vessel.

The MPA has issued a circular which states that those vessels which are found to be non-compliant with the ISPS Code from 1 July 2004 may be subject to the risk of disruption to their operations, such as delays or detention, restriction of operations or movement in port or expulsion from the port. Vessels which are in compliance with the ISPS Code are issued with an International Ship Security Certificate.

As at the Latest Practicable Date, we do not own any self-propelled vessel above 500 gross tonnes. In the event that we own self-propelled vessels of such size or bigger ones, our intention is to obtain the International Ship Security Certificate for such vessels.

In addition to the international conventions, there are local rules and laws in Singapore which may be applicable to our business. They are:

Merchant Shipping Act of Singapore, Chapter 179 ("MSA")

The MSA provisions apply to vessels which are registered in Singapore. Accordingly, the MSA regulates the registration, transfer and alteration of vessels registered in Singapore. We have numerous vessels registered in Singapore and are required to comply with the MSA provisions, some of which are as follows:

- Survey and safety of vessels
- Duty of vessels to assist others in case of collision
- Obligation of vessel owner and crew to use reasonable efforts to secure seaworthiness
- Liability of vessel owner in the event of unsafe operation of vessel

As of the Latest Practicable Date, all of the operating vessels registered in Singapore have been issued with certificates of registration by the MPA. Such certificates are issued only to vessels which have satisfied the requirements specified in the MSA.

Prevention of Pollution of the Sea Act of Singapore, Chapter 243 ("PPSA")

Our vessels are subject to the PPSA, which gives effect to the International Convention for the Prevention of Pollution from Ships 1973 ("**MARPOL**"), as added to by the 1978 MARPOL Protocol and to other international agreements relating to the prevention, reduction and control of pollution of the sea and pollution from the ships.

The PPSA prohibits the discharge of refuse, garbage, waste matter, trade effluents, plastics or marine pollutants. The PPSA also prescribes preventive measures against pollution at sea, such as requiring vessels to keep oil and cargo record books and to report discharge of harmful substances from vessels. The PPSA further provides that any costs incurred in the removal of refuse, garbage, waste matter, plastics, trade effluents or marine pollutants discharged by vessels from the sea shall be borne by the owners of such vessels.

Workplace Safety and Health (Registration of Factories) Regulations 2008 ("WSH Factories Regulations")

Any person who wishes to occupy or use any premises where any building operation or works of engineering construction is or are being carried out by way of trade or for the purposes of gain is required to register the premises (or worksite) as a "factory" with the Commissioner for Workplace Safety and Health ("**CWSH**") pursuant to the WSH Factories Regulations.

Under the WSH Factories Regulations, occupiers of premises or worksites in which building operations and works of engineering construction are intended to be carried out (save for any premises or worksites in which building operations (other than excavation or piling works) or works of engineering construction are being carried out for a period not exceeding two (2) months) must apply to the CWSH to register the worksites as a "factory" one (1) month before the work begins. A certificate of registration issued by the CWSH for any factory engaged in the manufacture of fabricated metal products, machinery or equipment and in which 100 or more persons are employed shall remain in force from the date of its issue until such time as it is revoked in accordance with the WSH Factories Regulations. Under the WSH Factories Regulations, if any registered factory becomes unfit for occupation or use as a factory because of any change in the type of the work for which the factory is registered or any structural change to the premises of the registered factory or any change in the layout of the premises, amongst other reasons, a notice in writing may be issued by the CWSH to the factory ("**CWSH Notice**"). The certificate of registration may be revoked under the WSH Factories Regulations due to reasons such as (a) a contravention of any condition of the certificate of registration; (b) an application by the occupier of the registered factory for such revocation; (c) where the occupier of a registered factory has ceased to occupy the factory; and (d) if the CWSH Notice has not been complied with.

Any person who desires to occupy or use any premises as a factory not falling within the classes of factories described within the First Schedule of the WSHA, shall, before the commencement of operation of the factory, submit a notification to the CWSH informing the CWSH of his intention to occupy or use those premises as a factory. The notification is not subject to any renewal requirements. However, in the event that the CWSH is of the view that the factory in respect of which a notification has been submitted is to pose or likely to pose a risk to the safety, health and welfare of persons at work in the factory, the CWSH may, by notice in writing, (i) specify the date from which the notification shall cease to be valid; and (ii) direct the occupier of the factory to register the factory notwithstanding that the factory does not fall within any of the classes of the factories described in the First Schedule of the WSHA.

We have obtained the necessary permits and licences which are required under the WSH Factories Regulations for our premises at 9 Pandan Crescent and 48 Penjuru Road. This is set out in the section on "Licences and Permits" of this Offer Document.

Save as disclosed in this Offer Document, we are unaware of any statutory or regulatory provisions that will have a material effect on our business operations.

Workplace Safety and Health Act of Singapore, Chapter 354A ("WSHA")

Under the WSHA, every employer has the duty to take, so far as is reasonably practicable, such measures as are necessary to ensure the safety and health of his employees at work. These measures include providing and maintaining for the employees a work environment which is safe, without risk to health, and adequate as regards to the facilities and arrangements for their welfare at work, ensuring that adequate safety measures are taken in respect of any machinery, equipment, plant, article or process used by the employees, ensuring that the employees are not exposed to hazards arising out of the arrangement, disposal, manipulation, organisation, processing, storage, transport, working or use of things in their workplace or near their workplace and under the control of the employer, developing and implementing procedures for dealing with emergencies that may arise while those persons are at work and ensuring that the person at work has adequate instruction, information, training and supervision as is necessary for that person to perform his work.

Pursuant to the WSHA, the following equipment, *inter alia*, are required to be tested and examined by an examiner ("**Authorised Examiner**"), who is authorised by the CWSH, before they can be used in a factory and thereafter, at specified intervals:

- hoist or lift;
- lifting gears; and
- lifting appliances and lifting machines.

Upon examination, the Authorised Examiner will issue and sign a certificate of test and examination, specifying the safe working load of the equipment. Such certificate of test and examination shall be kept available for inspection. Under the WSHA, it is the duty of the owner of the equipment/occupier of the factory to ensure that the equipment complies with the provisions of the WSHA and to keep a register containing the requisite particulars with respect to the lifting gears, lifting appliances and lifting machines.

In addition to the above, under the WSHA, inspectors appointed by the CWSH may, *inter alia*, enter, inspect and examine any workplace and any machinery, equipment, plant, installation or article at any workplace, to make such examination and inquiry as may be necessary to ascertain whether the provisions of the WSHA are complied with.

Under the WSHA, the CWSH may serve a stop-work order in respect of a workplace if he is satisfied that:

(i) the workplace is in such condition, or is so located, or any part of the machinery, equipment, plant or article in the workplace is so used, that any process or work carried on in the workplace cannot be carried on with due regard to the safety, health and welfare of persons at work;

(ii) any person has contravened any duty imposed by the WSHA; or

(iii) any person has done any act, or has refrained from doing any act which, in the opinion of the CWSH, poses or is likely to pose a risk to the safety, health and welfare of persons at work.

The stop-work order shall direct the person served with the order to immediately cease to carry on any work indefinitely or until such measures as are required by the CWSH have been taken, to the satisfaction of the CWSH, to remedy any danger so as to enable the work in the workplace to be carried on with due regard to the safety, health and welfare of the persons at work.

Save as disclosed in this Offer Document, we are unaware of any stop-work order that will have a material effect on our business operations.

The CWSH may appoint inspectors under the WSHA to inspect any workplace and any machinery, equipment, plant or installation at any workplace. Such examination or enquiry helps to ascertain whether the provisions of the WSHA are complied with. Samples of any material or substance found in a workplace or being discharged from a workplace are collected for purpose of test or analysis.

Employment of Foreign Manpower Act of Singapore, Chapter 91A ("EFMA")

Employment of foreign workers is governed by the EFMA. Employment of foreign workers is also subject to the payment of levies ranging from $230.00 to $330.00 per month on each foreign worker depending on whether the worker is skilled or unskilled. These policies and regulations affect the availability and employment of foreign workers.

Work Injury Compensation Act of Singapore, Chapter 354 ("WICA")

The WICA applies to all employees in all industries engaged under a contract of service in respect of injury suffered by them in the course of their employment and sets out, *inter alia*, the amount of compensation they are entitled to and the method(s) of calculating such compensation.

The WICA provides that if in any employment personal injury by accident arising out of and in the course of the employment is caused to an employee, the employer shall be liable to pay compensation in accordance with the provisions of the WICA.

Further, the WICA provides, *inter alia*, that, where any person (referred to as the principal) in the course of its business or for the purpose of his trade or business contracts with any other person (referred to as the contractor) for the execution by the contractor of the whole or any part of any work, or for the supply of labour to carry out any work, undertaken by the principal, the principal shall be liable to pay to any employee employed in the execution of the work any compensation which he would have been liable to pay if that employee had been immediately employed by the principal.

Employers are required to maintain Work Injury Compensation insurance for two (2) categories of employees engaged under contracts of service (unless exempted) - all employees doing manual work and non-manual employees earning S$1,600 or less a month.

As at the Latest Practicable Date and to the best of our Directors' knowledge, we are in compliance with all applicable laws and regulations in Singapore which are material to our business operations and we have all the necessary material business licences and permits for our business operations in Singapore.

The discussion below provides a summary of the principal objects of our Company as set out in our Memorandum of Association and certain provisions of our Articles of Association and the laws of Singapore. This discussion is only a summary and is qualified by reference to Singapore law and our Memorandum and Articles of Association.

MEMORANDUM OF ASSOCIATION AND REGISTRATION NUMBER

We are registered in Singapore with the Registrar of Companies and Businesses. Our company registration number is 201311482K. The main object of our company is to carryon business as, *inter alia*, an investment holding company. Our Memorandum of Association sets out the objects for which our Company was formed, including taking, or otherwise acquiring, and holding shares, debentures, or other securities of any other company.

SUMMARY OF OUR ARTICLES OF ASSOCIATION

1. Directors

(a) Ability of interested Directors to vote

A Director shall not vote in respect of any contract, proposed contract or arrangement in which he has any personal material interest, and he shall not be counted in the quorum present at the meeting.

(b) Remuneration

Fees payable to Non-Executive Directors shall be a fixed sum (not being a commission on or a percentage of profits or turnover of our Company) as shall from time to time be determined by our Company in general meeting. Fees payable to Directors shall not be increased except at a general meeting convened by a notice specifying the intention to propose such increase.

Any Director who holds any executive office, or who serves on any committee of our Directors, or who performs services outside the ordinary duties of a Director, may be paid extra remuneration by way of salary, commission or otherwise, as our Directors may determine.

The remuneration of a Managing Director shall be fixed by our Directors and may be by way of salary or commission or participation in profits or by any or all of these modes but shall not be by a commission on or a percentage of turnover.

Our Directors shall have power to pay pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any Director for the time being holding any executive office and for the purpose of providing any such pensions or other benefits, to contribute to any scheme or fund or to pay premiums.

(c) Borrowing

Our Directors may exercise all the powers of our Company to raise or borrow money, to mortgage or charge its undertaking, property and uncalled capital, and to secure any debt, liability or obligation of our Company.

(d) Retirement Age Limit

There is no retirement age limit for Directors under our Articles of Association. Section 153(1) of the Act however, provides that no person of or over the age of 70 years shall be appointed a director of a public company, unless he is appointed or re-appointed as a director of our Company or authorised to continue in office as a director of our company by way of an ordinary resolution passed at an annual general meeting of our Company.

(e) Shareholding Qualification

There is no shareholding qualification for Directors in the Memorandum and Articles of Association of our Company.

2. Share rights and restrictions

Our Company currently has one class of shares, namely, ordinary shares. Only persons who are registered on our register of members and in cases in which the person so registered is CDP, the persons named as the depositors in the depository register maintained by CDP for the ordinary shares, are recognised as our shareholders.

(a) Dividends and distribution

We may, by ordinary resolution of our shareholders, declare dividends at a general meeting, but we may not pay dividends in excess of the amount recommended by our Board of Directors. We must pay all dividends out of our profits. All dividends are paid *pro-rata* amongst our shareholders in proportion to the amount paid up on each shareholder's ordinary shares, unless the rights attaching to an issue of any ordinary share provide otherwise. Unless otherwise directed, dividends are paid by cheque or warrant sent through the post to each shareholder at his registered address. Notwithstanding the foregoing, the payment by us to CDP of any dividend payable to a shareholder whose name is entered in the depository register shall, to the extent of payment made to CDP, discharge us from any liability to that shareholder in respect of that payment.

The payment by our Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute our Company a trustee in respect thereof. All dividends unclaimed after being declared may be invested or otherwise made use of by our Directors for the benefit of our Company. Any dividend unclaimed after a period of six (6) years after having been declared may be forfeited and shall revert to our Company but our Directors may thereafter at their discretion annul any such forfeiture and pay the dividend so forfeited to the person entitled thereto prior to the forfeiture.

Our Directors may retain any dividends or other moneys payable on or in respect of a share on which our Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

(b) Voting rights

A holder of our ordinary shares is entitled to attend, speak and vote at any general meeting, in person or by proxy. Proxies need not be a shareholder. A person who holds ordinary shares through the SGX-ST book-entry settlement system will only be entitled to vote at a general meeting as a shareholder if his name appears on the depository register maintained by CDP 48 hours before the general meeting. Except as otherwise provided in our Articles of Association, two or more shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under our Articles of Association, on a show of hands, every shareholder present in person and by proxy shall have one vote, and on a poll, every shareholder present in person or by proxy shall have one vote for each ordinary share which he holds or represents. A poll may be demanded in certain circumstances, including by the Chairman of the meeting or by any shareholder present in person or by proxy and representing not less than one-tenth of the total voting rights of all shareholders having the right to attend and vote at the meeting or by any two shareholders present in person or by proxy and entitled to vote. In the case of a tie vote, whether on a show of hands or a poll, the Chairman of the meeting shall be entitled to a casting vote.

3. Change in capital

Changes in the capital structure of our Company (for example, an increase, consolidation, cancellation, sub-division or conversion of our share capital) require shareholders to pass an ordinary resolution. Ordinary resolutions generally require at least 14 days' notice in writing. The notice must be given to each of our shareholders who have supplied us with an address in Singapore for the giving of notices and must set forth the place, the day and the hour of the meeting. However, we are required to obtain our shareholders' approval by way of a special resolution for any reduction of our share capital, subject to the conditions prescribed by law.

4. Variation of rights of existing shares or classes of shares

Subject to the Act, whenever the share capital of our Company is divided into different classes of shares, the special rights attached to any class may be varied or abrogated either with the consent in writing of the holders of three-quarters of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting the provisions of our Articles of Association relating to general meetings of our Company and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum shall be two persons at least holding or representing by proxy at least one-third of the issued shares of the class, and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him, provided always that where the necessary majority for such a special resolution is not obtained at such general meeting, consent in writing if obtained from the holders of three-quarters of the issued shares of the class concerned within two months of such general meeting shall be as valid and effectual as a special resolution carried at such general meeting. These provisions shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied or abrogated.

The relevant Article does not impose more significant conditions than the Act in this regard.

5. Limitations on foreign or non-resident shareholders

There are no limitations imposed by Singapore law or by our Articles of Association on the rights of our shareholders who are regarded as non-residents of Singapore, to hold or vote their shares.

The following statements are brief summaries of the rights and privileges of our Shareholders conferred by the laws of Singapore, the Catalist Rules and our Articles of Association ("**Articles**"). These statements summarise the material provisions of our Articles but are qualified in entirety by reference to our Articles, a copy of which is available for inspection at our registered office during normal business hours for a period of six months from the date of this Offer Document.

Ordinary Shares

All of our Shares are in registered form. We may, subject to the provisions of the Act and the rules of the SGX-ST, purchase our own Shares. However, we may not, except in circumstances permitted by the Act, grant any financial assistance for the acquisition or proposed acquisition of our Shares.

Invitation Shares

Invitation Shares may only be issued with the prior approval of our Shareholders in a general meeting. The aggregate number of Shares to be issued pursuant to a share issue mandate may not exceed 100% (or such other limit as may be prescribed by the SGX-ST) of our issued share capital, of which the aggregate number of Shares to be issued other than on a pro rata basis to our Shareholders may not exceed 50.0% (or such other limit as may be prescribed by the SGX-ST) of our issued share capital (the percentage of issued share capital being based on our Company's issued share capital at the time such authority is given after adjusting for Invitation Shares arising from the conversion of convertible securities or employee share options on issue at the time such authority is given and any subsequent consolidation or subdivision of Shares). The approval, if granted, will lapse at the conclusion of the annual general meeting following the date on which the approval was granted or the date by which the annual general meeting is required by law to be held, whichever is the earlier. Subject to the foregoing, the provisions of the Act and any special rights attached to any class of shares currently issued, all Invitation Shares are under the control of our Board of Directors who may allot and issue the same with such rights and restrictions as it may think fit.

Shareholders

Only persons who are registered in our Register of Members and, in cases in which the person so registered is CDP, the persons named as the Depositors in the Depository Register maintained by CDP for the Shares, are recognised as our Shareholders. We will not, except as required by law, recognise any equitable, contingent, future or partial interest in any Share or other rights for any Share other than the absolute right thereto of the registered holder of that Share or of the person whose name is entered in the Depository Register for that Share. We may close our Register of Members for any time or times if we provide the Registrar of Companies and Businesses with at least 14 days' notice and the SGX-ST at least ten (10) clear Market Days' notice. However, the Register of Members may not be closed for more than 30 days in aggregate in any calendar year. We typically close our Register of Members to determine Shareholders' entitlement to receive dividends and other distributions.

Transfer of Shares

There is no restriction on the transfer of fully paid Shares except where required by law or the Catalist Rules or the rules or by-laws of any stock exchange on which our Company is listed. Our Board of Directors may decline to register any transfer of Shares which are not fully paid Shares or Shares on which we have a lien. Our Shares may be transferred by a duly signed instrument of transfer in a form approved by the SGX-ST or any stock exchange on which our Company is listed. Our Board of Directors may also decline to register any instrument of transfer unless, among other things, it has been duly stamped and is presented for registration together with the share certificate and such other evidence of title as they may require. We will replace lost or destroyed certificates for Shares if it is properly notified and if the applicant pays a fee which will not exceed $2 and furnishes any evidence and indemnity that our Board of Directors may require.

General Meetings of Shareholders

We are required to hold an annual general meeting every year. Our Board of Directors may convene an extraordinary general meeting whenever it thinks fit and must do so if Shareholders representing not less than 10.0% of the total voting rights of all Shareholders request in writing that such a meeting be held. In addition, two (2) or more Shareholders holding not less than 10.0% of our issued share capital may call a meeting. Unless otherwise required by law or by our Articles, voting at general meetings is by ordinary resolution, requiring an affirmative vote of a simple majority of the votes cast at the meeting. An ordinary resolution suffices, for example, for the appointment of Directors. A special resolution, requiring the affirmative vote of at least 75.0% of the votes cast at the meeting, is necessary for certain matters under Singapore law, including voluntary winding up, amendments to the Memorandum of Association and our Articles, a change of our corporate name and a reduction in our share capital. We must give at least 21 days' notice in writing for every general meeting convened for the purpose of passing a special resolution. Ordinary resolutions generally require at least 14 days' notice in writing. The notice must be given to each of our Shareholders who have supplied us with an address in Singapore for the giving of notices and must set forth the place, the day and the hour of the meeting and, in the case of special business, the general nature of that business.

Voting Rights

A holder of our Shares is entitled to attend, speak and vote at any general meeting, in person or by proxy. Proxies need not be Shareholders. A person who holds Shares through the SGX-ST book-entry settlement system will only be entitled to vote at a general meeting as a Shareholder if his name appears on the depository register maintained by CDP 48 hours before the general meeting. Except as otherwise provided in our Articles, two (2) or more Shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under our Articles, on a show of hands, every Shareholder present in person and by proxy shall have one (1) vote (provided that in the case of a Shareholder who is represented by two (2) proxies, the chairman of the meeting shall be entitled to treat the first named proxy as the authorised representative to vote on a show of hands), and on a poll, every Shareholder present in person or by proxy shall have one (1) vote for each Share which he holds or represents. A poll may be demanded in certain circumstances, including by the chairman of the meeting or by any Shareholder present in person or by proxy and representing not less than 10.0% of the total voting rights of all shareholders having the right to attend and vote at the meeting or by any two Shareholders present in person or by proxy and entitled to vote. In the case of an equality of votes, whether on a show of hands or a poll, the chairman of the meeting shall be entitled to a casting vote.

Dividends

We may, by ordinary resolution of our Shareholders, declare dividends at a general meeting, but we may not pay dividends in excess of the amount recommended by our Board of Directors. We must pay all dividends out of our profits. All dividends are paid *pro rata* among our Shareholders in proportion to the amount paid up on each Shareholder's Shares, unless the rights attaching to an issue of any Share provides otherwise. Unless otherwise directed, dividends are paid by cheque or warrant sent through the post to each Shareholder at his registered address. Notwithstanding the foregoing, the payment by us to CDP of any dividend payable to a Shareholder whose name is entered in the Depository Register shall, to the extent of payment made to CDP, discharge us from any liability to that Shareholder in respect of that payment.

Bonus and Rights Issue

Our Board of Directors may, with approval of our Shareholders at a general meeting, capitalise any reserves or profits (including profits or moneys carried and standing to any reserve) and distribute the same as bonus Shares credited as paid-up to our Shareholders in proportion to their shareholdings. Our Board of Directors may also issue rights to take up additional Shares to Shareholders in proportion to their shareholdings. Such rights are subject to any conditions attached to such issue and the regulations of any stock exchange on which we are listed.

Takeovers

Under the Singapore Code on Take-overs and Mergers ("**Singapore Take-over Code**"), issued by the Authority pursuant to section 321 of the Securities and Futures Act, any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30.0% or more of the voting Shares must extend a takeover offer for the remaining voting Shares in accordance with the provisions of the Singapore Take-over Code. In addition, a mandatory takeover offer is also required to be made if a person holding, either on his own or together with parties acting in concert with him, between 30.0% and 50.0% of the voting shares acquires additional voting shares representing more than 1.0% of the voting shares in any 6-month period. Under the Singapore Take-over Code, the following individuals and companies will be presumed to be persons acting in concert with each other unless the contrary is established:

(a) the following companies:

  (i) a company

  (ii) the parent company of (i);

  (iii) the subsidiaries of (i);

  (iv) the fellow subsidiaries of (i);

  (v) the associated companies of (i), (ii), (iii) or (iv); and

  (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v);

(b) a company with any of its Directors (together with their close relatives, related trusts as well as companies controlled by any of the Directors, their close relatives and related trusts);

(c) a company with any of its pension funds and employee share schemes;

(d) 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;

(e) a financial or other professional adviser, including a stockbroker, with its customer in respect of the shareholdings of:

  (i) the adviser and persons controlling, controlled by or under the same control as the adviser; and

  (ii) all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the customer total 10% or more of the customer's equity share capital;

(f) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;

(g) partners; and

(h) the following persons and entities:

(i) an individual;

(ii) the close relatives of (i);

(iii) the related trusts of (i);

(iv) any person who is accustomed to act in accordance with the instructions of (i); and

(v) companies controlled by any of (i), (ii), (iii) or (iv).

Under the Singapore Take-over Code, a mandatory offer made with consideration other than cash must be accompanied by a cash alternative at not less than the highest price paid by the offeror or any person acting in concert within the preceding six (6) months.

Liquidation or Other Return of Capital

If we liquidate or in the event of any other return of capital, holders of our Shares will be entitled to participate in any surplus assets in proportion to their shareholdings, subject to any special rights attaching to any other class of shares.

Indemnity

As permitted by Singapore law, our Articles provide that, subject to the Act, our Board of Directors and officers shall be entitled to be indemnified by us against any liability incurred in defending any proceedings, whether civil or criminal, which relate to anything done or omitted to have been done as an officer, director or employee and in which judgement is given in their favour or in which they are acquitted or in connection with any application under any statute for relief from liability in respect thereof in which relief is granted by the court. We may not indemnify our Directors and officers against any liability which by law would otherwise attach to them in respect of any negligence, default, breach of duty or breach of trust of which they may be guilty in relation to us.

Limitations on Rights to Hold or Vote Shares

Except as described in "Voting Rights" and "Takeovers" above, there are no limitations imposed by Singapore law or by our Articles on the rights of non-resident Shareholders to hold or vote in respect of our Shares.

Minority Rights

The rights of minority shareholders of Singapore-incorporated companies are protected under Section 216 of the Act, which gives the Singapore courts a general power to make any order, upon application by any of our Shareholders, as they think fit to remedy any of the following situations where:

(a) our affairs are being conducted or the powers of our Board of Directors are being exercised in a manner oppressive to, or in disregard of the interests of, one or more of our Shareholders; or

(b) we take an action, or threaten to take an action, or our Shareholders pass a resolution, or propose to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of our Shareholders, including the applicant.

Singapore courts have a wide discretion as to the reliefs they may grant and those reliefs are in no way limited to those listed in the Act itself. Without prejudice to the foregoing, the Singapore courts may:

(a) direct or prohibit any act or cancel or vary any transaction or resolution;

(b) regulate the conduct of our affairs in the future;

(c) authorise civil proceedings to be brought in our name of, or on behalf of, by a person or persons and on such terms as the court may direct;

(d) provide for the purchase of a minority Shareholder's Shares by our other Shareholders or by us and, in the case of a purchase of Shares by us, a corresponding reduction of our share capital; or

(e) provide that we be wound up.

The following discussion is limited to a general description of certain tax consequences in Singapore with respect to ownership of the Shares. It does not purport to be comprehensive nor exhaustive. Prospective investors should consult their tax advisors regarding the tax consequences of owning and disposing of the Shares. Neither our Company, our Directors, the Vendor nor any other persons involved in this Invitation accepts responsibility for any tax effects or liabilities resulting from the subscription, purchase, holding or disposal of our Shares. The laws, regulations and interpretations, however, may change at any time, and any change could be retroactive to the date of issuance of our Shares. These laws and regulations are also subject to various interpretations and the relevant tax authorities or the courts of Singapore could later disagree with the explanations or conclusions set out below.

SINGAPORE INCOME TAX

Corporate income tax

A corporate taxpayer (be it a Singapore tax resident or non-Singapore tax resident) is subject to Singapore income tax on:

- income accrued in or derived from Singapore; and
- foreign sourced income received or deemed received in Singapore, unless otherwise exempted.

Foreign income in the form of branch profits, dividends and service fee income ("specified foreign income") received or deemed received in Singapore by a Singapore tax resident corporate taxpayer may however be exempted from Singapore tax subject to meeting certain prescribed qualifying conditions.

A company is regarded as tax resident in Singapore if the control and management of the company's business is exercised in Singapore. Normally, control and management of the company is vested in its board of directors and therefore if the board of directors meets and conducts the company's business in Singapore, the company should be regarded as tax resident in Singapore.

The corporate tax rate in Singapore is 17.0% with effect from the Year of Assessment 2010 after allowing partial tax exemption on the first S$300,000 of a company's normal chargeable income.

Individual income tax

An individual taxpayer (both resident and non-resident) is subject to Singapore income tax on income accrued in or derived from Singapore, subject to certain exceptions. Foreign-sourced income received or deemed received by individual taxpayers, regardless of whether they are resident or non-resident of Singapore, are generally exempt from income tax in Singapore except for such income received through a partnership in Singapore.

Currently, a Singapore tax resident individual is subject to tax at the progressive rates, ranging from 0.0% to 20.0%.

A non-Singapore tax resident individual is normally taxed at the tax rate of 20.0% except for certain specified income that may be taxable at lower rates.

An individual is regarded as a tax resident in Singapore if in the calendar year preceding the year of assessment, he was physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for 183 days or more, or if he ordinarily resides in Singapore.

Dividend Distributions

Under the one-tier corporate tax system, the tax paid by a resident company is a final tax and the distributable profits of the company can be paid to shareholders as tax exempt dividends. Dividends paid by our Company will be exempt from tax in the hands of Shareholders, regardless of the tax residence status or the legal form of the Shareholders. However, foreign Shareholders are advised to consult their own tax advisors to take into account the tax laws of their respective countries of residence and the existence of any double taxation agreement which their country of residence may have with Singapore.

Capital Gains Tax

Singapore currently does not impose tax on capital gains. However, there are no specific laws or regulations which deal with the characterisation of capital gains. In general, gains or profits derived from the disposal of our Shares acquired for long-term investment purposes should be considered as capital gains and not subject to Singapore tax.

On the other hand, where such gains or profits arise from activities which the Comptroller of Income Tax regards as the carrying on of a trade or business of dealing in shares in Singapore, gains or profits will ordinarily be taxed as income.

Upfront "non-taxation" certainty may however be granted on any gains derived by a company, from the disposal of ordinary equity investments from 1 June 2012 to 31 May 2017 (both dates inclusive)[1] if:

- The divesting company holds a minimum shareholding of 20.0% in the company whose shares are being disposed; and
- The divesting company maintains the minimum 20.0% shareholding for a minimum period of 24 months just prior to the disposal.

For share disposals that do not satisfy the above conditions, the tax treatment on any gains/ losses that may arise from the disposal of shares (i.e. whether the gains/ losses are capital or revenue in nature) would continue to be determined based on a consideration of the specific facts and circumstances of the case and by reference to established case law principles.

STAMP DUTY

There is no stamp duty payable on the subscription of our Shares.

Stamp duty is payable on the instrument of transfer of our Shares at the rate of S$0.20 for every S$100.00 or any part thereof, computed on the consideration paid or market value of our Shares registered in Singapore, whichever is higher.

The purchaser is liable for stamp duty, unless there is an agreement to the contrary. No stamp duty is payable if no instrument of transfer is executed, or if the instrument of transfer is executed outside Singapore. However, stamp duty may be payable if the instrument of transfer which is executed outside Singapore is subsequently received in Singapore.

The above stamp duty is not applicable to electronic transfers of our Shares through the CDP system.

GOODS AND SERVICES TAX ("GST")

The sale of our Shares by an investor through the Singapore Stock Exchange is an exempt supply.

Services such as legal, brokerage, handling and clearing services rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor's purchase and sale of our Shares will be subject to GST at the prevailing rate of 7.0%. Similar services rendered to an investor belonging outside Singapore are generally subject to GST at zero-rate when certain conditions are met.

For investors belonging in Singapore who are registered for GST, any GST on expenses incurred in connection with the acquisition or disposal of our Shares is generally not recoverable as input tax credit from the Inland Revenue Authority of Singapore unless certain conditions are met. These GST-registered investors should seek the advice of their tax advisors on these conditions.

ESTATE DUTY

With effect from 15 February 2008, Singapore estate duty has been abolished.

1 To be reviewed after 5 years

APPENDIX F – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

You are invited to subscribe for and/or purchase the Invitation Shares at the Invitation Price, subject to the following terms and conditions:

1. **YOUR APPLICATION MUST BE MADE IN LOTS OF 1,000 INVITATION SHARES OR INTEGRAL MULTIPLES THEREOF. YOUR APPLICATION FOR ANY OTHER NUMBER OF INVITATION SHARES WILL BE REJECTED.**

2. Your application for the Offer Shares may be made by way of printed **WHITE** Offer Shares Application Forms or by way of applications through ATMs of the Participating Banks ("**ATM Electronic Applications**") or through Internet Banking websites of the relevant Participating Banks ("**Internet Electronic Applications**", or through the mobile banking interface of DBS Bank ("**mBanking Application**") which together with ATM Electronic Applications, shall be referred to as "**Electronic Applications**").

   Your application for the Placement Shares may only be made by way of printed **BLUE** Placement Shares Application Forms.

   YOU MAY NOT USE CPF FUNDS TO APPLY FOR THE INVITATION SHARES.

3. **You are allowed to submit only one (1) application in your own name for the Offer Shares or the Placement Shares.**

   If you submit an application for the Offer Shares by way of an Application Form, you MAY NOT submit another application for the Offer Shares by way of an Electronic Application and *vice versa.* Such separate applications shall be deemed to be multiple applications and shall be rejected except in the case of applications by approved nominee companies, where each application is made on behalf of a different beneficiary.

   If you, not being an approved nominee company, have submitted an application for the Offer Shares in your own name, you should not submit any other application for the Offer Shares, whether by way of an Application Form or by way of an Electronic Application, for any other person. Such separate applications shall be deemed to be multiple applications and shall be rejected.

   You are allowed to submit only one (1) application in your own name for the Placement Shares. Any separate application by you for the Placement Shares are be deemed to be multiple applications and our Company and the Vendor have the discretion whether to accept or reject such multiple applications.

   If you, being other than an approved nominee company, have submitted an application for Placement Shares in your own name, you should not submit any other application for Placement Shares for any other person. Such separate applications shall be deemed to be multiple applications and will be liable to be rejected at the discretion of our Company and the Vendor.

   If you have made an application for Placement Shares, and you have also made a separate application for Offer Shares, either by way of an Application Form or through an Electronic Application, our Company and the Vendor shall have the discretion to either (i) reject both of such separate applications or (ii) accept any one (but not the other) out of such separate applications.

   Conversely, if your have made an application for Offer Shares either by way of an Application Form or through an Electronic Application, and you have also made a separate application for Placement Shares, our Company shall have the discretion to either (i) reject both of such separate applications or (ii) accept any one (but not the other) out of such separate applications.

Joint applications shall be rejected. Multiple applications for Invitation Shares shall be liable to be rejected at the discretion of our Company. If you submit or procure submissions of multiple share applications (whether for the Offer Shares, the Placement Shares or both the Offer Shares and the Placement Shares), you may be deemed to have committed an offence under the Penal Code, Chapter 224 of Singapore and the Securities and Futures Act, Chapter 289 of Singapore, and your applications may be referred to the relevant authorities for investigation. Multiple applications or those appearing to be or suspected of being multiple applications will be liable to be rejected at the discretion of our Company.

4. We will not accept applications from any person under the age of 18 years, undischarged bankrupts, sole proprietorships, partnerships or non-corporate bodies, joint Securities Account holders of CDP and from applicants whose addresses (as furnished in their Application Forms or, in the case of Electronic Applications, contained in the records of the relevant Participating Banks, as the case may be) bear post office box numbers. No person acting or purporting to act on behalf of a deceased person is allowed to apply under the Securities Account with CDP in the deceased name at the time of application.

5. We will not recognise the existence of a trust. Any application by a trustee or trustees must be made in his/her/their own name(s) and without qualification or, where the application is made by way of an Application Form by a nominee, in the name(s) of an approved nominee company or approved nominee companies after complying with paragraph 6 below.

6. **WE WILL ONLY ACCEPT APPLICATIONS FROM APPROVED NOMINEE COMPANIES.** Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licensed securities dealers in Singapore and nominee companies controlled by them. Applications made by persons acting as nominees other than approved nominee companies shall be rejected.

7. **IF YOU ARE NOT AN APPROVED NOMINEE COMPANY, YOU MUST MAINTAIN A SECURITIES ACCOUNT WITH CDP IN YOUR OWN NAME AT THE TIME OF YOUR APPLICATION.** If you do not have an existing Securities Account with CDP in your own name at the time of your application, your application will be rejected (if you apply by way of an Application Form), or you will not be able to complete your Electronic Application (if you apply by way of an Electronic Application). If you have an existing Securities Account with CDP but fail to provide your Securities Account number or provide an incorrect Securities Account number in Section B of the Application Form or in your Electronic Application, as the case may be, your application is liable to be rejected. Subject to paragraph 8 below, your application shall be rejected if your particulars such as name, NRIC/passport number, nationality, permanent residence status and CDP Securities Account number provided in your Application Form, or in the case of an Electronic Application, contained in the records of the relevant Participating Bank at the time of your Electronic Application, as the case may be, differ from those particulars in your Securities Account as maintained with CDP. If you have more than one individual direct Securities Account with CDP, your application shall be rejected.

8. **If your address as stated in the Application Form or, in the case of an Electronic Application, contained in the records of the relevant Participating Bank, as the case may be, is different from the address registered with CDP, you must inform CDP of your updated address promptly, failing which the notification letter on successful allotment and other correspondences from CDP will be sent to your address last registered with CDP.**

9. **Our Company and the Vendor reserve the right to reject any application which does not conform strictly to the instructions set out in the Application Forms and in this Offer Document or which does not comply with the instructions for Electronic Applications or with the terms and conditions of this Offer Document or, in the case of an application by way of an Application Form, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn up or improper form of remittance. Our Company and the Vendor further reserve the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the instructions set out in the Application Forms or the instructions for Electronic Applications or the terms and conditions of this Offer Document, and also to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.**

10. Our Company and the Vendor reserve the right to reject or accept, in whole or in part, or to scale down or to ballot any application, without assigning any reason therefor, and no enquiry and/or correspondence on our decision of our Company and the Vendor will be entertained. This right applies to applications made by way of Application Forms and by way of Electronic Applications. In deciding the basis of allotment which shall be at the discretion of our Company and the Vendor, due consideration will be given to the desirability of allotting the Invitation Shares to a reasonable number of applicants with a view to establishing an adequate market for our Shares.

11. Share certificates will be registered in the name of CDP or its nominee and will be forwarded only to CDP. It is expected that CDP will send to you, at your own risk, within 15 Market Days after the close of the Application List, a statement of account stating that your Securities Account has been credited with the number of Invitation Shares allotted to you. This will be the only acknowledgement of application monies received and is not an acknowledgement by our Company and the Vendor. You irrevocably authorise CDP to complete and sign on your behalf as transferee or renouncee any instrument of transfer and/or other documents required for the issue or transfer of the Invitation Shares allotted to you. This authorisation applies to applications made by way of Application Forms and by way of Electronic Applications.

12. In the event of an under-subscription for the Offer Shares as at the close of the Application List, that number of Offer Shares under-subscribed shall be made available to satisfy applications for the Placement Shares to the extent that there is an over-subscription for the Placement Shares as at the close of the Application List.

    In the event of an under-subscription for the Placement Shares as at the close of the Application List, that number of Placement Shares under-subscribed shall be made available to satisfy applications for the Offer Shares to the extent that there is an over-subscription for the Offer Shares as at the close of the Application List.

    In the event of an over-subscription for Offer Shares as at the close of the Application List and/or the Placement Shares are fully subscribed or over-subscribed as at the close of the Application List, the successful applications for the Offer Shares will be determined by ballot or otherwise as determined by our Directors after consultation with Canaccord Genuity, and approved by the SGX-ST.

    In all of the above instances, the basis of allotment of the Invitation Shares as may be decided upon by our Directors in ensuring a reasonable spread of shareholders of our Company, shall be made public, as soon as practicable, via an announcement through the SGX-ST and through a paid advertisement in a local newspaper.

13. You irrevocably authorise CDP to disclose the outcome of your application, including the number of Invitation Shares allotted to you pursuant to your application, to us, the Vendor, the Sponsor, Underwriter and Placement Agent and, any other parties so authorised by the foregoing persons.

14. Any reference to "you" or the "applicant" in this section shall include an individual, a corporation, an approved nominee company and trustee applying for the Offer Shares by way of an Application Form or by way of an Electronic Application, and a person applying for the Placement Shares.

15. By completing and delivering an Application Form or by making and completing an Electronic Application (in the case of an ATM Electronic Application) by pressing the "Enter" or "OK" or "Confirm" or "Yes" key or any other relevant key on the ATM (as the case may be) or by (in the case of an Internet Electronic Application) clicking "Submit" or "Continue" or "Yes" or "Confirm" or any other relevant button on the IB website screen of the relevant Participating Banks (as the case may be) in accordance with the provisions of this Offer Document, you:

    (a) irrevocably offer, agree and undertake to subscribe for and/or purchase the number of Invitation Shares specified in your application (or such smaller number for which the application is accepted) at the Invitation Price for each Invitation Share and agree that you will accept such Invitation Shares as may be allotted to you, in each case on the terms of, and subject to the conditions set out in this Offer Document and the Memorandum and Articles of Association of our Company;

    (b) warrant the truth and accuracy of the information contained, and representations and declarations made, in your application, and acknowledge and agree that such information, representations and declarations will be relied on by our Company and the Vendor in determining whether to accept your application and/or whether to allot any Invitation Shares to you;

    (c) agree that in the event of any inconsistency between the terms and conditions for application set out in this Offer Document and those set out in the IB websites or ATMs of the relevant Participating Banks, the terms and conditions set out in this Offer Document shall prevail;

    (d) agree that the aggregate Invitation Price for the Invitation Shares applied for is due and payable to our Company and the Vendor upon application; and

    (e) agree and warrant that, if the laws of any jurisdictions outside Singapore are applicable to your application, you have complied with all such laws and none of our Company, the Vendor or the Sponsor, Underwriter and Placement Agent will infringe any such laws as a result of the acceptance of your application.

16. Our acceptance of applications will be conditional upon, *inter alia,* our Company and the Vendor being satisfied that:

    (a) permission has been granted by the SGX-ST to deal in and for quotation of all our existing Shares (including the Vendor Shares) and the Invitation Shares on the Official List of the SGX-ST;

    (b) the Management and Underwriting Agreement and the Placement Agreement referred to in the section "General and Statutory Information" of this Offer Document have become unconditional and have not been terminated or cancelled prior to such date as we may determine; and

    (c) MAS has not served a stop order which directs that no further shares to which this Offer Document relates be allotted.

17. We will not hold any application in reserve.

18. We will not allot shares on the basis of this Offer Document later than six (6) months after the date of registration of this Offer Document by the SGX-ST acting as agent on behalf of the Authority.

19. Additional terms and conditions for applications by way of Application Forms are set out below.

20. Additional terms and conditions for applications by way of Electronic Applications are set out below.

ADDITIONAL TERMS AND CONDITIONS FOR APPLICATIONS USING APPLICATION FORMS

You shall make an application by way of an Application Form on and subject to the terms and conditions of this Offer Document including but not limited to the terms and conditions appearing below as well as those set out in the section "Terms, Conditions And Procedures For Application and Acceptance" as well as the Memorandum and Articles of Association of our Company.

1. Your application for the Offer Shares must be made using the **WHITE** Application Forms for Offer Shares and **WHITE** official envelopes "A" and "B" for Offer Shares, and the **BLUE** Application Forms for Placement Shares accompanying and forming part of this Offer Document.

   We draw your attention to the detailed instructions contained in the respective Application Forms and this Offer Document for the completion of the Application Forms which must be carefully followed. **Our Company and the Vendor reserve the right to reject applications which do not conform strictly to the instructions set out in the Application Forms and this Offer Document or to the terms and conditions of this Offer Document or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn remittances or improper form of remittances.**

2. Your Application Forms must be completed in English. Please type or write clearly in ink using **BLOCK LETTERS.**

3. All spaces in the Application Forms, except those under the heading **"FOR OFFICIAL USE ONLY"**, must be completed and the words **"NOT APPLICABLE"** or **"N.A."** should be written in any space that is not applicable.

4. Individuals, corporations, approved nominee companies and trustees must give their names in full. You must make your application, in the case of individuals, in your full names as they appear in your identity card (if applicants have such identification documents) or in your passport and, in the case of corporations, in your full names as registered with a competent authority. If you are not an individual, you must complete the Application Form under the hand of an official who must state the name and capacity in which he signs the Application Form. If you are a corporation completing the Application Form, you are required to affix your Common Seal (if any) in accordance with your Memorandum and Articles of Association or equivalent constitutive documents. If you are a corporate applicant and your application is successful, a copy of your Memorandum and Articles of Association or equivalent constitutive documents must be lodged with our Company's Share Registrar and Share Transfer Office. Our Company and the Vendor reserve the right to require you to produce documentary proof of identification for verification purposes.

5. (a) You must complete Sections A and B and sign on page 1 of the Application Form.

   (b) You are required to delete either paragraph 7(a) or 7(b) on page 1 of the Application Form. Where paragraph 7(a) is deleted, you must also complete Section C of the Application Form with particulars of the beneficial owner(s).

   (c) If you fail to make the required declaration in paragraph 7(a) or 7(b), as the case may be, on page 1 of the Application Form, your application is liable to be rejected.

6. You, whether an individual or corporate applicant, whether incorporated or unincorporated and wherever incorporated or constituted, will be required to declare whether you are a citizen or permanent resident of Singapore or a corporation in which citizens or permanent residents of Singapore or any body corporate constituted under any statute of Singapore have an interest in the aggregate of more than 50 per cent. of the issued share capital of or interests in such corporations. If you are an approved nominee company, you are required to declare whether the beneficial owner of the Invitation Shares is a citizen or permanent resident of Singapore or a corporation, whether incorporated or unincorporated and wherever incorporated or constituted, in which citizens or permanent residents of Singapore or any body corporate whether incorporated or unincorporated and wherever incorporated or constituted under any statute of Singapore have an interest in the aggregate of more than 50 per cent. of the issued share capital of or interests in such corporation.

7. Your application must be accompanied by a remittance in Singapore currency for the full amount payable, in respect of the number of Invitation Shares applied for, in the form of a **BANKER'S DRAFT** or **CASHIER'S ORDER** drawn on a bank in Singapore, made out in favour of **"KIM HENG SHARE ISSUE ACCOUNT"** crossed **"A/C PAYEE ONLY",** with your name and address of the applicant written clearly on the reverse side. **We will not accept applications not accompanied by any payment or accompanied by any other form of payment.** We will reject remittances bearing "NOT TRANSFERABLE" or "NON TRANSFERABLE" crossings. No acknowledgement or receipt will be issued by our Company or the Sponsor, Underwriter and Placement Agent for applications and application monies received.

8. Monies paid in respect of unsuccessful applications are expected to be returned (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post within 24 hours of balloting of applications at your own risk. Where your application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 Market Days after the close of the Application List, provided that the remittance accompanying such application which has been presented for payment or other processes has been honoured and the application monies have been received in the designated share issue account. In the event that the Invitation is cancelled by us following the termination of the Management and Underwriting Agreement and/or the Placement Agreement, the application monies received will be refunded (without interest or any share of revenue or any other benefit arising therefrom) to you by ordinary post or telegraphic transfer at your own risk within 5 Market Days of the termination of the Invitation. In the event that the Invitation is cancelled by us following the issuance of a stop order by MAS, the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 days from the date of the stop order.

9. Capitalised terms used in the Application Forms and defined in this Offer Document shall bear the meanings assigned to them in this Offer Document.

10. By completing and delivering the Application Form, you agree that:

    (a) in consideration of our Company having distributed the Application Form to you and agreeing to close the Application List at **12.00 noon on 20 January 2014** or such other time or date as our Directors and the Vendor may, in consultation with the Sponsor, Underwriter and Placement Agent, decide:

        (i) your application is irrevocable; and

        (ii) your remittance will be honoured on first presentation and that any application monies returnable may be held pending clearance of your payment without interest or any share of revenue or other benefit arising therefrom;

(b) all applications, acceptances and contracts resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and that you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;

(c) in respect of the Invitation Shares for which your application has been received and not rejected, acceptance of your application shall be constituted by written notification and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of our Company;

(d) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application;

(e) in making your application, reliance is placed solely on the information contained in this Offer Document and that none of our Company, the Vendor, the Sponsor, Underwriter and Placement Agent nor any other person involved in the Invitation shall have any liability for any information not so contained;

(f) you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number, CPF Investment Account number (if applicable) and share application amount to our Share Registrar, CDP, SCCS, SGX-ST, our Company, the Vendor, the Sponsor, Underwriter and Placement Agent or other authorised operators; and

(g) you irrevocably agree and undertake to subscribe for and/or purchase the number of Invitation Shares applied for as stated in the Application Form or any smaller number of such Invitation Shares that may be allotted to you in respect of your application. In the event that our Company and the Vendor decide to allot any smaller number of Invitation Shares or not to allot any Invitation Shares to you, you agree to accept such decision as final.

Applications for Offer Shares

1. Your application for Offer Shares **MUST** be made using the **WHITE** Offer Shares Application Forms and **WHITE** official envelopes "A" and "B". **ONLY ONE APPLICATION** should be enclosed in each envelope.

2. You must:

(a) enclose the **WHITE** Offer Shares Application Form, duly completed and signed, together with your correct remittance in accordance with the terms and conditions of this Offer Document, in the **WHITE** official envelope "A" provided;

(b) in the appropriate spaces on **WHITE** official envelope "A":

(i) write your name and address;
(ii) state the number of Offer Shares applied for; and
(iii) affix adequate Singapore postage;

(c) seal the **WHITE** official envelope "A";

(d) write, in the special box provided on the larger **WHITE** official envelope "B" addressed to **Tricor Barbinder Share Registration Services, 80 Robinson Road, #02-00, Singapore 068898,** the number of Offer Shares for which the application is made; and

(e) insert **WHITE** official envelope "A" into **WHITE** official envelope "B", seal **WHITE** official envelope "B", and thereafter **DESPATCH BY ORDINARY POST OR DELIVER BY HAND,** the documents at your own risk, to **Tricor Barbinder Share Registration Services, 80 Robinson Road, #02-00, Singapore 068898,** to arrive by **12.00 noon on 20 January 2014 or such other time as our Company may, in consultation with the Sponsor, Underwriter and Placement Agent, decide. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.

3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or improper form of remittance or which are not honoured upon their first presentation are liable to be rejected.

Applications for Placement Shares

1. Your application for Placement Shares **MUST** be made using the **BLUE** Placement Shares Application Forms. **ONLY ONE APPLICATION** should be enclosed in each envelope.

2. The completed and signed **BLUE** Placement Shares Application Form and your remittance in full in respect of the number of Placement Shares applied for in accordance with the terms and conditions of this Offer Document with your name and address written clearly on the reverse side, must be enclosed and sealed in an envelope to be provided by you. The sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND**, at your own risk, to **Tricor Barbinder Share Registration Services, 80 Robinson Road, #02-00, Singapore 068898,** to arrive by **12.00 noon on 20 January 2014 or such other time as our Company and the Vendor may, in consultation with the Sponsor, Underwriter and Placement Agent, decide. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.

3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or improper form of remittance or which are not honoured upon their first presentation are liable to be rejected.

ADDITIONAL TERMS AND CONDITIONS FOR ELECTRONIC APPLICATIONS

The procedures for Electronic Applications are set out on the ATM screens (in the case of ATM Electronic Applications) and the IB website screens (in the case of Internet Electronic Applications) of the relevant Participating Banks. Currently, DBS Bank is the only Participating Bank through which mBanking Applications can be made. For illustrative purposes, the procedures for Electronic Applications through ATMs and the IB website of UOB Group are set out, respectively, in the "Steps for an ATM Electronic Application through the ATMs of UOB Group" and the "Steps for an Internet Electronic Application through the IB website of UOB Group" (collectively, the "**Steps**") appearing below. The Steps set out the actions that you must take at an ATM or the IB website of UOB Group to complete an Electronic Application. Please read carefully the terms of this Offer Document, the Steps and the terms and conditions for Electronic Applications set out below before making an Electronic Application. Any reference to "you" or the "applicant" in the "Additional Terms and Conditions for Electronic Applications" and the Steps shall refer to you making an application for Offer Shares through an ATM or the IB website of a relevant Participating Bank.

You must have an existing bank account with and be an ATM cardholder of one of the Participating Banks before you can make an Electronic Application at the ATMs. An ATM card issued by one Participating Bank cannot be used to apply for Offer Shares at an ATM belonging to other Participating Banks. For an Internet Electronic Application, you must have an existing bank account with and an IB User Identification ("**User ID**") and a Personal Identification Number/Password ("**PIN**") given by a relevant Participating Bank. The Steps set out the actions that you must take at ATMs or the IB website of UOB Group to complete an Electronic Application. The actions that you must take at ATMs or the IB websites of other Participating Banks are set out on the ATM screens or the IB website screens of the relevant Participating Banks. Upon the completion of your ATM Electronic Application transaction, you will receive an ATM transaction slip ("**Transaction Record**"), confirming the details of your Electronic Application. Upon completion of your Internet Electronic Application, through the IB website of UOB Group, there will be an on-screen confirmation ("**Confirmation Screen**") of the application which can be printed out for your record. The Transaction Record or your printed record of the Confirmation Screen is for your retention and should not be submitted with any Application Form.

You must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. If you fail to use an ATM card issued in your own name or do not key in your own Securities Account number, your application will be rejected. If you operate a joint bank account with any of the Participating Banks, you must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. Using your own Securities Account number with an ATM card which is not issued to you in your own name will render your ATM Electronic Application liable to be rejected.

You must ensure, when making an Internet Electronic Application, that your mailing address for the purpose of the application is in Singapore and the application is being made in Singapore and you will be asked to declare accordingly. Otherwise, your application is liable to be rejected.

Your Electronic Application shall be made on the terms and subject to the conditions of this Offer Document including but not limited to the terms and conditions appearing below and those set out in the section entitled "Terms, Conditions And Procedures For Application And Acceptance" in Appendix F of this Offer Document as well as the Memorandum and Articles of Association of our Company.

1. In connection with your Electronic Application for Offer Shares, you are required to confirm statements to the following effect in the course of activating the Electronic Application:

   (a) that you have received a copy of this Offer Document (in the case of ATM Electronic Applications only) and have read, understood and agreed to all the terms and conditions of application for Offer Shares and this Offer Document prior to effecting the Electronic Application and agree to be bound by the same;

   (b) that you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number, CPF investment account number (if applicable) and share application details (the "Relevant Particulars") from your account with that relevant Participating Bank to our Share Registrar, CDP, CPF, SCCS, SGX-ST, our Company, the Sponsor, Underwriter and Placement Agent or other authorised operators (the "Relevant Parties"); and

   (c) that this is your only application for Offer Shares and it is made in your own name and at your own risk.

   Your application will not be successfully completed and cannot be recorded as a completed transaction in the ATM or on the IB website unless you press the "Enter" or "OK" or "Confirm" or "Yes" key or any other relevant key in the ATM or click "Confirm" or "OK" or "Submit" or "Continue" or "Yes" or any other relevant button on the IB website screen or the mobile banking interface. By doing so, you signify your confirmation of each of the above three statements. In respect of statement 1(b) above, your confirmation by pressing the "Enter" or "OK" or "Confirm" or "Yes" key in the ATM, or clicking "OK" or "Submit" or "Confirm" or "Continue" or "Yes" or any other relevant button on the internet screen, shall signify and shall be treated as your written permission, given in accordance with the relevant laws of Singapore including Section 47(2) of the Banking Act, Chapter 19 of Singapore to the disclosure by that relevant Participating Bank of the Relevant Particulars to the Relevant Parties.

2. **BY MAKING AN ELECTRONIC APPLICATION, YOU CONFIRM THAT YOU ARE NOT APPLYING FOR OFFER SHARES AS A NOMINEE OF ANY OTHER PERSON AND THAT ANY ELECTRONIC APPLICATION THAT YOU MAKE IS THE ONLY APPLICATION MADE BY YOU AS A BENEFICIAL OWNER.**

3. **YOU SHALL MAKE ONLY ONE ELECTRONIC APPLICATION FOR OFFER SHARES AND SHALL NOT MAKE ANY OTHER APPLICATION FOR OFFER SHARES, WHETHER AT THE ATMS OR THE IB WEBSITES (IF ANY) OF ANY PARTICIPATING BANK OR THE MOBILE BANKING INTERFACE OF DBS BANK OR ON THE APPLICATION FORMS. IF YOU HAVE MADE AN APPLICATION FOR OFFER SHARES OR PLACEMENT SHARES ON AN APPLICATION FORM, YOU SHALL NOT MAKE AN ELECTRONIC APPLICATION FOR OFFER SHARES AND *VICE VERSA.***

You must have sufficient funds in your bank account with your Participating Bank at the time you make your Electronic Application, failing which your Electronic Application will not be completed or accepted. **Any Electronic Application which does not conform strictly to the instructions set out in this Offer Document or on the screens of the ATM or the IB website or mobile banking interface of the relevant Participating Bank through which your Electronic Application is being made shall be rejected.**

You may make an ATM Electronic Application at the ATM of any Participating Bank or an Internet Electronic Application at the IB website of a relevant Participating Bank or the mobile banking interface of DBS Bank for the Offer Shares using only cash by authorising such Participating Bank to deduct the full amount payable from your account with such Participating Bank.

4. You irrevocably agree and undertake to subscribe for and/or purchase and to accept the number of Offer Shares applied for as stated on the Transaction Record or the Confirmation Screen or any lesser number of Offer Shares that may be allotted to you in respect of your Electronic Application. In the event that our Company decides to allot any lesser number of such Offer Shares or not to allot any Offer Shares to you, you agree to accept such decision as final. If your Electronic Application is successful, your confirmation (by your action of pressing the "Enter" or "OK" or "Confirm" or "Yes" key or any other relevant key on the ATM or clicking "Confirm" or "OK" or "Submit" or "Continue" or "Yes" or any other relevant button on the IB website screen) of the number of Offer Shares applied for shall signify and shall be treated as your acceptance of the number of Offer Shares that may be allotted to you and your agreement to be bound by the Memorandum and Articles of Association of our Company.

5. **We will not keep any applications in reserve.** Where your Electronic Application is unsuccessful, the full amount of the application monies will be refunded in Singapore currency (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within 24 hours of balloting provided that the remittance in respect of such application which has been presented for payment or other processes has been honoured and the application monies have been received in the designated share issue account. **Trading on a "WHEN ISSUED" basis, if applicable, is expected to commence after such refund has been made.**

   Where your Electronic Application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded in Singapore currency (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within 14 days after the close of the Application List provided that the remittance in respect of such application which has been presented for payment or other processes has been honoured and the application monies have been received in the designated share issue account.

   Responsibility for timely refund of application monies from unsuccessful or partially successful Electronic Applications lies solely with the respective Participating Banks. Therefore, you are strongly advised to consult your Participating Bank on the status of your Electronic Application and/or the refund of any monies to you from an unsuccessful or partially successful Electronic Application, to determine the exact number of Offer Shares allotted to you before trading the Offer Shares on SGX-ST. You may also call CDP Phone at 6535 7511 to check the provisional results of your application by using your T-pin (issued by CDP upon your application for the service) and keying in the stock code (that will be made available together with the results of the allotment via an announcement through the SGX-ST and by advertisement in a generally circulating daily press). To sign up for the service, you may contact CDP customer service officers. Neither the SGX-ST, the CDP, the SCCS, the Participating Banks, our Company nor the Sponsor, Underwriter and Placement Agent assumes any responsibility for any loss that may be incurred as a result of you having to cover any net sell positions or from buy-in procedures activated by the SGX-ST.

6. If your Electronic Application is unsuccessful, no notification will be sent by the Participating Banks.

If you make Electronic Applications through the ATM or IB website of the following Participating Banks, you may check the results of your Electronic Application as follows:

Bank	Telephone	Other channel	Operating Hours	Service Expected from
DBS Bank	1800 339 6666 (POSB account holders) 1800 111 1111 (DBS account holders)	Internet Banking http://www.dbs.com(1)	24 hours a day	Evening of the balloting day
OCBC	1800 363 3333	Phone Banking/ATM/Internet Banking http://www.ocbc.com(2)	24 hours a day	Evening of the balloting day
UOB Group	1800 222 2121	Phone Banking/ATM (Other Transactions – "IPO Results Enquiry")/ Internet Banking http://www.uobgroup.com(3)	24 hours a day	Evening of the balloting day

Notes:

(1) If you have made your Internet Electronic Application through the IB website of DBS Bank or mBanking Application through the mobile banking interface of DBS Bank, you may check the results of your application through the same channels listed in the table above in relation to ATM Electronic Applications made at ATMs of DBS Bank.

(2) If you have made your Electronic Application through the ATMs or IB website of OCBC Bank, you may check the results of your application through OCBC Personal Internet Banking, OCBC's ATMs or OCBC Phone Banking services.

(3) If you have made your Electronic Application through the ATMs or IB website of UOB Group, you may check the results of your application through UOB Personal Internet Banking, UOB Group's ATMs or UOB Phone Banking services.

7. Electronic Applications shall close at **12.00 noon on 20 January 2014** or such other time as our Company may, in consultation with the Sponsor, Underwriter and Placement Agent, decide. Subject to paragraph 9 below, an Internet Electronic Application is deemed to be received only upon its completion, that is, when there is an on-screen confirmation of the application.

8. You are deemed to have irrevocably requested and authorised us to:

(a) register the Offer Shares allotted to you in the name of CDP for deposit into your Securities Account as entered by you;

(b) send the relevant Share certificate(s) to CDP;

(c) return or refund (without interest or any share of revenue or other benefit arising therefrom) the application monies in Singapore currency, should your Electronic Application be unsuccessful, by automatically crediting your bank account with your Participating Bank with the relevant amount within 24 hours of balloting of application; and

(d) return or refund (without interest or any share of revenue or other benefit arising therefrom) the balance of the application monies in Singapore currency, should your Electronic Application be accepted in part only, by automatically crediting your bank account with your Participating Bank with the relevant amount within 14 Market Days after the close of the Application List.

9. You irrevocably agree and acknowledge that your Electronic Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, fires, acts of God and other events beyond the control of the Participating Banks and if, in any such event, our Company, the Sponsor, Underwriter and Placement Agent and/or the relevant Participating Bank does not receive your Electronic Application, or data relating to your Electronic Application or the tape or any other devices containing such data is lost, corrupted, destroyed or not otherwise accessible, whether wholly or partially for whatever reason, you shall be deemed not to have made an Electronic Application and you shall have no claim whatsoever against our Company, the Sponsor, Underwriter and Placement Agent and/or the relevant Participating Bank for Offer Shares applied for or for any compensation, loss or damage.

10. We do not recognise the existence of a trust. Any Electronic Application by a trustee must be made in his own name(s) and without qualification. Our Company will reject any application by any person acting as nominee, except those made by approved nominee companies only.

11. All your particulars in the records of your Participating Bank at the time you make your Electronic Application shall be deemed to be true and correct and your relevant Participating Bank and the Relevant Parties shall be entitled to rely on the accuracy thereof. If there has been any change in your particulars after making your Electronic Application, you shall promptly notify your relevant Participating Bank.

12. **You should ensure that your personal particulars as recorded by both CDP and the relevant Participating Bank are correct and identical, otherwise, your Electronic Application is liable to be rejected.** You should promptly inform CDP of any change in address, failing which the notification letter on successful allotment and other correspondence from the CDP will be sent to your address last registered with CDP.

13. By making and completing an Electronic Application, you are deemed to have agreed that:

    (a) in consideration of our Company making available the Electronic Application facility, through the Participating Banks acting as our agents, at the ATMs and the IB websites (if any):

        (i) your Electronic Application is irrevocable; and

        (ii) your Electronic Application, the acceptance by us and the contract resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;

    (b) neither our Company, the CDP, the Sponsor, Underwriter and Placement Agent nor the Participating Banks shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to your Electronic Application to us or CDP due to breakdowns or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 9 above or to any cause beyond their respective controls;

    (c) in respect of Offer Shares for which your Electronic Application has been successfully completed and not rejected, acceptance of your Electronic Application shall be constituted by written notification by or on behalf of our Company and not otherwise, notwithstanding any payment received by or on behalf of our Company;

    (d) you will not be entitled to exercise any remedy of rescission or misrepresentation at any time after acceptance of your application; and

    (e) in making your application, reliance is placed solely on the information contained in this Offer Document and that neither our Company, the Sponsor, Underwriter and Placement Agent nor any other person involved in the Invitation shall have any liability for any information not so contained.

STEPS FOR ELECTRONIC APPLICATIONS THROUGH THE ATMS AND IB WEBSITE OF UOB GROUP

The instructions for Electronic Applications will appear on the ATM screens and IB website screens of the respective Participating Banks. For illustration purposes, the steps for making an Electronic Application through the ATMs or IB website of UOB Group are shown below. Instructions for Electronic Applications appearing on the ATM screens and the IB website screens (if any) of the relevant Participating Banks other than UOB Group, may differ from that represented below.

Owing to space constraints on UOB Group's ATM screen, the following terms will appear in abbreviated form:

"&"	:	AND
"A/C" and "A/CS"	:	ACCOUNT AND ACCOUNTS, respectively
"ADDR"	:	ADDRESS
"AMT"	:	AMOUNT
"APPLN"	:	APPLICATION
"CDP"	:	THE CENTRAL DEPOSITORY (PTE) LIMITED
"CPF"	:	CENTRAL PROVIDENT FUND
"CPFINVT A/C"	:	CPF INVESTMENT ACCOUNT
"ESA"	:	ELECTRONIC SHARE APPLICATION
"IC/PSSPT"	:	NRIC or PASSPORT NUMBER
"NO" or "NO."	:	NUMBER
"PERSONAL NO"	:	PERSONAL IDENTIFICATION NUMBER
"REGISTRARS"	:	SHARE REGISTRARS
"SCCS"	:	SECURITIES CLEARING & COMPUTER SERVICES (PTE) LTD
"UOB/ICB CPFIS"	:	UOB or ICB CPF INVESTMENT SCHEME
"YR"	:	YOUR

Steps for an ATM Electronic Application through ATMs of UOB Group

Step 1 : Insert your personal Unicard, Uniplus card or UOB VISA/MASTER card and key in your personal identification number.

2 : Select "CASHCARD/OTHER TRANSACTIONS".

3 : Select "SECURITIES APPLICATION".

4 : Select "ESA-FIXED".

5 : Select the share counter which you wish to apply for.

6 : Read and understand the following statements which will appear on the screen:

— **THIS OFFER OF SECURITIES (OR UNITS OF SECURITIES) WILL BE MADE IN, OR ACCOMPANIED BY, A COPY OF THE PROSPECTUS/OFFER INFORMATION STATEMENT/DOCUMENT OR SUPPLEMENTARY DOCUMENTS. ANYONE WISHING TO ACQUIRE THESE SECURITIES (OR UNITS OF SECURITIES) WILL NEED TO MAKE AN APPLICATION IN THE MANNER SET OUT IN THE PROSPECTUS/OFFER INFORMATION STATEMENT/DOCUMENT OR SUPPLEMENTARY DOCUMENTS**
(Press "ENTER" key to continue)

— **PLEASE CALL 1800 222 2121 IF YOU WOULD LIKE TO FIND OUT WHERE YOU CAN OBTAIN A COPY OF THE PROSPECTUS/OFFER INFORMATION STATEMENT/DOCUMENT OR SUPPLEMENTARY DOCUMENT**

— **WHERE APPLICABLE, A COPY OF THE PROSPECTUS/OFFER INFORMATION STATEMENT/DOCUMENT OR SUPPLEMENTARY DOCUMENT HAS BEEN LODGED WITH AND REGISTERED BY THE MONETARY AUTHORITY OF SINGAPORE WHO ASSUMES NO RESPONSIBILITY FOR ITS CONTENTS OF THE PROSPECTUS/OFFER INFORMATION STATEMENT/DOCUMENT OR SUPPLEMENTARY DOCUMENT**
(Press "ENTER" key to continue and to confirm that you have read and understood the above statements)

7 : Read and understand the following terms which will appear on the screen:

— **YOU HAVE READ, UNDERSTOOD & AGREED TO ALL TERMS OF THE PROSPECTUS/OFFER INFORMATION STATEMENT/DOCUMENT/ SUPPLEMENTARY DOCUMENT AND THIS ELECTRONIC APPLICATION**
(Press "ENTER" key to continue)

— **YOU CONSENT TO DISCLOSE YR NAME, IC/PSSPT, NATIONALITY, ADDR, APPLN AMT, CPFINVT A/C NO & CDP A/C NO FROM YOUR A/CS TO CDP, CPF, SCCS, REGISTRARS, SGX-ST AND ISSUER/VENDOR**

— **THIS IS YOUR ONLY FIXED PRICE APPLN & IS IN YOUR NAME & AT YOUR RISK**
(Press "ENTER" key to continue)

8 : Screen will display:

NRIC/Passport No. XXXXXXXXXXXX

IF YOUR NRIC NO/PASSPORT NO IS INCORRECT, PLEASE CANCEL THE TRANSACTION AND NOTIFY THE BRANCH PERSONALLY.
(Press "CANCEL" or "CONFIRM")

9 : Select mode of payment i.e. "CASH ONLY". You will be prompted to select Cash Account type to debit (i.e., "CURRENT ACCOUNT/I-ACCOUNT", "CAMPUS" OR "SAVINGS ACCOUNT/TX-ACCOUNT"). Should you have a few accounts linked to your ATM card, a list of linked account numbers will be displayed for you to select.

10 : After you have selected the account, your CDP Securities Account number will be displayed for you to confirm or change. (This screen with your CDP Securities Account number will be shown if your CDP Securities Account number is already stored in the ATM system of UOB). If this is the first time you are using UOB's ATM to apply for Shares, the CDP Securities Account number will not be stored in the ATM system of UOB, and the following screen will be displayed for your input of your CDP Securities Account number.

11 : Read and understand the following terms which will appear on the screen:

1. **PLEASE DO NOT APPLY FOR YOUR JOINT A/C HOLDER OR OTHER THIRD PARTIES**

2. **PLEASE USE YOUR OWN ATM CARD**

3. **DO NOT KEY IN THE CDP A/C NO. OF YOUR JOINT A/C HOLDER OR OTHER THIRD PARTIES**

4. **KEY IN YOUR CDP A/C NO. (12 DIGITS) 1681-XXXX-XXXX**

5. **PRESS ENTER KEY**

12 : Key in your CDP Securities Account number (12 digits) and press the "ENTER" key.

13 : Select your nationality status.

14 : Key in the number of Shares you wish to apply for and press the "ENTER" key.

15 : Check the details of your Electronic Application on the screen and press the "ENTER" key to confirm your Electronic Application.

16 : Select "NO" if you do not wish to make further transactions and remove the Transaction Record. You should keep the Transaction Record for your own reference only.

Owing to space constraints on UOB Group's IB website screen, the following terms will appear in abbreviated form:

"CDP"	:	The Central Depository (Pte) Limited
"CPF"	:	The Central Provident Fund
"NRIC" or "I/C"	:	National Registration Identity Card
"PR"	:	Permanent Resident
"SGD" or "$"	:	Singapore Dollars
"SCCS"	:	Securities Clearing & Computer Services (Pte) Ltd
"SGX-ST"	:	Singapore Exchange Securities Trading Limited

Steps for an Internet Electronic Application through the IB website of UOB Group

Step 1 : Connect to UOB website at http://www.uobgroup.com.

2 : Locate the Login icon on the left hand side next to "Internet Banking".

3 : Click on Login and at the drop list select "UOB Personal Internet Banking".

4 : Enter your Username and Password and click "Submit".

5 : Select "Investment Services" ("IPO" should be the default transaction that appears, click "Application").

6 : Read the IMPORTANT notice and complete the declarations found on the bottom of the page by answering Yes/No to the questions.

7 : Click “Continue”.

8 : Select your country of residence (you must be residing in Singapore to apply) and click “Continue”.

9 : Select the share counter from the drop list (if there are concurrent IPOs) and click “Continue”.

10 : (a) Check the share counter.

(b) Select the mode of payment and account number to debit.

(c) Click “Continue”.

11 : Read the IMPORTANT instructions and click “Continue” to confirm that:

1. You have read, understood and agreed to all the terms of this application and Prospectus/Document or Supplementary Document.

2. You consent to disclose your name, I/C or passport number, address, nationality, CDP Securities Account Number, CPF Investment Account Number (if applicable) and application details to the share registrars, SGX, SCCS, CDP, CPF Board and issuer.

3. This application is made in your own name, for your own account and at your own risk.

4. For FIXED/MAX price share application, this is your only application. For TENDER price shares application, this is your only application at the selected tender price.

5. For FOREIGN CURRENCY securities, subject to the terms of the issue, please note the following: The application monies will be debited from your bank account in S$, based on the Bank’s prevailing board rates at the time of application. The different prevailing board rates at the time of application and at the time of refund of application monies may result in either a foreign exchange profit or loss, or application monies may be debited and refunds credited in S$ at the same exchange rate.

6. For 1ST-COME-1ST SERVE securities, the number of securities applied for may be reduced, subject to the availability at the point of application.

12 : Check your personal details, details of the share counter you wish to apply for and account to debit.

Select: (a) “Nationality”;

Enter: (b) your CDP Securities Account number; and

(c) the number of shares applied for.

13 : Check your personal particulars (name, NRIC/Passport number and nationality), details of the share counter you wish to apply for, CDP Securities Account number, account to debit and number of shares applied for.

14 : Click “Submit”, “Clear” or “Cancel”.

15 : Print the Confirmation Screen (optional) for your own reference and retention.

1. NAME OF THE SCHEME

This employee share option scheme shall be called the "Kim Heng Employee Share Option Scheme 2013" or the "Kim Heng ESOS".

2. DEFINITIONS

2.1 Unless the context otherwise requires, the following words and expressions shall have the following meanings:

"Articles" : The Articles of Association of the Company.

"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 30.0% 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 30.0% or more.

"Auditors" : The auditors of the Company for the time being.

"Award" : A contingent award of Shares granted pursuant to the rules of the Kim Heng PSP, as the case may be.

"Board" : The board of directors of the Company.

"Catalist" : The sponsor-supervised listing platform of the SGX-ST

"CDP" : The Central Depository (Pte) Limited.

"Committee" : The remuneration committee of the Company, or such other committee comprising directors of the Company as may be duly authorised and appointed by the Board to administer the Kim Heng ESOS.

"Companies Act" : The Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time.

"Company" : Kim Heng Offshore & Marine Holdings Limited

"Controlling Shareholder"	:	A person who: (a) holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares in the Company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder; or (b) in fact exercises control over the Company.
"CPF"	:	The Central Provident Fund.
"Date of Grant"	:	The date on which an Option is granted to a Participant pursuant to the rules of the Kim Heng ESOS.
"Director(s)"	:	The director(s) of the Company.
"Exercise Price"	:	The price at which a Participant shall subscribe for each Share upon the exercise of an Option, as determine in accordance with Rule 9, or such adjusted price as may be applicable pursuant to Rule 10.
"FRS"	:	Financial Reporting Standards issued by the Accounting Standards Council.
"Financial Year"	:	Each period, at the end of which the accounts of the Company are prepared and audited, for the purpose of laying the same before an annual general meeting of the Company.
"Grantee"	:	The person to whom an offer of an Option is made.
"Group"	:	The Company and its subsidiaries.
"Group Employee"	:	Any confirmed employee of the Group (including any Group Executive Director) selected by the Committee to participate in the Kim Heng ESOS in accordance with the rules thereof.
"Group Executive Director"	:	A director of the Company and/or its subsidiaries, as the case may be, who performs an executive function.
"Group Non-Executive Director"	:	A director of the Company and/or its subsidiaries, as the case may be, other than a Group Executive Director.
"Kim Heng ESOS"	:	The Kim Heng Employee Share Option Scheme 2013, as modified, supplemented or amended from time to time.
"Kim Heng PSP"	:	The Kim Heng Performance Share Plan 2013, as modified, supplemented or amended from time to time.
"Listing Manual"	:	Section B of the Listing Manual: Rules of Catalist, as may be amended, modified or supplemented from time to time.
"Market Day"	:	A day on which the SGX-ST is open for trading in securities.

"Market Price" : The price equal to the average of the last dealt prices for a Share, as determined by reference to the daily official list or other publication published by the SGX-ST for five consecutive Market Days immediately preceding the relevant Offer Date, provided always that in the case of a market day on which the Shares are not traded on Catalist, the last dealt price for Shares on such Market Day shall be deemed to be the last dealt price of the Shares on the immediately preceding Market Day on which the Shares were traded, rounded up to the nearest whole cent in the event of fractional prices.

"Memorandum" : Memorandum of association of the Company, as amended, modified or supplemented from time to time.

"Offer Date" : The date on which an offer to grant an Option is made.

"Option" : The right to subscribe for Shares granted pursuant to the rules of the Kim Heng ESOS.

"Option Period" : The period for the exercise of an Option being:

(a) in the case of an Option granted to a Group Employee with the Exercise Price set at the Market Price, a period commencing after the first anniversary of the Date of Grant of that Option and expiring on the 10th anniversary of such Date of Grant, subject as provided in Rules 11 and 15 and any other conditions as may be determined by the Committee from time to time;

(b) in the case of an Option granted to a Group Employee with the Exercise Price set at a discount to the Market Price, a period commencing after the second anniversary of the Date of Grant that Option and expiring on the 10th anniversary of such Date of Grant, subject as provided in Rules 11 and 15 and any other conditions as may be determined by the Committee;

(c) in the case of an Option granted to a Group Non-Executive Director with the Exercise Price set at the Market Price, a period commencing after the first anniversary of the Date of Grant of that Option and expiring on the fifth anniversary of such Date of Grant, subject as provided in Rules 11 and 15 and any other conditions as may be determined by the Committee from time to time; and

(d) in the case of an Option granted to a Group Non-Executive Director with the Exercise Price set at a discount to the Market Price, a period commencing after the second anniversary of the Date of Grant that Option and expiring on the fifth anniversary of such Date of Grant, subject as provided in Rules 11 and 15 and any other conditions as may be determined by the Committee.

"Participant"	:	A Group Employee or Group Non-Executive Director who has been granted an Option under the Kim Heng ESOS.
"Performance Period"	:	The performance period during which the Performance Targets shall be satisfied.
"Performance Target"	:	The performance target prescribed by the Committee to be fulfilled by a Participant for any particular period under the Kim Heng ESOS.
"Record Date"	:	The date fixed by the Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of Shares.
"SGX-ST"	:	Singapore Exchange Securities Trading Limited.
"Shareholders"	:	Shareholders of the Company from time to time.
"Share(s)"	:	Ordinary share(s) in the capital of the Company.
"Treasury Shares"	:	The Shares held in treasury by the Company.
"Vesting Date"	:	The date on which an Option for Shares is effectuated.
"Vesting Period"	:	The period during which an Option may vest, if any.
"S$" and "cents"	:	Singapore dollars and cents respectively, the lawful currency of Singapore.
"%" or "per cent."	:	Per centum or percentage.

2.2 The terms "Depositor", "Depository Agent" and "Depository Register" shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

2.3 Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa.* References to persons shall include corporations.

2.4 Any reference in the Kim Heng ESOS to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or any statutory modification thereof and used in the Kim Heng ESOS shall, where applicable, have the same meaning assigned to it under the Companies Act.

2.5 Any reference in the Kim Heng ESOS to a time of day shall be a reference to Singapore time.

3. OBJECTIVES

3.1 The ESOS will provide an opportunity for Group Employees who have contributed significantly to the growth and performance of the Group (including Group Executive Directors) and Group Non-Executive Directors and who satisfy the eligibility criteria as set out in Rule 4 of the ESOS, to participate in the equity of the Company.

3.2 The ESOS is primarily a share incentive scheme. It recognises the fact that the services of such Group Employees are important to the success and continued well-being of the Group. Implementation of the ESOS will enable the Company to give recognition to the contributions made by such Group Employees. At the same time, it will give such Group Employees an opportunity to have a direct interest in the Company and will also help to achieve the following positive objectives:

(a) to motivate participants to optimise their performance standards and efficiency and to maintain a high level of contribution to our Group;

(b) to retain key employees and directors whose contributions are essential to the long-term growth and profitability of our Group;

(c) to instil loyalty to, and a stronger identification by participants with the long-term prosperity of, our Group;

(d) to attract potential employees with relevant skills to contribute to our Group and to create value for our Shareholders; and

(e) to align the interests of Participants with the interests of our Shareholders.

3.3 The Kim Heng ESOS is made available to eligible staff of the Group at all levels.

3.4 For the avoidance of doubt, the Company has the flexibility to grant Awards under the Kim Heng PSP as well as Options under the Kim Heng ESOS to the same Participant, simultaneously.

4. ELIGIBILITY

4.1 Subject to the absolute discretion of the Committee, the following persons shall be eligible to participate in the Kim Heng ESOS:

(a) Group Employees; and

(b) Group Non-Executive Directors,

provided that, as of the Offer Date, such persons have attained the age of 21 years, are not undischarged bankrupts, and in the opinion of the Committee, have contributed or will contribute to the success and development of the Group; and in the case of Group Employees, must hold such position as may be designated by the Company from time to time, and whose eligibility have been confirmed by the Company and/or any of its subsidiaries as at each proposed Date of Grant as determined by the Committee.

4.2 Persons who are Controlling Shareholders or their Associates shall not participate in the Kim Heng ESOS, unless:

(a) written justification has been provided to Shareholders for their participation at the introduction of the Kim Heng ESOS or prior to the first grant of Options to them;

(b) the actual number and terms of any Options to be granted to them have been specifically approved by Shareholders who are not beneficiaries of the Kim Heng ESOS in a general meeting in separate resolutions for each such Controlling Shareholder or his Associates; and

(c) all conditions for their participation in the Kim Heng ESOS as may be required by the regulations of the SGX-ST from time to time are satisfied. In this regard, pursuant to Rule 845 of the Catalist Rules, (1) the aggregate number of shares available to Controlling Shareholders and their Associates must not exceed 25.0% of the shares available under the Kim Heng ESOS; and (2) the number of shares available to each Controlling Shareholder or his Associate must not exceed 10.0% of the shares available under the Kim Heng ESOS.

4.3 Participants who are also Shareholders and are eligible to participate in the Kim Heng ESOS must abstain from voting on any resolution relating to the participation of, or grant of Options to the Participants.

4.4 Controlling Shareholders and their Associates shall abstain from voting on any resolution in relation to their participation in the Kim Heng PSP and grant of Options to them.

4.5 For the purposes of determining eligibility to participate in the ESOS, the secondment of a Group Employee to another company within the Group shall not be regarded as a break in his employment or his having ceased by reason only of such secondment to be a full-time employee of the Group.

4.6 There shall be no restriction on the eligibility of any Participant to participate in any other share incentive schemes or share plans implemented or to be implemented by the Company or any other company within the Group.

4.7 Subject to the Companies Act and any requirement of the SGX-ST or any other stock exchange on which the Shares may be listed or quoted, the terms of eligibility for participation in the Kim Heng ESOS may be amended from time to time at the absolute discretion of the Committee.

5. MAXIMUM ENTITLEMENT

Subject to Rule 4 and Rule 6, the number of Shares over which Options may be granted to a Grantee for subscription under the Kim Heng ESOS shall be determined at the absolute discretion of the Committee, which shall take into consideration, where applicable, factors such as the Grantee's rank, job performance, years of service, contribution to the success of the Group, potential for future development of the Grantee and the extent of effort and resourcefulness required to achieve the service conditions and/or Performance Targets within the Performance and/or service Periods.

6. SIZE

6.1 The aggregate number of Shares over which Options may be granted on any date under the Kim Heng ESOS, when added to the number of Shares issued and/or issuable in respect of:

(a) all Options granted thereunder;

(b) all Awards granted under the Kim Heng PSP; and

(c) all Awards/Options granted under any other schemes implemented by the Company (if any),

shall not exceed 15% of the total issued share capital of the Company (excluding Treasury Shares) on the day preceding the relevant Date of Grant.

6.2 The aggregate number of Shares for which Options may be granted under the Kim Heng ESOS to Controlling Shareholders and their Associates shall not exceed 25% of the Shares available under the Kim Heng ESOS, and the number of Shares over which an Option may be granted under the Kim Heng ESOS to each Controlling Shareholder or his Associate shall not exceed 10% of the Shares available under the Kim Heng ESOS.

7. OFFER DATE

7.1 The Committee may, save as provided in Rule 4, Rule 5 and Rule 6, offer to grant Options to such Grantees as it may select in its absolute discretion at any time during the period when the Kim Heng ESOS is in force, except that, for so long as the Shares are listed and quoted on the SGX-ST, no Options shall be granted during the period of thirty (30) days immediately preceding the date of announcement of the Company's interim and/or final results (whichever the case may be). In addition, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is made, offers to grant Options may only be made on or after the second Market Day on which such announcement is released.

7.2 An offer to grant an Option to a Grantee shall be made by way of a letter (the "**Letter of Offer**") in the form or substantially in the form set out in Schedule 1, subject to such amendments as the Committee may determine from time to time.

8. ACCEPTANCE OF OFFER

8.1 An Option offered to a Grantee pursuant to Rule 7 may only be accepted by the Grantee within thirty (30) days after the relevant Offer Date and not later than 5.00 p.m. on the 30th day from such Offer Date by (a) completing, signing and returning to the Company the Acceptance Form in or substantially in the form set out in Schedule 2, subject to such modifications as the Committee may from time to time determine accompanied by the payment of S$1.00 as consideration (the "**Consideration**") or such other amounts and such other documentation as the Committee may require; and (b) if, at the date on which the Committee, for and on behalf of the Company, receives from the Grantee the Acceptance Form and the Consideration in respect of the Option as aforesaid, he remains eligible to participate in the Kim Heng ESOS in accordance with these Rules.

8.2 The Grantee may accept or refuse the whole or part of the offer. If only part of the offer is accepted, the Grantee shall accept the offer in multiples of 1,000 Shares. The Committee shall within fifteen (15) Market Days of receipt of the Acceptance Form and the Consideration, acknowledge receipt of the same.

8.3 If a grant of an Option is not accepted strictly in the manner as provided in this Rule 8, such offer shall, upon the expiry of the 30-day period referred to in Rule 8.1, automatically lapse and shall forthwith be deemed to be null and void and be of no effect.

8.4 The Company shall be entitled to reject any purported acceptance of a grant of an Option made pursuant to this Rule 8 or Exercise Notice given pursuant to Rule 12 which does not comply strictly with the terms of the Kim Heng ESOS.

8.5 Options are personal to the Grantees to whom they are granted and shall not be transferred, charged, assigned, pledged or otherwise disposed of, in whole or in part, or in any way whatsoever, without the Committee's prior written approval; but may be exercised by the Grantee's duly appointed personal representative as provided in Rule 11.6 in the event of the death of such Grantee.

8.6 In the event that a grant of an Option results in a contravention of any applicable law or regulation, such grant shall be null and void and of no effect and the relevant Participant shall have no claim whatsoever against the Company.

8.7 Unless the Committee determines otherwise, an Option shall automatically lapse and become null, void and of no effect and shall not be capable of acceptance if:

(a) it is not accepted in the manner as provided in Rule 8.1 within the 30-day period referred to therein; or

(b) the Participant dies prior to his acceptance of the Option; or

(c) the Participant is adjudicated a bankrupt or enters into composition with his creditors prior to his acceptance of the Option; or

(d) the Grantee, being a Group Employee, ceases to be in the employment of the Group or ceases to be a Director, in each case, for any reason whatsoever prior to his acceptance of the Option; or

(e) the Company is liquidated or wound-up prior to the Grantee's acceptance of the Option.

9. EXERCISE PRICE

9.1 Subject to any adjustment pursuant to Rule 10, the Exercise Price for each Share in respect of which an Option is exercisable shall be determined by the Committee at its absolute discretion, and fixed by the Committee at:

(a) the Market Price; or

(b) a price which is set at a discount to the Market Price, the quantum of such discount to be determined by the Committee at its absolute discretion, provided that the maximum discount which may be given in respect of any Option shall not exceed 20.0% of the Market Price (or such other percentage or amount as may be prescribed or permitted for the time being by the SGX-ST) and approved by the Shareholders at a general meeting in a separate resolution in respect of that Option.

9.2 In making any determination under Rule 9.1(b) on whether to give a discount and the quantum of such discount, the Committee shall be at liberty to take into consideration such criteria as the Committee may, at its absolute discretion, deem appropriate, including but not limited to:

(a) the performance of the Company and the Group, as the case may be, taking into account financial parameters such as net profit after tax, return on equity and earnings growth;

(b) the years of service and individual performance of the eligible Participant;

(c) the contribution of the eligible Participant to the success and development of the Company and/or the Group; and

(d) the prevailing market and economic conditions.

9.3 The ability to offer Options at a discount to the Market Price of the Shares will allow flexibility in structuring the Options. Being able to offer Options at a discount is important in situations where it is more meaningful for the Company to acknowledge a Participant's achievement through offering Options at a discount to the Market Price rather than paying him as a cash bonus, as these Options operate as a form of cashless reward from the Company with a greater potential for capital appreciation than Options granted at Market Price, or in situations where more compelling motivation is required in order to attract new talent into the Group and/or retain talented individuals.

9.4 Further, because Options granted with a discount under the Kim Heng ESOS are subject to a longer vesting period of two (2) years, as compared to a vesting period of one (1) year for those granted at the Market Price, holders of such Options are encouraged to be more long-sighted, thereby promoting staff and executive retention and reinforcing their commitment to the Group. The Company also believes that the maximum 20.0% discount to the Market Price of the Shares is sufficient to allow for flexibility in the Kim Heng ESOS, and would also minimise the potential dilutive effect to the Shareholders arising from the Kim Heng ESOS.

9.5 In the event that the Company is no longer listed on Catalist or any other relevant stock exchange or trading in the Shares on Catalist or such stock exchange is suspended for any reason for fourteen (14) days or more, the Exercise Price for each Share in respect of which an Option is exercisable shall be the fair market value of each such Share as determined by the Committee in good faith.

10. VARIATION OF CAPITAL

10.1 If a variation in the issued share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation or distribution, or otherwise) shall take place or if the Company shall make a declaration of a special dividend (whether in cash or in specie), then:

(a) the Exercise Price in respect of the Shares comprised in any Option to the extent unexercised;

(b) the class and/or number of Shares comprised in any Option to the extent unexercised and the rights attached thereto; and/or

(c) the class and/or number of Shares in respect of which additional Options may be granted to Participants,

shall be adjusted in such a manner as the Committee may determine to be appropriate and, except in relation to a capitalisation issue, upon the Auditors (acting as experts and not as arbitrators) having confirmed in writing that, in their opinion, such adjustment is fair and reasonable.

10.2 Notwithstanding the provisions of Rule 10.1 above:

(a) no such adjustment shall be made if as a result, the Participant receives a benefit that a Shareholder does not receive; and

(b) no such adjustment shall be made unless the Committee, after considering all relevant circumstances, considers it equitable to do so.

10.3 The following (whether singly or in combination) shall not be recognised as events requiring adjustments:

(a) any issue of securities as consideration for an acquisition or a private placement of securities;

(b) any issue of securities pursuant to any joint venture and/or debt conversion;

(c) any increase in the number of issued Shares as a consequence of the exercise of any options or conversion of any loan stock or any other securities convertibles into Shares or subscription rights of any warrants issued from time to time by the Company enabling holders thereof to acquire new Shares in the capital of the Company;

(d) any issue of Shares pursuant to any scrip divided scheme for the time being of the Company; or

(e) any reduction in the number of issued Shares as a result of the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the SGX-ST during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force.

10.4 Upon any adjustment required to be made pursuant to this Rule 10, the Company shall notify each Participant (or his duly appointed personal representative(s)) in writing and deliver to him (or, where applicable, his duly appointed personal representative(s)) a statement setting forth the new Exercise Price thereafter in effect and the class and/or number of Shares thereafter comprised in the Option so far as unexercised. Any adjustment shall take effect upon such written notification being given.

11. OPTION PERIOD

11.1 Options granted with the Exercise Price set at the Market Price shall only be exercisable, in whole or in part (provided that an Option may be exercised in part only in respect of 1,000 Shares or any multiple thereof) at any time, by a Participant after the first anniversary of the Date of Grant of that Option, provided always that Options granted to Group Employees shall be exercised before the 10th anniversary of the relevant Date of Grant and Options granted to Group Non-Executive Directors shall be exercised before the fifth anniversary of the relevant Date of Grant, or such earlier date as may be determined by the Committee, failing which all unexercised Options shall immediately lapse and become null and void and a Participant shall have no claim against the Company.

11.2 Options granted with the Exercise Price set at a discount to the Market Price shall only be exercisable, in whole or in part (provided that an Option may be exercised in part only in respect of 1,000 Shares or any multiple thereof) at any time, by a Participant after the second anniversary of the Date of Grant of that Option, provided always that the Options granted to Group Employees shall be exercised before the 10th anniversary of the relevant Date of Grant and Options granted to Group Non-Executive Directors shall be exercised before the fifth anniversary of the relevant Date of Grant, or such earlier date as may be determined by the Committee, failing which all unexercised Options shall immediately lapse and become null and void and a Participant shall have no claim against the Company.

11.3 An Option shall, to the extent unexercised, immediately lapse and become null and void and shall have no claim against the Company:

(a) subject for Rules 11.4, 11.5 and 11.6, upon the Participant ceasing to be a Group Employee or a Director for any reason whatsoever; or

(b) upon the bankruptcy of the Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of such Option; or

(c) in the event of events resulting in termination for cause including but not limited to gross negligence, wilful misconduct, insubordination or incompetence on the part of the Participant, as determined by the Committee in its absolute discretion.

For the purpose of Rule 11.3(a), the Participant shall be deemed to have ceased being so employed as of the date of the notice of termination or resignation, as the case may be, unless such notice shall be withdrawn prior to its effective date. For the avoidance of doubt, no Option shall lapse pursuant to Rule 11.3(a) in the event of any transfer of employment of a Participant within the Group or upon the cessation of employment of a Group Executive Director who shall continue to serve as a Group Non-Executive Director.

11.4 Where a Participant who is a Group Executive Director, ceases to be a Director for any reason whatsoever, he shall, notwithstanding Rule 11 and Rule 12, be entitled to exercise in full all unexercised Options from the date he ceases to be a Group Executive Director until the end of the relevant Option Period.

11.5 If a Participant ceases to be in the employment of the Group by reason of:

(a) ill health, injury or disability, in each case, as certified by a medical practitioner approved by the Committee;

(b) redundancy;

(c) retirement at or after the legal retirement age;

(d) retirement before that age with the consent of the Committee;

(e) the subsidiary, by which he is principally employed ceasing to be a company within the Group or the undertaking or part of the undertaking of such subsidiary, being transferred otherwise than to another company within the Group; or

(f) for any other reason approved in writing by the Committee,

he may, at the absolute discretion of the Committee, exercise any unexercised Option within the relevant Option Period, and upon the expiry of such period, the Option shall immediately lapse and become null and void.

11.6 If a Participant dies and at the date of his death holds any unexercised Option(s), such Option(s) may, at the absolute discretion of the Committee, be exercisable by the duly appointed legal personal representatives of the Participant from the date of his death to the end of the relevant Option Period and upon the expiry of such period, the Option shall immediately lapse and become null and void.

11.7 The Committee may, by notification, provide for further restrictions on the period during which Options may be exercised (whether granted with the Exercise Price set at a discount to Market Price or not) whether by providing a schedule for the vesting of Shares comprised in the relevant Options or otherwise.

12. EXERCISE OF OPTIONS, ALLOTMENT AND LISTING OF SHARES

12.1 An Option may be exercised, in whole or in part (provided that an Option may be exercised in part only in respect of 1,000 Shares or any multiple thereof), by a Participant giving notice in writing to the Company in or substantially in the form set out in Schedule 3 (the "**Exercise Notice**"), subject to such amendments as the Committee may from time to time determine. Every Exercise Notice must be accompanied by a remittance for the full amount of the aggregate Exercise Price in respect of the Shares which have been exercised under the Option, the relevant CDP charges (if any), any other applicable administrative or handling fees or charges by the SGX-ST, CDP or agent, and any other documentation the Committee may require. All payment shall be made by cheque, cashier's order, bank draft or postal order made out in favour of the Company. An Option shall be deemed to be exercised upon the receipt by the Company of the said notice duly completed and the receipt by the Company of the full amount of the aggregate Exercise Price in respect of the Shares which have been exercised under the Option.

12.2 Subject to the Companies Act and the rules of the Catalist Rules, the Company shall have the flexibility to deliver Shares to Participants upon the exercise of their Options by way of:

(a) an allotment of new Shares; and/or

(b) the transfer of existing Shares, including (subject to applicable laws) any Shares acquired by the Company pursuant to a share purchase mandate and/or held by the Company as Treasury Shares.

In determining whether to issue new Shares or to deliver existing Shares to Participants upon the exercise of their Options, the Company will take into account factors such as (but not limited to) the number of Shares to be delivered, the prevailing market price of the Shares and the cost to the Company of either issuing new Shares or purchasing existing Shares.

12.3 Subject to:

(a) such consents or other actions required by any competent authority under any regulations or enactments for the time being in force as may be necessary (including any approvals required from the SGX-ST); and

(b) compliance with the Rules of the Kim Heng ESOS and the Memorandum and Articles of the Company,

the Company shall, as soon as practicable after the exercise of an Option by a Participant but in any event within ten (10) Market Days (or such other period as may be permitted by the Catalist Rules of the SGX-ST) after the date of the exercise of the said Option in accordance with Rule 12.1, allot, transfer or procure the transfer (as the case may be) of the Shares in respect of which such Option has been exercised by the Participant and, where required, despatch the relevant share certificates to the Participant or, if the Shares are listed and quoted on the SGX-ST, to CDP for the credit of the securities account or securities sub-account of that Participant by ordinary post or such other mode of delivery as the Committee may deem fit.

12.4 Where new Shares are allotted upon the exercise of an Option, the Company shall, as soon as practicable after the exercise of an Option, apply to the SGX-ST or any other stock exchange on which the Shares are quoted or listed for permission to deal in and for quotation of the Shares which may be issued upon exercise of the Option and the Shares (if any) which may be issued to the Participant pursuant to any adjustments made in accordance with Rule 10.

12.5 Shares which are allotted or transferred on the exercise of an Option by a Participant shall be issued or registered (as the case may be), as the Participant may elect, in his name or, if the Shares are listed and quoted on the SGX-ST, in the name of CDP to the credit of the securities account of the Participant maintained with CDP or the Participant's securities sub-account with a CDP Depository Agent.

12.6 Shares acquired upon the exercise of an Option shall be subject to all provisions of the Companies Act and the Memorandum and Articles of the Company (including all provisions thereof relating to the voting, dividend, transfer and other rights attached to such Shares, including those rights which arise from a liquidation of the Company) and shall rank *pari passu* in all respects with the then existing issued Shares in the capital of the Company except for any dividend, right, allotment or other distribution, the Record Date for which is prior to the date such Option is exercised.

12.7 Except as set out in Rule 12.3 and subject to Rule 10, an Option does not confer on a Participant any right to participate in any new issue of Shares.

13. MODIFICATIONS AND ALTERATIONS

13.1 Any or all of the provisions of the Kim Heng ESOS may be modified and/or altered at any time and from time to time by resolution of the Committee except that:

(a) any modification or alteration which shall alter adversely the rights attached to any Options granted prior to such modification or alteration and which in the opinion of the Committee, materially alter the rights attaching to any Option(s) granted prior to such modification or alteration may only be made with the consent in writing of such number of Participants who, if they exercised their Options in full, would thereby become entitled to not less than three-quarters of the total number of all the Shares which would fall to be issued and allotted upon exercise in full of all outstanding Options;

(b) any modification or alteration which would be to the advantage of Participants under the Kim Heng ESOS shall be subject to the prior approval of Shareholders at a general meeting; and

(c) no modification or alteration shall be made without the prior approval of the SGX-ST (if required) or any other stock exchange on which the Shares are quoted or listed, and such other regulatory authorities as may be necessary.

For the purposes of Rule 13.1(a), the opinion of the Committee as to whether any modification or alteration would alter adversely the rights attaching to any Option shall be final and conclusive.

13.2 Notwithstanding anything to the contrary contained in Rule 13.1, the Committee may at any time by resolution (and without any other formality save for the prior approval of the SGX-ST, if required or such other regulatory authorities as may be necessary) amend or alter the Kim Heng ESOS in any way to the extent necessary to cause the Kim Heng ESOS to comply with any statutory provision or the provisions or the regulations of any regulatory or any relevant authority or body (including the SGX-ST or such other regulatory authorities as may be necessary).

13.3 Written notice of any modification or alteration made in accordance with this Rule shall be given to all Participants.

14. DURATION

14.1 The Kim Heng ESOS shall continue to be in force at the discretion of the Committee, subject to a maximum period of ten (10) years, commencing on the date on which the Kim Heng ESOS is adopted by Shareholders in general meeting. Subject to compliance with any applicable laws and regulations in Singapore, the Kim Heng ESOS may continue beyond the above stipulated period with the approval of the Shareholders by ordinary resolution at a general meeting and of any relevant authorities which may then be required.

14.2 The Kim Heng ESOS may be terminated at any time by the Committee or by resolution of the Shareholders at a general meeting, subject to all relevant approvals which may be required. If the Kim Heng ESOS is so terminated, no further Options shall be offered by the Company hereunder.

14.3 The termination, discontinuance or expiry of the Kim Heng ESOS shall be without prejudice to the rights accrued to Options which have been granted and accepted as provided in Rule 8, whether such Options have been exercised (whether fully or partially) or not.

15. TAKE-OVER AND WINDING UP OF THE COMPANY

15.1 In the event of a take-over offer being made for the Company, Participants (including Participants holding Options which are then not exercisable pursuant to the provisions of Rule 11.1 and/or 11.2) holding Options as yet unexercised shall, notwithstanding Rule 11 and 12 but subject to Rule 15.5, be entitled to exercise such Options in full or in part during the period commencing on the date on which such offer is made or, if such offer is conditional, the date on which the offer becomes or is declared unconditional, as the case may be, and ending on the earlier of:

(a) the expiry of (6) six months thereafter, unless prior to the expiry of such six-month period, at the recommendation of the offeror and with the approvals of the Committee and (if so required) the SGX-ST, such expiry date is extended to a later date (being a date falling not later than the date of expiry of the Option Period relating thereto); or

(b) the date of the expiry of the Option Period relating thereto;

whereupon any Option(s) then remaining unexercised shall immediately lapse and become null and void.

Provided always that if during such period the offeror becomes entitled or bound to exercise the rights of compulsory acquisition of the Shares under any relevant regulatory provisions or legislation and, being entitled to do so, gives notice to the Participants that it intends to exercise such rights on a specified date, all Options shall remain exercisable by the Participants until such specified date or the expiry of the respective Option Periods relating thereto, whichever is earlier. Any Option(s) not so exercised by the said specified date shall lapse and become null and void provided that the rights of acquisition or obligation to acquire stated in the notice shall have been exercised or performed, as the case may be. If such rights of acquisition or obligations have not been exercised or performed, all Options shall, subject to Rule 11, remain exercisable until the expiry of the Option Period. For the avoidance of doubt, the provisions of this Rule 15.1 shall not come into operation in the event that a take-over offer which is conditional does not or is not declared unconditional.

15.2 If under any applicable laws, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies, Participants (including Participants holding Options which are then not exercisable pursuant to the provisions of Rule 11.1 or 11.2) shall notwithstanding Rule 11 but subject to Rule 15.5, be entitled to exercise any Option then held by them during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of 60 days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later (but not after the expiry of the Option Period relating thereto), whereupon any unexercised Option(s) shall lapse and become null and void, Provided Always that the date of exercise of any Option(s) shall be before the expiry of the relevant Option Period.

15.3 If an order or an effective resolution is passed for the winding up of the Company on the basis of its insolvency, all Options, to the extent unexercised, shall lapse and become null and void.

15.4 In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all Participants (together with a notice of the existence of the provisions of this Rule 15.4) and thereupon, each Participant (or his legal personal representative(s)) shall be entitled to exercise all or any of his Options at any time not later than two (2) business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate Exercise Price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Participant credited as fully paid.

15.5 If in connection with the making of a general offer referred to in Rule 15.1 above or the scheme referred to in Rule 15.2 above or the winding up referred to in Rule 15.4 above, arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of Participants, whether by the continuation of their Options or the payment of cash or the grant of other options or otherwise, a Participant holding an Option, which is not then exercisable, may not, at the discretion of the Committee, be permitted to exercise that Option as provided for in this Rule 15.

15.6 If the events stipulated in this Rule 15 should occur, to the extent that an Option is not exercised within the respective periods referred to herein in this Rule 15, it shall lapse and become null and void.

16. ADMINISTRATION

16.1 The Kim Heng ESOS will be administered by the Committee in its absolute discretion with such powers and duties as are conferred on it by the Board. A Participant who is a member of the Committee shall abstain from deliberation in respect of an Option to be granted to that Participant.

16.2 The Committee shall have the power, from time to time, to make or vary such regulations (not being inconsistent with the Kim Heng ESOS) for the implementation and administration of the Kim Heng ESOS as it thinks fit.

16.3 Any decision of the Committee, made pursuant to any provision of the Kim Heng ESOS (other than a matter to be certified by the Auditors), shall be final and binding (including any decisions pertaining to disputes and uncertainty as to the interpretation of the Kim Heng ESOS or any rule, regulation, or procedure thereunder or as to any rights under the Kim Heng ESOS).

16.4 As a safeguard against abuse, pursuant to the Catalist Rules, a Participant who is a member of the Committee shall not be involved in its deliberation in respect of Options (if any) to be granted to him. Further, where Options are proposed to be granted to or held by Group Executive Directors, Controlling Shareholders or their Associates, all members of the Board (and not just members of the Committee) who are not Group Executive Directors, Controlling Shareholders or Associates of Controlling Shareholders, will be involved in deliberation on the same.

17. NOTICES

17.1 Any notice given by a Participant to the Company shall be sent by post or delivered to the registered office of the Company or such other address as may be notified by the Company to the Participant in writing.

17.2 Any notice or documents required to be given by the Company to a Participant or any correspondences to be made between the Company and the Participant shall be given or made by the Committee (or such person(s) as it may from time to time direct) on behalf of the Company and shall be sent to the Participant by hand or sent to him at his home address stated in the records of the Company or the last known address of the Participant, and if sent by post shall be deemed to have been given on the day immediately following the date of posting.

18. TERMS OF EMPLOYMENT UNAFFECTED

18.1 The Kim Heng ESOS or any Option shall not form part of any contract of employment between the Company or any subsidiary (as the case may be) and any Participant and the rights and obligations of any individual under the terms of the office or employment with such company within the Group shall not be affected by his participation in the Kim Heng ESOS or any right which he may have to participate in it or any Option which he may hold and the Kim Heng ESOS or any Option shall afford such an individual no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason whatsoever.

18.2 The Kim Heng ESOS shall not confer on any person any legal or equitable rights (other than those constituting the Options themselves) against the Company, and/or any subsidiary directly or indirectly or give rise to any cause of action at law or in equity against the Company or any subsidiary.

19. TAXES

All taxes (including income tax) arising from the exercise of any Option granted to any Participant under the Kim Heng ESOS shall be borne by the Participant.

20. COSTS AND EXPENSES

20.1 Each Participant shall be responsible for all fees of CDP, the CDP Depository Agent or, if applicable, the CPF agent bank (if any) relating to or in connection with the issue and allotment, or transfer, of any Shares pursuant to the exercise of any Option in CDP's name, the deposit of share certificate(s) with CDP, the Participant's securities account with CDP or the Participant's securities sub-account with a CDP Depository Agent or CPF investment account with a CDP agent bank.

20.2 Save for the taxes referred to in Rule 19 and such costs and expenses expressly provided in the Kim Heng ESOS to be payable by the Participants, all fees, costs, and expenses incurred by the Company in relation to the Kim Heng ESOS including but not limited to the fees, costs and expenses relating to the allotment, issue and/or delivery of the Shares pursuant to the exercise of any Option shall be borne by the Company.

21. POTENTIAL COST OF AWARDS TO THE COMPANY PURSUANT TO FRS 102: SHARE-BASED PAYMENT

21.1 Participants shall receive Shares (and not their equivalent cash value or combination thereof) in settlement of the Options. In such an event, the Options would be accounted for as equity-settled share-based transactions ("**equity settlement**"), as described in the following paragraphs.

21.2 The fair value of employee services received in exchange for the grant of the Options would be recognised as a charge to the income statement over the Vesting Period of an Option with a corresponding credit to reserve account. The total amount of the charge over the Vesting Period is generally measured by reference to the fair value of each Option granted. This is normally estimated by applying the option pricing model at the Date of Grant. Before the end of the Vesting Period, at each accounting year end, the estimate of the number of Options that are expected to vest by the Vesting Date is revised, and the impact of the revised estimate is recognised in the income statement with a corresponding adjustment to the reserve account. After the Vesting Date, no adjustment to the charge to the income statement will be made.

21.3 The amount charged to the income statement would be the same whether the Company settles the Options using new Shares or existing Shares.

21.4 Under the Kim Heng ESOS, the choice of settlement lies with the Company. It does not have an obligation to settle in cash. Therefore, the Company shall account for the Options in accordance with the requirements of an equity settlement referred to in the foregoing paragraph.

21.5 If the Options (being of an equity settlement in nature) are not subsequently exercised by the Participants (for instance, because the Options are out of the money), the Company is not allowed to reverse the expense already charged to the income statement.

22. DISCLAIMER OF LIABILITY

Notwithstanding any provisions herein contained and subject to the Companies Act, the Board, the Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages, (including any interest arising thereof), whatsoever and howsoever arising in respect of any matter under or in connection with the Kim Heng ESOS including but not limited to the Company's delay or failure in delivering the Shares or in applying for or procuring the listing of and quotation for the Shares on Catalist or, if applicable, any other stock exchanges on which the Shares are quoted or listed.

23. CONDITION OF OPTION

Every Option shall be subject to the condition that no Shares shall be issued pursuant to the exercise of an Option if such issue would be contrary to any law or enactment, or any rules or regulations of any legislative or non-legislative governing body for the time being in force in Singapore or any other relevant country having jurisdiction in relation to the issue of Shares thereto.

24. DISCLOSURE IN ANNUAL REPORT

The Company shall, for so long as the Kim Heng ESOS continues in operation, make the following disclosure in its annual report:

(a) the names of the members of the Committee administering the Kim Heng ESOS;

(b) the information required in the table below for the following Participants (which for avoidance of doubt, shall include Participants who have exercised all their Options in any particular Financial Year):

(i) Participants who are Directors of the Company;

(ii) Participants who are Controlling Shareholders and their Associates; and

(iii) Participants, other than those in (b)(i) and (ii) above, who receive 5% or more of the total number of Options available under the Kim Heng ESOS;

Name of Participant	Options granted during the Financial Year under review (including terms)	Aggregate Options granted since commencement of ESOS to end of Financial Year under review	Aggregate Options exercised since commencement of ESOS to end of Financial Year under review	Aggregate Options outstanding as at the end of Financial Year under review

(c) the number and proportion of Options granted at a discount during the Financial Year under review in respect of every 10.0% discount range, up to the maximum quantum of discount granted; and

(d) any other information required to be so disclosed pursuant to the Catalist Rules and all other applicable laws and requirements,

provided that if any of the above requirements are not applicable, an appropriate negative statement should be included therein.

25. DISPUTES

Any disputes or differences of any nature arising hereunder shall be referred to the Committee and its decision shall be final and binding in all respects.

26. ABSTENTION FROM VOTING

Shareholders who are eligible to participate in the Kim Heng ESOS must abstain from voting on any Shareholders' resolution relating to the Kim Heng ESOS.

27. EXCLUSION OF THE CONTRACTS (RIGHTS OF THIRD PARTIES) ACT

No person other than the Company or a Participant shall have any right to enforce any provision of the Kim Heng ESOS or any Option by virtue of the Contracts (Rights of Third Parties) Act (Chapter 53B) of Singapore.

28. GOVERNING LAW

The Kim Heng ESOS shall be governed by and construed in accordance with the laws of the Republic of Singapore. The Participants, by accepting the offer of the grant of Options in accordance with the Kim Heng ESOS, and the Company irrevocably submit to the exclusive jurisdiction of the courts of the Republic of Singapore.

Schedule 1

KIM HENG EMPLOYEE SHARE OPTION SCHEME 2013

LETTER OF OFFER

Serial No: _____

Date: _____

To: [Name]
[Designation]
[Address]

Private and Confidential

Dear Sir/Madam,

We have the pleasure of informing you that, pursuant to the Kim Heng Employee Share Option Scheme 2013 (the "**Scheme**"), you have been nominated to participate in the Scheme by the Committee (the "**Committee**") appointed by the Board of Directors of Kim Heng Offshore & Marine Holdings Limited (the "**Company**") to administer the Scheme. Unless otherwise defined, terms as defined in the Scheme shall have the same meaning when used in this letter.

Accordingly, in consideration of the payment of a sum of S$1.00, an offer is hereby made to grant you an option (the "**Option**"), to subscribe for and be allotted _____ Shares at the price of S$_____ for each Share (the "**Exercise Price**"). The Exercise Price represents a discount of _____% to the Market Price.*

The Option Period applicable to the Option is as follows+:

Option Period	
Commencement Date	Expiry Date

The Option is personal to you and shall not be transferred, charged, pledged, assigned or otherwise disposed of by you, in whole or in part, except with the prior approval of the Committee.

The Option shall be subject to the terms of the Scheme, a copy of which is available for inspection at the business address of the Company.#

If you wish to accept the offer of the Option on the terms of this letter, please sign and return the enclosed Acceptance Form with a sum of S$1.00 not later than 5.00 p.m. on _____, failing which this offer will lapse.

Yours faithfully
For and on behalf of the Company

_____
Name:
Designation:

* Applicable only to an Option which was granted at a price which is set at a discount to the Market Price.

\+ An Option which was granted at Market Price may not be exercised before the first anniversary of the Offer Date, while an Option granted at a price which is set at a discount to the Market Price may not be exercised before the second anniversary of the Offer Date.

\# Conditions (if any) to be attached to the exercise of the Option will be determined by the Committee at its absolute discretion.

Schedule 2

KIM HENG EMPLOYEE SHARE OPTION SCHEME 2013

ACCEPTANCE FORM

Serial No: _____

Date: _____

To: The Committee
KIM HENG EMPLOYEE SHARE OPTION SCHEME 2013
KIM HENG OFFSHORE & MARINE HOLDINGS LIMITED
9 Pandan Crescent
Singapore 128465

Closing Date for Acceptance of Offer	:	_____
Number of Shares Offered	:	_____
Exercise Price for Each Share (S$)	:	_____
Total Amount Payable (S$)	:	_____

I have read your Letter of Offer dated _____ and agree to be bound by the terms of the Letter of Offer and the Scheme referred to therein. Terms defined in your Letter of Offer shall have the same meanings when used in this Acceptance Form.

I hereby accept the Option to subscribe for _____ Shares at S$_____ for each Share. I enclose *cash/cheque/cashier's order/banker's draft/postal order no. _____ for S$1.00 in payment for the purchase of the Option.

I understand that I am not obliged to exercise the Option.

I also understand that I shall be responsible for all the fees of CDP, the Depository Agent or, if applicable, the CDP agent bank relating to or in connection with the allotment and issue or transfer of any Shares pursuant to the exercise of any Option in CDP's name, the deposit of share certificate(s) with CDP, my securities account with CDP or my securities sub-account with a Depository Agent, or, if applicable, my CPF investment account with a CDP agent bank (collectively, the "**CDP charges**").

I confirm that my acceptance of the Option will not result in the contravention of any applicable law or regulation in relation to the ownership of shares in the Company or options to subscribe for such shares.

I agree to keep all information pertaining to the grant of the Option to me confidential.

I further acknowledge that you have not made any representation to induce me to accept the offer and that the terms of the Letter of Offer and this Acceptance Form constitute the entire agreement between us relating to the offer.

PLEASE PRINT IN BLOCK LETTERS

Name in full : _____

Designation : _____

Address : _____

Nationality : _____

*NRIC/Passport No. : _____

Signature : _____

Date : _____

* Delete as appropriate

Notes:

1. Option must be accepted in full or in multiples of 1,000 shares.
2. The Acceptance Form must be forwarded to the above address in an envelope marked "Private and Confidential".
3. The Participant shall be informed by the Company of the relevant CDP charges payable at the time of the exercise of an Option.

Schedule 3

KIM HENG EMPLOYEE SHARE OPTION SCHEME 2013

FORM OF EXERCISE OF OPTION

Total number of ordinary shares (the "**Shares**") offered at S$_____ for each Share (the "**Exercise Price**") under the Scheme on _____ (Date of Grant)	:	_____
Number of Shares previously allotted thereunder	:	_____
Outstanding balance of Shares to be allotted thereunder	:	_____
Number of Shares now to be subscribed	:	_____

To: The Committee
KIM HENG EMPLOYEE SHARE OPTION SCHEME 2013
KIM HENG OFFSHORE & MARINE HOLDINGS LIMITED
9 Pandan Crescent
Singapore 128465

1. Pursuant to your Letter of Offer dated _____ and my acceptance thereof, I hereby exercise the Option to subscribe for _____ Shares in Kim Heng Offshore & Marine Holdings Limited (the "**Company**") at S$_____ for each Share.

2. I enclose *cash/cheque/cashier's order/banker's draft/postal order no. _____ for S$_____ by way of subscription for the total number of the said Shares and the CDP charges of S$_____.

3. I agree to subscribe for the said Shares subject to the terms of the Letter of Offer, the Kim Heng Employee Share Option Scheme 2013 and the Memorandum and Articles of Association of the Company.

4. I declare that I am subscribing for the said Shares for myself and not as a nominee for any other person.

5. I request the Company to allot and issue the Shares in the name of The Central Depository (Pte) Limited ("**CDP**") for credit of my *Securities Account with CDP/Sub-Account with the Depository Agent/CPF investment account with my Agent Bank specified below and I hereby agree to bear such fees or other charges as may be imposed by CDP in respect thereof.

PLEASE PRINT IN BLOCK LETTERS

Name in full : _____

Designation : _____

Address : _____

Nationality : _____

*NRIC/Passport No. : _____

*Direct Securities Account No. : _____

OR

*Sub Account No. : _____

Name of Depository Agent : _____

OR

*CPF Investment Account No. : _____

Name of Agent Bank : _____

Signature : _____

Date : _____

* Delete as appropriate

Notes:

1. An Option may be exercised in whole or in part provided that an Option may be exercised in part only in respect of 1,000 Shares or any multiple thereof.

2. The form entitled "Form of Exercise of Option" must be forwarded to the above address in an envelope marked "Private and Confidential".

1. NAME OF THE SCHEME

This share scheme shall be called the "Kim Heng Performance Share Plan 2013" or the "Kim Heng PSP".

2. DEFINITIONS

2.1 Unless the context otherwise requires, the following words and expressions shall have the following meanings:

"Articles" : The Articles of Association of the Company.

"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 30.0% 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 30.0% or more.

"Auditors" : The auditors of the Company for the time being.

"Award" : A contingent award of Shares granted pursuant to the rules of the Kim Heng PSP, as the case may be.

"Board" : The board of directors of the Company.

"CDP" : The Central Depository (Pte) Limited.

"Committee" : The remuneration committee of the Company, or such other committee comprising directors of the Company as may be duly authorised and appointed by the Board to administer the Kim Heng PSP.

"Companies Act" : The Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time.

"Company" : Kim Heng Offshore & Marine Holdings Limited

"Controlling Shareholder"	:	A person who: (a) holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares in the Company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder; or (b) in fact exercises control over the Company.
"CPF"	:	The Central Provident Fund.
"Date of Grant"	:	The date on which an Award is granted to a Participant pursuant to the rules of the Kim Heng PSP.
"Director(s)"	:	The director(s) of the Company.
"FRS"	:	Financial Reporting Standards issued by the Accounting Standards Council.
"Group"	:	The Company and its subsidiaries.
"Group Employee"	:	Any confirmed employee of the Group (including any Group Executive Director) selected by the Committee to participate in the Kim Heng PSP in accordance with the rules thereof.
"Group Executive Director"	:	A director of the Company and/or its subsidiaries, as the case may be, who performs an executive function.
"Group Non-Executive Director"	:	A director of the Company and/or its subsidiaries, as the case may be, other than a Group Executive Director.
"Kim Heng ESOS"	:	The Kim Heng Employee Share Option Scheme 2013, as modified, supplemented or amended from time to time.
"Kim Heng PSP"	:	The Kim Heng Performance Share Plan 2013, as modified, supplemented or amended from time to time.
"Listing Manual"	:	Section B of the Listing Manual: Rules of Catalist, as may be amended, modified or supplemented from time to time.
"Market Day"	:	A day on which the SGX-ST is open for trading in securities.
"Market Price"	:	The price equal to the average of the last dealt prices for a Share, as determined by reference to the daily official list or other publication published by the SGX-ST for five consecutive Market Days immediately preceding the relevant Offer Date, provided always that in the case of a market day on which the Shares are not traded on the SGX-ST, the last dealt price for Shares on such Market Day shall be deemed to be the last dealt price of the Shares on the immediately preceding Market Day on which the Shares were traded, rounded up to the nearest whole cent in the event of fractional prices.
"Memorandum"	:	Memorandum of association of the Company, as amended, modified or supplemented from time to time.

"Offer Date"	:	The date on which an offer to grant an Award is made.
"Option"	:	The right to subscribe for Shares granted pursuant to the rules of the Kim Heng ESOS.
"Participant"	:	A Group Employee or Group Non-Executive Director who has been granted an Award under the Kim Heng PSP.
"Performance Period"	:	The performance period during which the Performance Targets shall be satisfied.
"Performance Target"	:	The performance target prescribed by the Committee to be fulfilled by a Participant for any particular period under the Kim Heng PSP.
"Record Date"	:	The date fixed by the Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of Shares.
"SGX-ST"	:	Singapore Exchange Securities Trading Limited.
"Shareholders"	:	Shareholders of the Company from time to time.
"Share(s)"	:	Ordinary share(s) in the capital of the Company.
"Treasury Shares"	:	The Shares held in treasury by the Company.
"Vesting Date"	:	The date on which an Award for Shares is effectuated.
"Vesting Period"	:	The period during which an Award may vest, if any.
"%" or "per cent."	:	Per centum or percentage.

2.2 The terms "Depositor", "Depository Agent" and "Depository Register" shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

2.3 Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa.* References to persons shall include corporations.

2.4 Any reference in the Kim Heng PSP to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Actor any statutory modification thereof and used in the Kim Heng PSP shall, where applicable, have the same meaning assigned to it under the Companies Act.

2.5 Any reference in the Kim Heng PSP to a time of day shall be a reference to Singapore time.

3. OBJECTIVES

3.1 The objective of the Kim Heng PSP is to

(a) to attract potential employees with relevant skills to contribute to the Company and to create value for Shareholders;

(b) to instil loyalty to, and a stronger identification by the Participants with the long-term prosperity, of the Company;

(c) to motivate the Participants to optimise their performance standards and efficiency and to maintain a high level of contribution to the Company;

(d) to give recognition to the contributions made by the Participants to the success of the Company; and

(e) to retain key employees of the Company whose contributions are essential to the long-term prosperity of the Company.

3.2 The Kim Heng PSP contemplates the award of fully paid Shares when and after:

(a) pre-determined measurable Performance Targets are accomplished; and/or

(b) due recognition is given to any good work performance; and/or

(c) significant contribution is made to the Company or any of its subsidiaries.

4. ELIGIBILITY

4.1 Subject to the absolute discretion of the Committee, the following persons shall be eligible to participate in the Kim Heng PSP:

(a) Group Employees; and

(b) Group Non-Executive Directors,

provided that, as of the Offer Date, such persons have attained the age of twenty-one (21) years, are not undischarged bankrupts, and in the opinion of the Committee, have contributed or will contribute to the success and development of the Group; and in the case of Group Employees, must hold such position as may be designated by the Company from time to time, and whose eligibility have been confirmed by the Company and/or any of its subsidiaries as at each proposed Date of Grant as determined by the Committee.

4.2 Persons who are Controlling Shareholders or their Associates shall not participate in the Kim Heng PSP, unless:

(a) written justification has been provided to Shareholders for their participation at the introduction of the Kim Heng PSP or prior to the first grant of Awards to them;

(b) the actual number and terms of any Shares to be granted to them have been specifically approved by Shareholders who are not beneficiaries of the Kim Heng PSP in a general meeting in separate resolutions for each such Controlling Shareholder or his Associates; and

(c) all conditions for their participation in the Kim Heng PSP as may be required by the regulations of the SGX-ST from time to time are satisfied. In this regard, pursuant to Rule 845 of the Catalist Rules, (1) the aggregate number of shares available to Controlling Shareholders and their Associates must not exceed 25.0% of the shares available under the Kim Heng PSP; and (2) the number of shares available to each Controlling Shareholder or his Associate must not exceed 10.0% of the shares available under the Kim Heng PSP.

4.3 Participants who are also Shareholders and are eligible to participate in the Kim Heng PSP must abstain from voting on any resolution relating to the participation of, or grant of Awards to the Participants.

4.4 Controlling Shareholders and their Associates shall abstain from voting on any resolution in relation to their participation in the Kim Heng PSP and grant of Awards to them.

4.5 For the purposes of determining eligibility to participate in the PSP, the secondment of a Group Employee to another company within the Group shall not be regarded as a break in his employment or his having ceased by reason only of such secondment to be a full-time employee of the Group.

4.6 There shall be no restriction on the eligibility of any Participant to participate in any other share incentive schemes or share plans implemented or to be implemented by the Company or any other company within the Group.

4.7 Subject to the Companies Act and any requirement of the SGX-ST or any other stock exchange on which the Shares may be listed or quoted, the terms of eligibility for participation in the Kim Heng PSP may be amended from time to time at the absolute discretion of the Committee.

5. LIMITATIONS

5.1 The aggregate number of Shares over which Awards may be granted under the Kim Heng PSP, when added to the number of Shares issued and/or issuable in respect of:

(a) all Awards granted thereunder;

(b) all Options granted under the Kim Heng ESOS; and

(c) all Awards/Options granted under any other schemes implemented by the Company (if any),

shall not exceed 15.0% of the total issued share capital of the Company (excluding Treasury Shares) on the day preceding the relevant Offer Date.

5.2 The aggregate number of Shares for which Awards may be granted under the Kim Heng PSP to Controlling Shareholders and their Associates shall not exceed 25.0% of the Shares available under the Kim Heng PSP, and the number of Shares over which an Award may be granted under the Kim Heng PSP to each Controlling Shareholder or his Associate shall not exceed 10.0% of the Shares available under the Kim Heng PSP.

6. DATE OF GRANT

The Committee may grant Awards at any time, provided that in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, Awards may only be vested, and hence any Shares comprised in such Awards may only be delivered, on or after the second Market Day from the date on which the aforesaid announcement is made.

7. GRANT OF AWARDS

7.1 Subject to Rule 4 and Rule 5, the selection of the Participants and the number of Shares which are the subject of each Award to be granted to a Participant under the Kim Heng PSP shall be determined at the absolute discretion of the Committee, which shall take into consideration, where applicable, factors such as the Participant's rank, scope of responsibilities, performance, years of service, potential for future development and contribution towards the success of the Group and the extent of effort and resourcefulness required to achieve the service conditions and/or Performance Targets within the Performance and/or service Periods.

7.2 Subject to the Companies Act and the requirements of the SGX-ST, the terms of eligibility of any Participant in the Kim Heng PSP may be amended from time to time at the sole and absolute discretion of the Committee.

7.3 The terms of employment or appointment of a Participant shall not be affected by his participation in the Kim Heng PSP, which shall neither form part of such terms nor entitle him to take into account such participation in calculating any compensation or damages on the termination of his employment or appointment for any reason.

7.4 The Committee shall, in its absolute discretion, determine in relation to an Award:

(a) the date on which the Award is to be granted;

(b) the number of Shares which are the subject of the Award;

(c) the prescribed service conditions and/or Performance Targets (including the Performance Periods during which the prescribed Performance Targets are to be satisfied) and/or any other basis on which the Award is to be granted;

(d) the prescribed Vesting Periods (if any);

(e) the extent to which Shares which are the subject of that Award shall be vested at the end of each prescribed vesting period or on the prescribed Performance Targets and/or service conditions, if any, being satisfied (whether fully or partially) or exceeded or not being satisfied, as the case may be; and

(f) any other condition which the Committee may determine at its absolute discretion in relation to that Award.

7.5 An Award under the Kim Heng PSP represents the right of a Participant to receive fully paid Shares, their equivalent cash value or combinations thereof, free of charge, upon the Participant:

(a) achieving prescribed Performance Targets; and/or

(b) achieving service conditions or otherwise having performed well; and/or

(c) having made a significant contribution to the Company and/or any of its subsidiaries.

7.6 As soon as reasonably practicable after an Award is finalised by the Committee, the Committee shall send an Award letter to the Participant confirming the said Award. The said Award letter shall specify, *inter alia*, the following:

(a) in relation to a performance-related Award, the Performance Targets for the Participant and the period during which the Performance Targets shall be met;

(b) the number of Shares to be vested on the Participant; and

(c) the date by which the Award shall be vested.

7.7 The Committee shall take into account various factors when determining the method to arrive at the exact number of Shares comprised in an Award. Such factors include, but are not limited to, the current price of the Shares, the total issued share capital of the Company and the predetermined dollar amount which the Committee decides that a Participant deserves for meeting his Performance Targets. For example, Shares may be awarded based on predetermined dollar amounts such that the quantum of Shares comprised in Awards is dependent on the closing price of Shares transacted on the Market Day the Award is vested. Alternatively, the Committee may decide absolute numbers of Shares to be awarded to Participants irrespective of the price of the Shares. The Committee shall monitor the grant of Awards carefully to ensure that the size of the PSP will comply with the relevant rules of the Catalist Rules.

7.8 Awards are personal to the Participant to whom they are given and shall not be transferred (other than to a Participant's personal representative on the death of the former), charged, assigned, pledged or otherwise disposed of, in whole or in part, unless with the prior approval of the Committee.

8. PERFORMANCE TARGETS

8.1 Awards granted under the Kim Heng PSP are based on specific and pre-determined measurable targets which are not time-related, generally known as performance-based targets. Such Performance Targets are intended to focus on corporate objectives covering, for example:

(a) market competitiveness;

(b) quality of returns;

(c) business growth;

(d) productivity growth; and

(e) contribution(s) made to any company within the Group.

8.2 The Performance Targets are stretched targets aimed at sustaining long-term growth. Examples of Performance Targets to be set include targets based on criteria such as:

(a) total shareholders' return;

(b) economic value added;

(c) market share; and

(d) market ranking or return on sales.

8.3 For the avoidance of doubt, the Company has the flexibility to grant Awards under the Kim Heng PSP as well as Options under the Kim Heng ESOS to the same Participant, simultaneously. No minimum Vesting Periods are prescribed under the Kim Heng PSP and the length of Vesting Period in respect of each Award will be determined on a case-by-case basis. The Committee may also make an Award at any time where, in its opinion, a Participant's performance and/or contribution justified such an Award.

9. VESTING OF AWARDS

9.1 Notwithstanding that a Participant may have met his Performance Target (as explained in Rule 8 above), no Awards shall be vested in the event of:

(a) the decision of the Committee, in its absolute discretion, to revoke or annul such Award if it deems it appropriate to do so on the grounds that the objectives of the Kim Heng PSP (as set out in Rule 3) have not been met;

(b) subject to Rule 9, the cessation of employment of a Participant;

(c) the bankruptcy of a Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of such Award;

(d) the misconduct of a Participant as determined by the Committee in its absolute discretion; and

(e) a take-over, winding-up or reconstruction of the Company.

9.2 In general, upon the cessation of employment of a Participant, an Award then held by such Participant shall immediately lapse without any claim whatsoever against the Company and/or the Group.

9.3 If the cessation is due to certain specified reasons (for example, ill health, injury or disability or redundancy or retirement or death), the Committee may, in its absolute discretion, preserve all or any part of any Award and decide either to vest some or all of the Shares which are the subject of the Award or to preserve all or part of any Award until the end of the relevant Vesting Period. In exercising its discretion, the Committee will have regard to all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that Participant and the extent to which the applicable performance conditions and targets have been satisfied.

9.4 Upon the occurrence of any of the events specified in Rule 9.1 (a), (c) and (d), an Award then held by a Participant shall immediately lapse without any claim whatsoever against the Company and/or the Group.

9.5 Upon the occurrence of any of the events specified in Rule 9.1(e), the Committee will consider, at its discretion, whether or not to release any Award, and will take into account all circumstances on a case by case basis, including (but not limited to) the contributions made by that Participant.

9.6 Save as provided and for the avoidance of doubt, the Shares under an Award shall nevertheless be released to a Participant for as long as he has fulfilled his time-based service conditions and notwithstanding a transfer of his employment within any company in the Group or any apportionment of Performance Target within any company within the Group.

9.7 If a Participant has fulfilled his Performance Target but dies before the Shares under an Award are released, the Shares under the Award shall in such circumstances be given to the personal representatives of the Participant.

10. TAKE-OVER AND WINDING UP OF THE COMPANY

10.1 Notwithstanding Rule 9 but subject to Rule 10.5, in the event of a take-over being made for the Shares, a Participant shall be entitled to the Shares under the Awards if he has met the Performance Targets for the corresponding Performance Period. For the avoidance of doubt, the vesting of such Awards will not be affected by the take-over offer.

10.2 If under any applicable laws, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies, each Participant who has fulfilled his Performance Target shall be entitled, notwithstanding the provisions under this Rule 10 but subject to Rule 10.5, to any Shares under the Awards so determined by the Committee to be released to him during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of sixty (60) days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later.

10.3 If an order is made for the winding-up of the Company on the basis of its insolvency, all Awards, notwithstanding that Shares may have not been released to the Participants, shall be deemed to become null and void.

10.4 In the event of a members' voluntary winding-up (other than for amalgamation or reconstruction), the Shares under the Awards shall be released to the Participant for so long as, in the absolute determination by the Committee, the Participant has met the Performance Targets prior to the date on which the members' voluntary winding-up is deemed to have commenced or is effective in law.

10.5 If in connection with the making of a general offer referred to in Rule 10.1 or the scheme referred to in Rule 10.2 or the winding-up referred to in Rule 10.4, arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of Participants, whether by the payment of cash or by any other form of benefit, no release of Shares under the Award shall be made in such circumstances.

11. ALLOTMENT AND LISTING OF SHARES

11.1 Subject to such consents or other required action of any competent authority under any regulations or enactments for the time being in force as may be necessary and subject to the compliance with the terms of the Kim Heng PSP and the Memorandum and Articles of the Company, the Company shall within one (1) month after the vesting of an Award, allot the relevant Shares and despatch to CDP the relevant share certificates by ordinary post or such other mode as the Committee may deem fit.

11.2 The Company shall, as soon as practicable after such allotment, apply to the SGX-ST for permission to deal in and for quotation of such Shares.

11.3 Shares which are the subject of an Award shall be issued in the name of CDP to the credit of the securities account of that Participant maintained with CDP, the securities sub-account maintained with a Depository Agent or the CPF investment account maintained with a CPF agent bank.

11.4 Shares issued and allotted upon the vesting of an Award shall be subject to all the provisions of the Memorandum and Articles of the Company, and shall rank in full for all entitlements, excluding dividends or other distributions declared or recommended in respect of the then existing Shares, the Record Date for which falls on or before the relevant vesting date of the Award, and shall in all other respects rank *pari passu* with other existing Shares then in issue.

11.5 The Company shall keep available sufficient unissued Shares to satisfy the delivery of the Shares pursuant to vesting of the Awards.

12. ADJUSTMENT EVENTS

12.1 If a variation in the issued share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation or distribution, or otherwise) shall take place or if the Company shall make a declaration of a special dividend (whether in cash or *in specie*), then:

(a) the class and/or number of Shares which are the subject of an Award to the extent not yet vested and the rights attached thereto;

(b) the class and/or number of Shares in respect of which future Awards may be granted under the Kim Heng PSP; and/or

(c) the maximum number of new Shares which may be issued pursuant to Awards granted under the Kim Heng PSP,

shall be adjusted in such a manner as the Committee may determine to be appropriate and, except in relation to a capitalisation issue, upon the Auditors (acting as experts and not as arbitrators) having confirmed in writing that, in their opinion, such adjustment is fair and reasonable.

12.2 Notwithstanding the provisions of Rule 12.1 above:

(a) no such adjustment shall be made if as a result, the Participant receives a benefit that a Shareholder does not receive; and

(b) no such adjustment shall be made unless the Committee, after considering all relevant circumstances, considers it equitable to do so.

13. NON-ADJUSTMENT EVENTS

13.1 The following (whether singly or in combination) shall not be recognised as events requiring adjustments:

(a) any issue of securities as consideration for an acquisition or a private placement of securities;

(b) any issue of securities pursuant to any joint venture and/or debt conversion;

(c) any increase in the number of issued Shares as a consequence of the exercise of any options or conversion of any loan stock or any other securities convertibles into Shares or subscription rights of any warrants issued from time to time by the Company enabling holders thereof to acquire new Shares in the capital of the Company;

(d) any issue of Shares pursuant to any scrip dividend scheme for the time being of the Company; or

(e) any reduction in the number of issued Shares as a result of the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the SGX-ST during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force.

14. ADMINISTRATION

14.1 Subject to the prevailing legislation and the rules of the Catalist Rules, the Company will have the flexibility to deliver Shares to Participants upon vesting of their Awards by way of:

(a) an issue of new Shares; and/or

(b) subject to applicable laws, the purchase of existing Shares.

14.2 In determining whether to issue new Shares or to purchase existing Shares for delivery to Participants upon the vesting of their Awards, the Company will take into account factors such as, but not limited to:

(a) the number of Shares to be delivered;

(b) the prevailing Market Price of the Shares; and

(c) the cost to the Company of either issuing new Shares or purchasing existing Shares.

14.3 The Kim Heng PSP will be administered by the Committee. A Participant who is a member of the Committee shall abstain from deliberation in respect of an Award to be made to that Participant.

14.4 The Company has the flexibility and, if the circumstances require, the power to approve the release of an Award, wholly or partly, in the form of cash rather than by Shares.

14.5 The Committee shall have the power, from time to time, to make or vary such regulations (not being inconsistent with the Kim Heng PSP) for the implementation and administration of the Kim Heng PSP as it thinks fit.

14.6 Any decision of the Committee, made pursuant to any provision of the Kim Heng PSP (other than a matter to be certified by the Auditors), shall be final and binding (including any decisions pertaining to disputes and uncertainty as to the interpretation of the Kim Heng PSP or any rule, regulation, or procedure thereunder or as to any rights under the Kim Heng PSP).

14.7 As a safeguard against abuse, pursuant to the Catalist Rules, a Participant who is a member of the Committee shall not be involved in its deliberation in respect of Awards (if any) to be granted to him. Further, where Awards are proposed to be granted to or held by Group Executive Directors, Controlling Shareholders or their Associates, all members of the Board (and not just members of the Committee) who are not Group Executive Directors, Controlling Shareholders or Associates of Controlling Shareholders, will be involved in deliberation on the same.

15. NOTICES AND ANNUAL REPORT

15.1 Any notice required to be given by a Participant to the Company shall be sent or made to the registered office of the Company or such other addresses as may be notified by the Company to him in writing.

15.2 Any notices or documents required to be given to a Participant or any correspondence to be made between the Company and the Participant shall be given or made by the Committee (or such person(s) as it may from time to time direct) on behalf of the Company and shall be delivered to him by hand or sent to him at his home address according to the records of the Company or at the last known address of the Participant and if sent by post, shall be deemed to have been given on the day following the date of posting.

15.3 The following disclosure (as applicable) will be made by the Company in its annual report for so long as the Kim Heng PSP continues in operation:

(a) the names of the members of the Committee administering the Kim Heng PSP;

(b) the information required in the table below for the following Participants of the Kim Heng PSP:

(i) Directors of the Company;

(ii) Controlling Shareholders and their Associates; and

(iii) Group Employees (other than those in paragraph (b)(i) and (ii) above), who receive 5.0% or more of the total number of Shares available under the Kim Heng PSP;

Name of Participant	Total number of Shares comprised in Awards under the Kim Heng PSP during the financial year under review (including terms)	Aggregate number of Shares comprised in Awards vested to such Participant since commencement of the Kim Heng PSP to the end of the financial year under review	Aggregate number of Shares comprised in Awards issued since commencement of the Kim Heng PSP to the end of the financial year under review	Aggregate number of Shares comprised in Awards which have not been released as at the end of the financial year under review

(c) any other information required to be so disclosed pursuant to the Catalist Rules and all other applicable laws and requirements,

provided that if any of the above requirements are not applicable, an appropriate negative statement should be included therein.

16. MODIFICATIONS AND ALTERATIONS

16.1 The Kim Heng PSP may be modified and/or altered from time to time by a resolution of the Committee, subject to the prior approval of the SGX-ST and such other regulatory authorities as may be necessary.

16.2 However, no modification or alteration shall adversely affect the rights attached to Awards granted prior to such modification or alteration, except with the written consent of such number of Participants under the Kim Heng PSP who, if their Awards were vested to them, would thereby become entitled to not less than three-quarters in number of all the Shares which would be issued in full of all outstanding Awards under the Kim Heng PSP.

16.3 No alteration shall be made to the rules of the Kim Heng PSP to the advantage of the holders of the Awards except with the prior approval of Shareholders in general meeting. Shareholders who are eligible to participate in the Kim Heng PSP must abstain from voting on any such resolution.

16.4 Written notice of any modification or alteration made in accordance with this Rule 16 shall be given to all Participants.

17. TERMS OF EMPLOYMENT UNAFFECTED

17.1 The Kim Heng PSP or any Award shall not form part of any contract of employment between the Company or any subsidiary (as the case may be) and any Participant and the rights and obligations of any individual under the terms of office or employment with such company within the Group shall not be affected by his participation in the Kim Heng PSP or any right which he may have to participate in it or any Award which he may hold and the Kim Heng PSP or any Award shall afford such an individual no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason whatsoever.

18. DURATION

18.1 The Kim Heng PSP shall continue to be in force at the discretion of the Committee, subject to a maximum period of ten (10) years from the date the Kim Heng PSP is adopted by the Company in general meeting, provided always that the Kim Heng PSP may continue beyond the above stipulated period with the approval of the Company's shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

18.2 The termination or expiration of the Kim Heng PSP shall not affect any Award(s) which have been made to Participants.

18.3 The Kim Heng PSP may be terminated at any time by the Committee or by resolution of the Company in general meeting subject to all relevant approvals which may be required and if the Kim Heng PSP is so terminated, no further Awards shall be vested by the Company thereunder.

19. TAXES

All taxes (including income tax) arising from the grant and/or disposal of Shares pursuant to the Awards granted to any Participant under the PSP shall be borne by that Participant.

20. COSTS AND EXPENSES

20.1 Each Participant shall be responsible for all fees of CDP (if any) relating to or in connection with the issue and allotment of any Shares pursuant to the Awards in CDP's name, the deposit of share certificate(s) with CDP, the Participant's securities account with CDP, or the Participant's securities sub-account with a CDP Depository Agent or CPF investment account with a CPF agent bank (collectively, the "**CDP Charges**").

20.2 Save for such other costs and expenses expressly provided in the Kim Heng PSP to be payable by the Participants, all fees, costs and expenses incurred by the Company in relation to the Kim Heng PSP including but not limited to the fees, costs and expenses relating to the allotment, issue and/or delivery of Shares pursuant to the Awards shall be borne by the Company.

21. POTENTIAL COST OF AWARDS TO THE COMPANY PURSUANT TO FRS 102: SHARE-BASED PAYMENT

21.1 Participants may receive Shares or their equivalent cash value, or a combination thereof, in settlement of their Awards. In the event that the Participants receive Shares, the Awards would be accounted for as equity-settled share-based transactions, as described in the following paragraphs.

21.2 The fair value of the Awards granted in exchange for the employee services received would be recognised as a charge to the income statement over the Vesting Period of an Award with a corresponding credit to reserve account ("**equity settlement**"). The total amount of the charge over the Vesting Period is determined by reference to the fair value of each Award at the Date of Grant. The fair value of the equity instruments granted is determined after taking into consideration, amongst other things, the Performance Targets which are related to market conditions. Where there are non-market vesting conditions attached, the number of Shares vested at the Vesting Date may differ from the estimates determined during the Vesting Periods. Before the end of the Vesting Period, at each accounting year end, the estimate of the number of Awards that are expected to vest by the Vesting Date is revised, and the impact of the revised estimate is recognised in the income statement with a corresponding adjustment to the reserve account. After the Vesting Date, no adjustment to the charge to the income statement will be made. This accounting treatment has been referred to as the "**modified grant date method**", because the number of Shares included in the determination of the expense relating to employee services is adjusted to reflect the actual number of Shares that eventually vest but no adjustment is made to change in the fair value of the Shares since the Date of Grant.

21.3 The amount charged to the income statement under the equity settlement depends on whether or not the Performance Target attached to an Award is a "market condition", that is, a condition which is related to the Market Price of the Shares. If the Performance Target is not a market condition, the fair value of the Shares granted at the Date of Grant is used to compute the amount to be charged to the income statement at each accounting date, based on an assessment at that date of whether the non-market condition would be met to enable the Awards to vest. Thus, if the Awards do not ultimately vest, the amount charged to the income statement would be reversed during the Vesting Period.

21.4 In the event that the Participants receive cash ("**cash settlement**"), the Company shall measure the fair value of the liability at the Date of Grant. Until the liability is settled, the Company shall re-measure the fair value of the liability at each accounting date and at the date of settlement, with changes in the fair value recognised in the income statement.

21.5 For a share-based payment transaction in which the terms of the arrangement provide a company with the choice of whether to settle in cash or by issuing equity instruments, the company shall determine whether it has a present obligation to settle in cash and account for the share-based transaction accordingly. The company has a present obligation to settle in cash if the choice of settlement in equity instrument has no commercial substance (e.g. because the entity is legally prohibited from issuing shares), or the company has a past practice or a stated policy of settling in cash, or generally settles in cash whenever the counter-party asks for cash settlement.

21.6 If the company has a present obligation to settle in cash, it shall account for the transaction in accordance with the requirements applying to cash settlement. If no such obligation exists, the entity shall account for the transaction in accordance with the requirements applying to equity settlement.

21.7 Under the Kim Heng PSP, the choice of settlement lies with the Company. It does not have an obligation to settle in cash. Therefore the Company shall account for the Awards in accordance with the requirements of an equity settlement referred to in the foregoing paragraph.

21.8 Upon settlement:

(a) if the Company elects to settle in cash, the cash payment shall be accounted for as the repurchase of an equity interest, i.e. as a deduction form the related reserve, except as noted in paragraph (c) below;

(b) if the Company elects to settle by issuing equity instruments, no further accounting is required (other than a transfer from the reserve to share capital, if necessary) except as noted in paragraph (c) below; or

(c) if the Company elects the settlement alternative with the higher fair value, as at the date of settlement, the Company shall recognise an additional expense for the excess value given, i.e. the difference between the cash paid and the fair value of the equity instruments that would otherwise have been issued, or the difference between the fair value of the equity instruments issued and the amount of cash that would otherwise have been paid, whichever is applicable.

22. DISCLAIMER OF LIABILITY

Notwithstanding any provisions herein contained, the Board, the Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in any event, including but not limited to the Company's delay in issuing the Shares or applying for or procuring the listing of the Shares on the SGX-ST in accordance with Rule 11.2.

23. DISPUTES

Any disputes or differences of any nature arising hereunder shall be referred to the Committee and its decision shall be final and binding in all respects.

24. CONDITION OF AWARDS

Every Award shall be subject to the condition that no Shares would be issued pursuant to the vesting of any Award if such issue would be contrary to any law or enactment, or any rules or regulations of any legislative or non-legislative governing body for the time being in force in Singapore or any other relevant country having jurisdiction in relation to the issue of Shares hereto.

25. ABSTENTION FROM VOTING

Shareholders who are eligible to participate in the Kim Heng PSP must abstain from voting on any Shareholders' resolution relating to the Kim Heng PSP.

26. GOVERNING LAW

The Kim Heng PSP shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Participants, by accepting Awards in accordance with the Kim Heng PSP, and the Company irrevocably submit to the exclusive jurisdiction of the courts of the Republic of Singapore.

KIM HENG OFFSHORE & MARINE HOLDINGS LIMITED

(Incorporated in the Republic of Singapore on 29 April 2013)
(Company Registration Number: 201311482K)

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