KIM HENG
OFFSHORE & MARINE HOLDINGS LIMITED

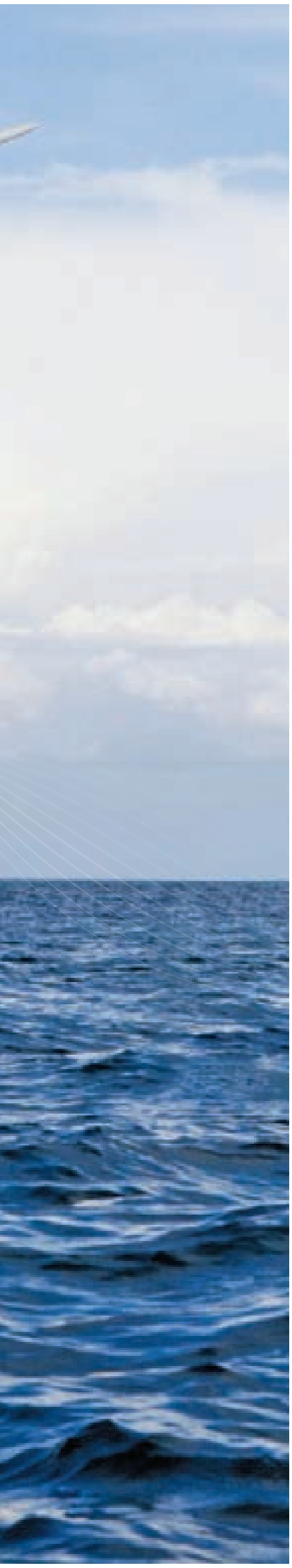
THE WIND OF CHANGE

An Established Integrated Offshore & Marine Value Chain Services Provider

ANNUAL REPORT 2019

CONTENTS

**WE,
THINK BETTER,
DO BETTER, BE BETTER.**

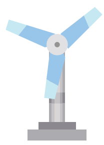


COMPANY OVERVIEW

With over 50 years of experience, Kim Heng Offshore & Marine Holdings Limited ("Kim Heng") and its subsidiaries (collectively, the "Group") is an established integrated offshore and marine value chain services provider. Strategically based in Singapore, the Group offers a one-stop comprehensive range of products and services that caters to different stages of marine infrastructure projects and offshore oil & gas projects from oil exploration to field development and oil production.

The Group's operations are primarily located in Singapore, with two shipyards strategically located at 9 Pandan Crescent and 48 Penjuru Road. The shipyards, with a combined waterfront of 205 metres, enable Kim Heng to carry out a multitude of services, including offshore rig repair, maintenance and refurbishment, fabrication, vessel newbuilding and afloat repairs. As a one stop solutions provider in offshore logistics, the Group has a fleet of quality anchor handling tugs, barges and cranes for both sale and rent. It also provides other services such as maintenance, trading and sale of heavy equipment.

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

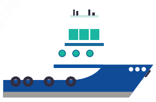


OFFSHORE WIND FARM SOLUTION

- Fabrication of different offshore turbine foundations, monopiles, tripods, jackets, suction buckets & gravity base structures
- Provision of newbuild Crew Transfer Vessel (CTV) for repair & maintenance works

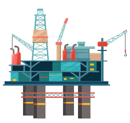
HORIZONTAL DIRECTIONAL DRILLING (HDD)

- Experienced turnkey contractor capable to undertake in submarine cable laying and pulling



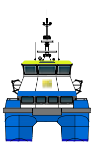
OWNER & OPERATOR OF OFFSHORE SUPPORT VESSELS

- Marine transportation and towage services
- Marine salvage and oil spill response



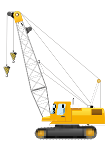
OFFSHORE SUPPORT SERVICES

- Construction and fabrication works of components for drilling rigs and vessels
- Installation of offshore production modules and systems
- Supply of offshore drilling and production equipment
- Logistics, general shipping, warehousing & inventory management



SHIPBUILDING & SHIP REPAIR

- Newbuilding of vessels (Tugs, Pipe-Lay Barges, Power Barges, Accommodation Work Barges etc.)
- Purchase and refurbishment of vessels for onselling
- Afloat repairs, maintenance and refurbishment of offshore rigs, platforms & vessels



HEAVY EQUIPMENT RENTAL & SALES

- Leasing, sale, maintenance, import and export of heavy equipment
- Wide range of equipment and machineries including crawler, lorry and mobile cranes

COMPANY MILESTONES

1968

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

1978

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

1982

- Expanded into repair and maintenance in the marine offshore industry

1986

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

1987

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

1988

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

1992

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

1996

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

1997

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

2001

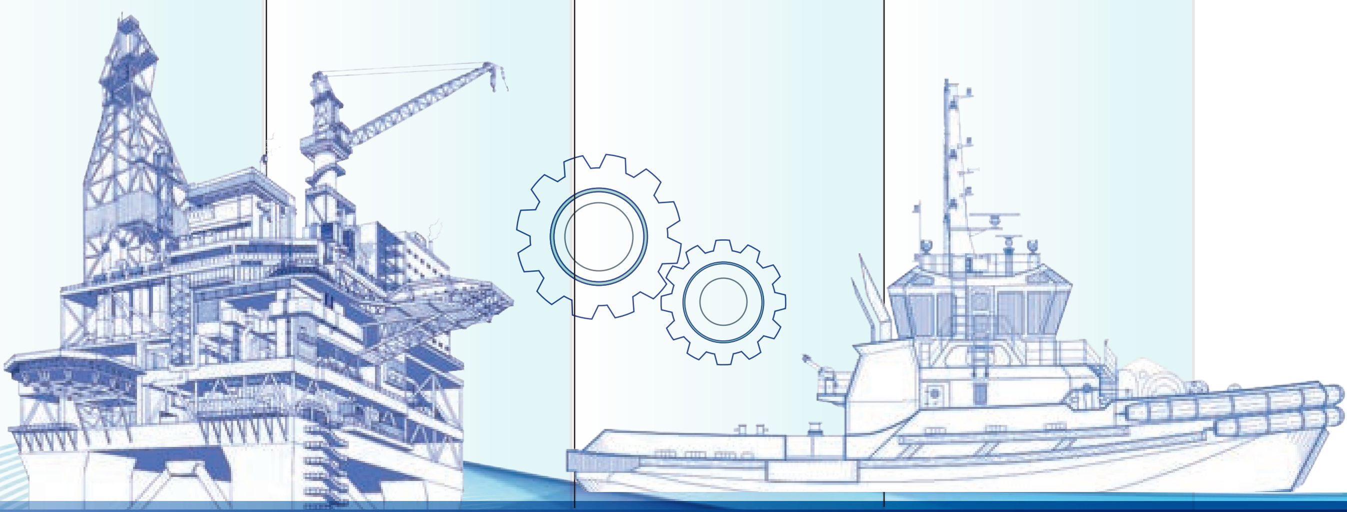
- Acquired "Darwin Offshore Logistics Base Pty Ltd ("DOLB") in Darwin, Australia to provide marine transportation and offshore management and support services for oil and gas exploration, development and production activities in the Australian market.
- Sold DOLB in 2015.

2006

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

2008

- Completed first retrofitting of a pipelay barge, Jascon 25



2009

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

2010

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

2011

- Constructed and delivered the first power barge KPS Alican Bey

2013

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

2014

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

2015

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

2016

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

2017

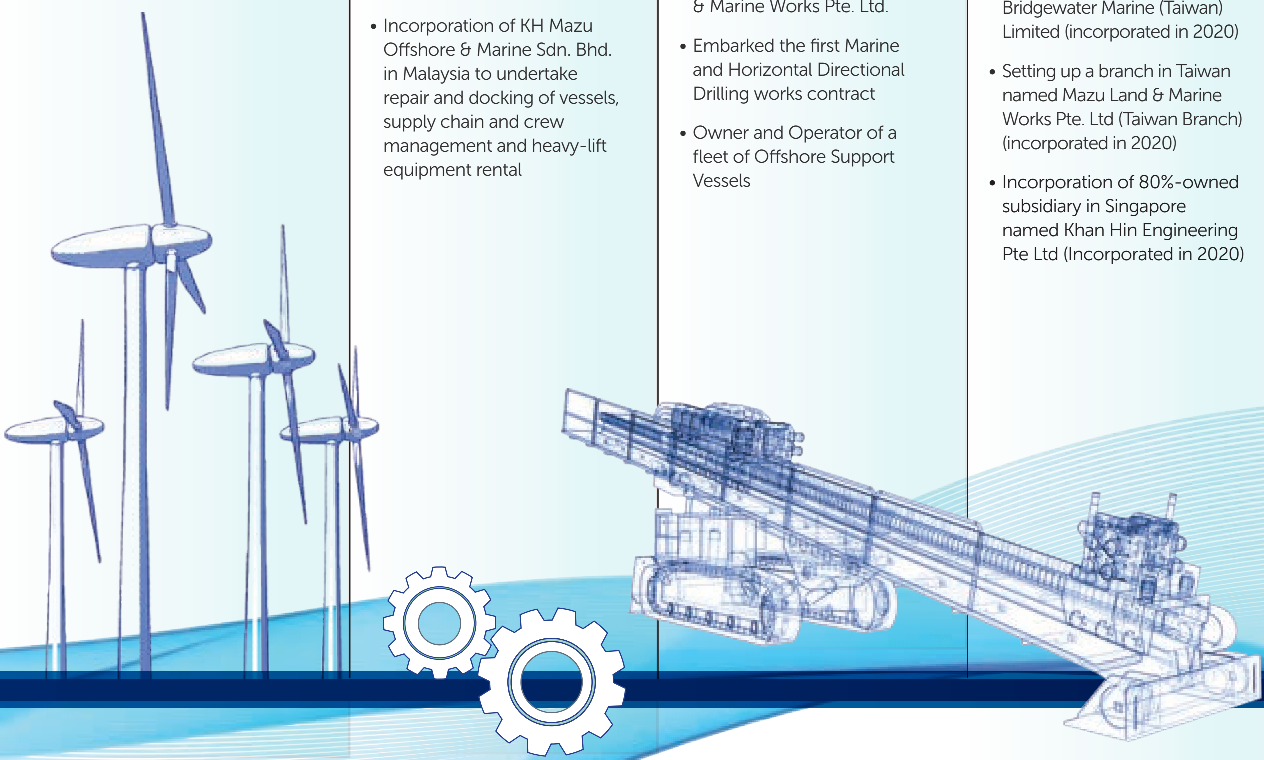
- Kim Heng's first ownership of AHTS vessels

2018

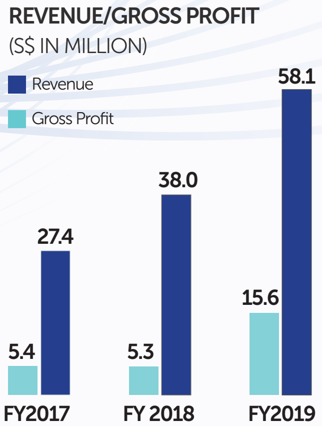
- Joint venture between KH Mazu Offshore & Marine Sdn. Bhd. and Ruhm Marine Sdn. Bhd. Incorporation of subsidiary in Malaysia called Ruhm Mazu Sdn. Bhd.
- Incorporation of wholly-owned subsidiary in Singapore named Mazu Land & Marine Works Pte. Ltd.
- Embarked the first Marine and Horizontal Directional Drilling works contract
- Owner and Operator of a fleet of Offshore Support Vessels

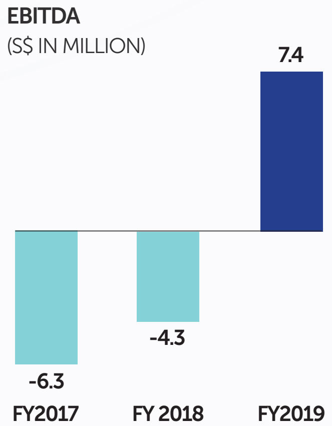
2019

- Incorporation of wholly-owned subsidiary in East Malaysia named Kim Heng Marine Labuan Limited
- Incorporation of a joint venture company, Bridgewater Offshore Pte. Ltd. between Kim Heng Offshore & Marine Pte. Ltd., Phillip Enterprise Fund Limited and Phillip Ventures Enterprise Fund 5 Ltd
- Award of Horizontal Directional Drilling work for submarine cable installation contract from Hung Hua Construction Co. Ltd.. Embarked the Offshore Wind Farm Project in Taiwan
- Joint venture between Kim Heng Marine & Oilfield Pte. Ltd. and 蓮豪有限公司, a Taiwan-incorporated company. Incorporated a 49%-owned subsidiary in Taiwan named Bridgewater Marine (Taiwan) Limited (incorporated in 2020)
- Setting up a branch in Taiwan named Mazu Land & Marine Works Pte. Ltd (Taiwan Branch) (incorporated in 2020)
- Incorporation of 80%-owned subsidiary in Singapore named Khan Hin Engineering Pte Ltd (Incorporated in 2020)



FINANCIAL HIGHLIGHTS





OPERATING RESULTS

(S$'000)	FY2019	FY2018	FY2017
Revenue	58,080	38,060	27,438
Gross profit	15,598	5,372	5,462
EBITDA Gain/(Loss)	7,407*	(4,269)	(6,300)
Net Cash generated from/(used in) Operating Activities	4,937	(4,828)	(5,642)
Net Loss	(3,840)*	(13,508)	(15,312)

FINANCIAL POSITION

(S$'000)	FY2019	FY2018 (Restated)	FY2017 (Restated)
Total Assets	115,832	121,737	124,463
Current Assets	44,968	19,192	25,058
Total Liabilities	53,952	52,783	41,520
Current Liabilities	37,003	27,031	20,948
Total Equity	61,880	68,954	82,943
Cash & Cash Equivalents, net of bank overdraft	3,063	1,967	4,405
Debt to Equity Ratio **	0.52	0.55	0.35

PERFORMANCE INDICATORS

	FY2019	FY2018 (Restated)	FY2017 (Restated)
Net Asset Value per Share (cents) ***	8.73	9.73	11.70
Loss per Share (cents) ****	-0.66*	-1.91	-2.16
Return on Equity	-6%*	-20%	-18%
Return on Total Assets	-1%*	-9%	-10%
Return on Capital Employed	-2%*	-11%	-13%

* *Excluding one-off non cash impairment loss of S$3.1 million recognized for the proposed sale of property at 48 Penjuru Road as per our announcements dated 3 January 2020 and 30 January 2020 and other equipment.*

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

*** *Net asset value per ordinary share is calculated based on 708,682,300, 708,832,300 and 709,050,800 shares in issue as at 31 December 2019 , 31 December 2018 and 31 December 2017 respectively.*

**** *Loss per share is calculated by dividing the net loss attributable to equity holders of the Group by the weighted average number of shares outstanding of 708,768,743, 708,948,000 and 709,880,291 for FY2019, FY2018 and FY2017 respectively.*

CHAIRMAN'S MESSAGE

"The Group had seen the wind of change in business as it has achieved a significant improvement in the financial performance for FY2019 and ventured into renewable energy sector."

Thomas Tan Keng Siong
Executive Chairman &
Chief Executive Officer

Dear Shareholders,

On behalf of the Board of Directors ("**Board**") of Kim Heng Offshore & Marine Holding Limited ("**Kim Heng**") and together with its subsidiaries (the "**Group**"), I present to you our annual report for the financial year ended 31st December 2019 ("**FY2019**").

FY2019 Performance

The Group had seen the wind of change in business as it has achieved a significant improvement in the financial performance for FY2019 and ventured into renewable energy sector.

Revenue grew by 53% year-on-year ("**y-o-y**") to S$58.1 million in FY2019 from S$38.1 million in the financial year ended 31 December 2018 ("**FY2018**").

The improvement was contributed from the submarine cable projects, offshore rig services, and supply chains segment as the Group successfully secured and completed various higher-value, higher-margin contracts, along with the increased vessel chartering activities with higher charter rate and higher vessel utilisation rate.

The Group had completed two Horizontal Directional Drilling ("**HDD**") contracts during FY2019 which were a testament to the Group's growing capability and competency in the HDD space to support our venture into the renewable energy sector for shallow water submarine cable laying and wind farm projects in Asia.

Consequently, gross profit increased by 190% y-o-y to S$15.6 million in FY2019, up from S$5.4 million in FY2018 and the gross profit margin increased to 27% in FY2019 from 14% in FY2018. The Group achieved a significant improvement in the Earnings Before Interest, Taxes, Depreciation and Amortization ("**EBITDA**") with an EBITDA gain of S$7.4 million* in FY2019 verses an EBITDA loss of S$4.3 million in FY2018. The Group also managed to narrow the net loss from S$13.5 million in FY2018 to S$3.8 million* for FY2019. The improvement was driven by improved revenue and

**Excluding one-off non cash impairment of S$3.1 million for the proposed sale of property at 48 Penjuru Road and other equipment.*

Completion of first Horizontal Directional Drilling (HDD) Works

gross profit margins and continued prudent cost management. The Group also achieved a positive operating cash flow of S$4.9 million in FY2019 as compared to a negative operating cash flow of S$4.8 million in FY2018, due to improved operating performance and stringent credit control policy.

Industry Outlook & Future Growth Strategy

With the economic fallout of the COVID-19 situation, the Group's earnings capacity and ability to secure new projects in the next few months are likely to be weighed down by the negative impact of the virus outbreak. However, currently we are unable to assess the impact of the COVID-19 situation on the Group's financial performance and operations for the financial year ending 31 December 2020 as it is uncertain how long the situation will take to dissipate.

The Group had already activated our Business Continuity Plan and put in place remote working solutions for all office staff. We have split our workforce into two teams that alternate between working from home and our offices on an alternate day basis.

To comply with the measures as advised by the Singapore Ministry of Health, we have also introduced health and travel declarations, and reduced physical meetings.

Throughout the year 2019, we were resilient in transforming ourselves into a prominent player of the OSV industry. Our fleet of offshore support vessels contributed more than 20% of the Group's revenue despite challenging market conditions. As a result, the Group successfully signed a joint venture agreement with Phillips Private Equity to co-fund the ownership and operation of more OSVs.

Amid the economic uncertainties of the COVID-19 and the current depressed oil prices, we will focus our efforts in repositioning Kim Heng towards other pillars of growth for 2020 to diversify its past reliance on shipbuilding and rig repairs.

Horizontal Directional Drilling (HDD) Land Rig in Operations

LNG Tanker's Anchor & Chains Recovery

Offshore Wind Farm Support

One example is how the Group revamped the skillset of our work force by successfully expanding our scope of work to include submarine cable laying of fibre-optic cables as well as in the renewable energy sector in offshore wind farm projects. Over the last 2 years, leveraging on our capabilities in the Marine and Offshore Industry and its operational expertise, Kim Heng had also extended its geographical footprint to countries in the Middle East and Asia, such as Qatar, Bangladesh, India, Malaysia and Taiwan. The expansion of the markets was done via strengthening partnerships with overseas companies to deepen its industry-wide capabilities.

We seek to reduce the Group's reliance on projects that have been impacted by the volatility of oil prices and have expanded our engineering capability by making our foray into the renewable wind energy sector. As oil majors and governments around the world are making long term commitments to reduce the emissions of CO_2 to become environmentally friendly, we believe the venture into the renewable energy sector serves as a stepping stone to the vision of a clean energy future.

We are indeed proud of the significant strides that Kim Heng has made in the renewable energy industry, having being awarded a contract for the installation of HDD conduits for an Offshore Wind Farm project in Taiwan. Under the contract, which is to commence in the second quarter of FY2020, the Group will provide a marine spread of vessels, drilling equipment, project management, engineering, design and support services for the purpose of the HDD works.

We continuously seek to improve and increase our efficiency as it is one of our hallmarks. Further, we have developed new capabilities in our entire value chain because we have a productive and adaptable workforce which can be upskilled.

The Management & Board of Directors would like to thank all our shareholders for the trust and continued support as you are vital to our successful navigation through these challenging times.

We extend our warmest greetings and wishing everyone a prosperous year ahead in 2020. Stay healthy and safe!

THOMAS TAN KENG SIONG

Executive Chairman &
Chief Executive Officer

Offshore Buoy Maintenance Works

Offshore Platform Works

Offshore Structural Installation

Offshore Construction Works

Sustainability

Stepping towards sustainable energy future

BOARD OF DIRECTORS


KIM HENG
OFFSHORE & MARINE

BOARD OF DIRECTORS

Thomas Tan / Executive Chairman & CEO

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

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

* *"Principal Commitments" has the same meaning as defined in the Code.*

Date of Appointment	20 May 2013
Date of last re-appointment	26 April 2019
Age	62
Country of principal residence	Singapore
The Board's comments on this appointment	Not applicable, Mr Tan Keng Siong is not due for retirement by rotation at the forthcoming Annual General Meeting
Board Committee Membership	Executive Chairman and CEO
Professional qualifications	Not applicable
Other Principal Commitments* Including Directorships	
Past (for the last 5 years)	• Darwin Offshore Logistics Base Pty Ltd • T-D Joint Venture Pty Ltd • Tan Logistic Pty Ltd • Tan Commercial Bins Pty Ltd
Present	Company and its subsidiaries • Kim Heng Offshore & Marine Holdings Limited • Kim Heng Marine & Oilfield Pte Ltd • Kim Heng Tubulars Pte Ltd • Kim Heng Shipbuilding & Engineering Pte. Ltd • Kim Heng Maritime Pte. Ltd. • Alpine Progress Shipping Pte. Ltd. • Kim Heng Offshore & Marine Pte. Ltd. Other companies • KH Group Holdings Pte. Ltd.
Conflict of Interest (including any competing business)	No

Date of Appointment	26 December 2013
Date of last re-appointment	23 April 2018
Age	61
Country of principal residence	Singapore
The Board's comments on this appointment	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the contribution, performance, attendance, preparedness, participation, candour and suitability of Mr Tan Chow Boon for reappointment as Non-Executive Director of the Company. The Board has reviewed and concluded that Mr Tan Chow Boon possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Board Committee Membership	Non-Executive Director, Member of the Audit and Risk Committee, Nominating Committee and Remuneration Committee.
Professional qualifications	Bachelor of Mechanical Engineering Degree – National University of Singapore Executive MBA – Golden Gate University, California
Other Principal Commitments* Including Directorships	
Past (for the last 5 years)	• Boston Plastics (Shanghai) Pte. Ltd. • Kaidun-NR Limited • Credence Investment (Cayman) Limited • Springboard Worldwide Pte Ltd • Nestronics Pte. Ltd. • Xenon Technologies Pte. Ltd.
Present	• Kim Heng Offshore & Marine Holdings Limited • Credence Partners Pte. Ltd. • Credence Ventures GP Limited • Credence Capital Fund (Cayman) Limited • Credence Capital Fund II (Cayman) Limited • Anker Holdings Private Limited • Fassler Gourmet Pte Ltd • 20Cube Logistics Pte. Ltd. • Zimplistic Private Limited • Youthworks Ltd. • Singapore Youth for Christ • FaithActs
Conflict of Interest (including any competing business)	No

Tan Chow Boon / Non-Executive Director

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

He is a Managing Partner of Credence Partners Pte. Ltd., a fund management company involved in venture capital and private equity, providing early and growth stage capital and expertise to entrepreneur led start-ups and SMEs largely in South East Asia.

Credence was founded by the Partners- Koh Boon Hwee, Tan Chow Boon and Seow Kiat Wang in 2006.

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

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

Mr. Tan Chow Boon, who is seeking re-election of the Annual General Meeting had responded negative to items (a) to (k) listed in the Appendix 7F of the Catalist Rules.

* *"Principal Commitments" has the same meaning as defined in the Code.*

BOARD OF DIRECTORS

Ho Boon Chuan Wilson / Lead Independent Director

Ho Boon Chuan Wilson is a Lead Independent Director of Kim Heng and was appointed to the Board on 26 December 2013. He is currently Managing Director, Asia of Westcon-Comstor, a value-added global technology distributor of category-leading solutions in Security, Collaboration, Networking and Data Center, where he is responsible for managing the business across 12 countries in Asia. His experiences over the last 20 plus years include working in the capital markets group of DBS Bank, holding the post of CFO of a SGX-Main Board listed company and building and managing a regional IT distribution group.

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

Mr. Ho Boon Chuan Wilson, who is seeking re-election at the Annual General Meeting had responded negative to items (a) to (k) listed in the Appendix 7F of the Catalist Rules.

* *"Principal Commitments" has the same meaning as defined in the Code.*

Date of Appointment	26 December 2013
Date of last re-appointment	23 April 2018
Age	49
Country of principal residence	Singapore
The Board's comments on this appointment	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the contribution, performance, attendance, preparedness, participation, candour and suitability of Mr Ho Boon Chuan Wilson for re-appointment as Lead Independent Non-Executive Director of the Company. The Board has reviewed and concluded that Mr Ho Boon Chuan Wilson possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Board Committee Membership	Lead Independent Director, Chairman of the Audit and Risk Committee and Member of the Nominating Committee and Remuneration Committee.
Professional qualifications	Bachelor of Accountancy (Honours) Degree – Nanyang Technological University Chartered Financial Analyst (CFA) Chartered Accountant, Singapore (CA)
Other Principal Commitments* Including Directorships	
Past (for the last 5 years)	• Sysma Holdings Limited
Present	• Kim Heng Offshore & Marine Holdings Limited • Westcon Solutions Pte. Limited • Westcon Solutions IMH Pte. Limited • Westcon Solutions (HK) Limited • Westcon Solutions (M) Sdn Bhd • PT Westcon Solutions • Westcon Group (Thailand) Co., Limited • Westcon Solutions Philippines, Inc. • WHOM Pte Ltd • Westconcomstor International (India) Private Limited Legal Representative • Westcon Group Vietnam Co., Ltd • Westcon Solutions China Jing An Branch • Westcon Solutions China Beijing Branch • Westcon Solutions China Shenzhen Branch
Conflict of Interest (including any competing business)	No

Date of Appointment	26 December 2013
Date of last re-appointment	26 April 2019
Age	50
Country of principal residence	Singapore
The Board's comments on this appointment	Not applicable, Mr Ong Sie Hou Raymond is not due for retirement by rotation at the forthcoming Annual General Meeting
Board Committee Membership	Independent Director, Chairman of the Nominating Committee and Remuneration Committee and Member of Audit and Risk Committee.
Professional qualifications	Bachelor of Laws (Honours) Degree – National University of Singapore Advocate & Solicitor of the Singapore Bar
Other Principal Commitments* Including Directorships	
Past (for the last 5 years)	• Sunvic Chemical Holdings Limited • Pegasus Offshore Pte. Ltd. • Pacific Offshore Equipment Pte. Ltd.
Present	• Kim Heng Offshore & Marine Holdings Limited • CTLC Law Corporation
Conflict of Interest (including any competing business)	No

Ong Sie Hou Raymond / Independent Director

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

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

* *"Principal Commitments" has the same meaning as defined in the Code.*

MANAGEMENT
TEAM

1

Tan Wen Hao Justin Anderson

Chief Operating Officer- Offshore & Marine

Mr Justin Tan joined the company in August 2014, spearheading the corporate and business development segments of the Company and was involved in the day to day operations of the Group under the tutelage of the senior management. He was appointed as a General Manager of the Company in October 2015. Currently, he is overseeing the shipyard operations, its heavy equipment business, the marine & offshore vessel charter & operations and horizontal directional drilling.

Mr Justin Tan holds a Bachelor of Arts (Honours) degree in Business Economics from the University of Exeter.

2

Yeo Seh Hong Lilian

Chief Operating Officer-Oilfiled Services

Ms Yeo Seh Hong is the Chief Operating Officer of the Group. She was previously with AMF Tuboscope Inc. from 1978 to 1985 where she prepared technical inspection reports and handled commercial enquiries. From 1985 to 1988, she was an operations foreman with T.D Inspection Pte Ltd overseeing the Southeast Asia inspection division for offshore & onshore rigs. She first began her career with the Group in 1988 and has, over the years, held various positions as materials manager, business development manager and general manager. She is currently managing the Group's oilfield & drilling customers, handling their commercial enquiries for oilfield products and services such as agency, mooring, drilling tubulars and drilling equipment.

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

3

Michael Law

Chief Financial Officer

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

4

Tan Keng Hoe Melvin

Chief Technical Officer

Mr Tan Keng Hoe Melvin serves as the Chief Technical Officer of the Group and is responsible for overseeing the engineering division of the group. He supports Mr Justin Tan and Ms Yeo Seh Hong Lilian in the technical demands of all projects & operations to ensure that the Group's competency. His first stint with the Group was managing its Marine Division. Mr Tan Keng Hoe Melvin then moved on to assume various logistical roles in leading drilling contractor companies in the Oil & Gas industry before rejoining the Group in May 2010.

Mr Tan Keng Hoe Melvin holds a diploma in Business Management from the University of Bradford.

OPERATIONS & FINANCIAL REVIEW

Revenue, Gross Profit and Gross Profit Margin

The Group's financial performance improved in FY2019. The Group had successfully secured and completed various higher-value and higher-margin contracts across new verticals and geographies during the financial year.

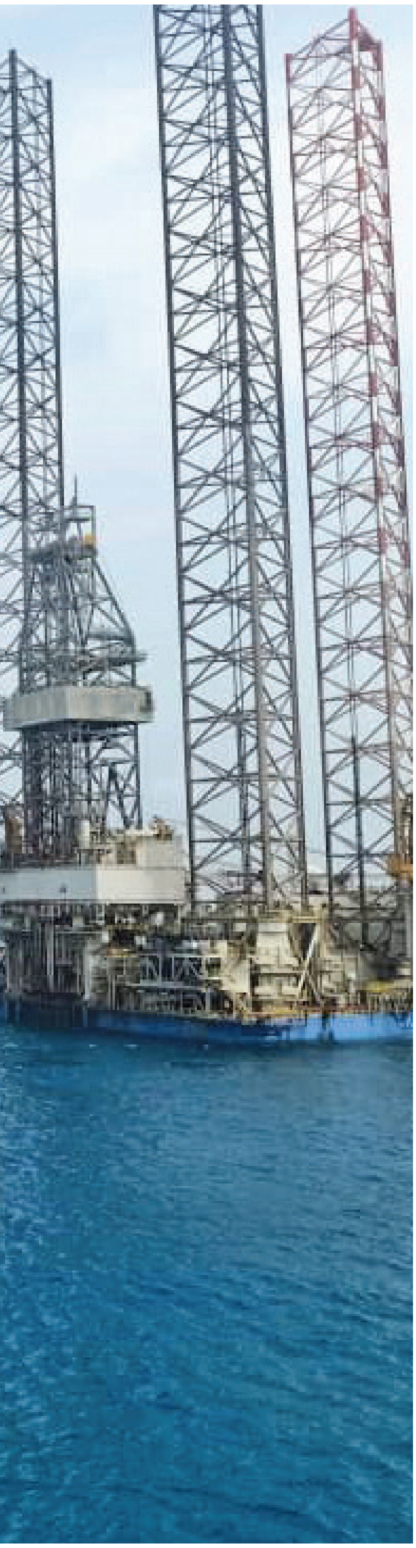
Revenue grew by 53% year-on-year ("**y-o-y**") to S$58.1 million in FY2019 from S$38.1 million in FY2018. Gross profit margin increased to 27% in FY2019 from 14% in FY2018.

The improvement was contributed from the offshore rig services and supply chains segment for works related to fabricating of modules, afloat repairs, maintenance of vessels and rig activation, along with the increased vessel chartering activities with improved charter rates and higher vessel utilisation rate. The increase in gross profit margin in FY2019 was also due to an increase in contribution from the Group's higher margin businesses from its Marine & Offshore Support Services segment and vessels chartering activities. In addition, the Group had completed two HDD contracts during the FY2019 which was a testament to the Group's growing capability and competency in the HDD space to support our venture into renewable energy services for shallow water subsea cable laying and wind farm projects in Asia.

In FY2019, cost of sales increased by S$9.8 million or 30% to S$42.5 million. This was due to higher sales volume, in-line with the higher revenue generated.

Consequently, gross profit increased by 190% y-o-y to S$15.6 million in FY2019, up from S$5.4 million in FY2018.

Vessel Charter to Support Offshore Field Works



Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")

The Group achieved a significant improvement in EBITDA for FY2019 and recorded an EBITDA gain of S$7.4 million* in FY2019 verses an EBITDA loss of S$4.3 million in FY2018. The Group also managed to narrow the net loss from S$13.5 million in FY2018 to S$3.8 million* for FY2019. The improvement was driven by improved revenue, gross profit margins and continued prudent cost management.

Group's Assets and Liabilities

As at 31 December 2019, the Group's total assets were S$115.8 million, representing a decrease of 4.9% y-o-y. This was primarily due to a decrease in property, plant and equipment, which was mostly offset by an increase in assets held for sale, right of use assets, due to the adoption of SFRS(I)16 - Leases effective from 1 January 2019, and an increase in trade receivables, due to higher sales.

The Group's total liabilities increased by 2.2% y-o-y to S$54.0 million mainly due to an increase in lease liabilities as a result of the adoption of SFRS(I) 16 – Leases effective from 1 January 2019, and an increase in trade payables which is in tandem with higher sale activities in FY2019.

Cash flow, Cash Position and Outlook

As at 31 December 2019, the Group's cash and cash equivalents stood at S$3.1 million. The Group achieved a positive operating cash flow of S$4.9 million for FY2019 as compared to a negative operating cash flow of S$4.8 million in FY2018, due to improved operating performance and stringent credit control policy.

Moving forward, the Group intends to leverage its position to expand and diversify into renewable energy sector not directly impacted by the oil price, in which the Group can maximise usage of its offshore assets and technical knowhow.

The Group will also remain committed to the implementation of its cost cutting initiatives to effectively control costs, and to prudently identify strategic investment opportunities in the industry, while remaining prudent in managing its cash flow and cautious against overleveraging.

**Excluding one-off non cash impairment of S$3.1 million for the proposed sale of property at 48 Penjuru Road and other equipment.*

Fabrication & Assembly of Blocks and Columns

Resilience

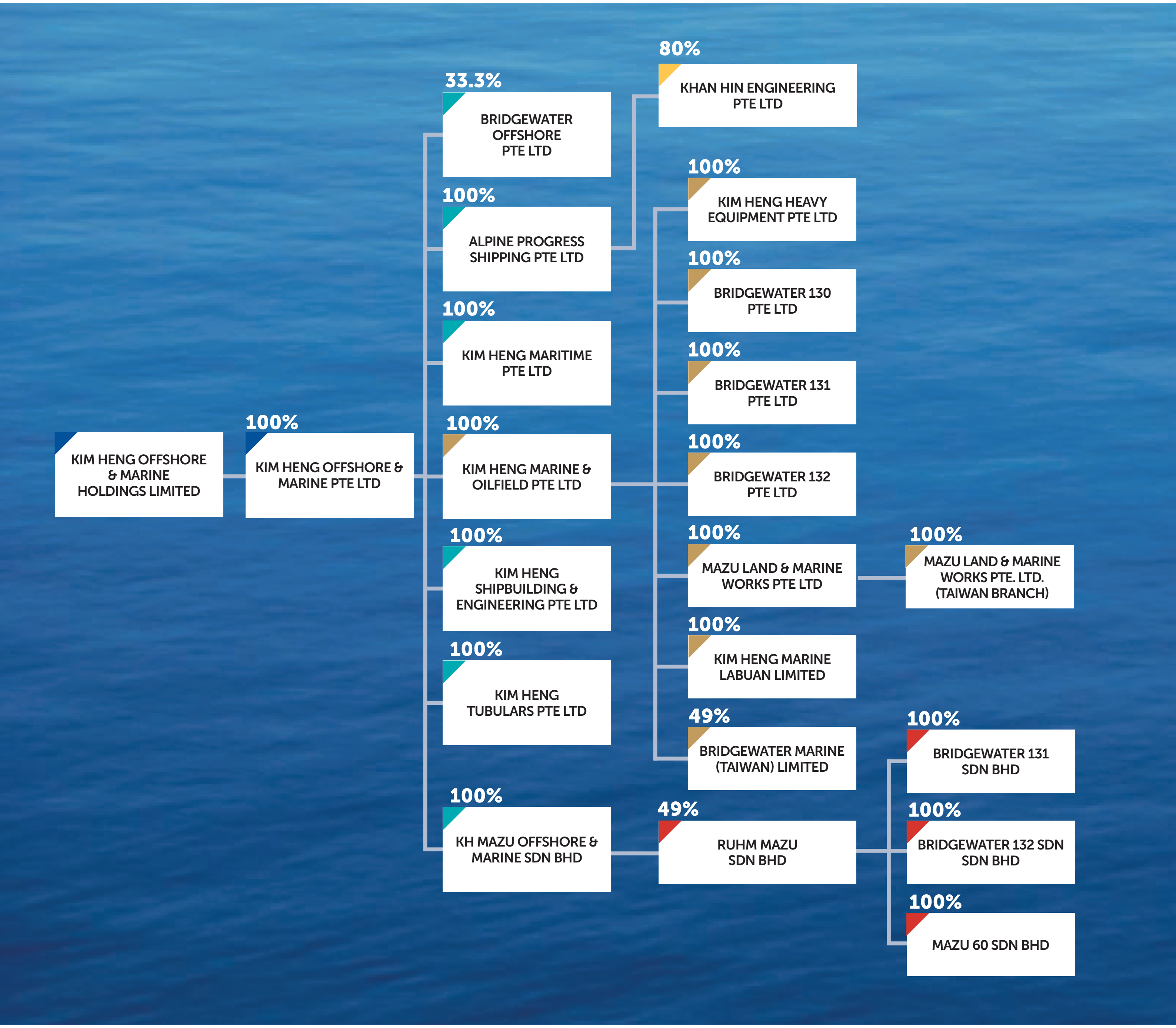
In 2019, we have completed various fabrication jobs valued at an aggregate of S$7million from a well-established customer.

Scrubber Fabrication

Scrubber Fabrication (External)

Scrubber Fabrication (Internal)

CORPORATE STRUCTURE



CORPORATE INFORMATION

Board of Directors

Tan Keng Siong Thomas
Executive Chairman and CEO

Tan Chow Boon
Non-Executive Director

Ho Boon Chuan Wilson
Lead Independent Director

Ong Sie Hou Raymond
Independent Director

Audit & Risk Committee

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

Remuneration Committee

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

Nominating Committee

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

Registered Office Address

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

Company Registration Number

201311482K

Company Secretaries

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

Principal Bankers

United Overseas Bank Limited
80, Raffles Place Singapore 048624

Malayan Banking Berhad
Maybank Tower
2 Battery Road Singapore 049907

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

Auditors

Foo Kon Tan LLP
Partner in charge:
Kong Chih Hsiang Raymond
(Since financial year ended 31 December 2019)
24 Raffles Place #07-03
Clifford Centre
Singapore 048621

Share Registrar

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

Investor Relations Contact

Ms Jocelyn Tan
Tel: (65) 6777 9990
Email: jocelyn.tan@kimheng.com.sg

Sponsor

SAC Capital Private Limited
1 Robinson Road #21-00,
AIA Tower Singapore 048542

Nearshore Cable Pulling Marine Works

CORPORATE GOVERNANCE REPORT

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

This Corporate Governance Report ("**Report**") describes the corporate governance framework and practices of the Company that were in place throughout the financial year ended 31 December 2019 ("**FY2019**") with specific reference to the Principles and Provisions of the Code of Corporate Governance 2018 ("**Code**") and accompanying Practice Guidance.

The Code aims to promote high levels of corporate governance by putting forth Principles of good corporate governance and Provisions with which companies are expected to comply. The Practice Guidance complements the Code by providing guidance on the application of the Principles and Provisions and setting out best practices for companies.

Pursuant to Rule 710 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") ("**Catalist Rules**"), the Board confirms that the Company and Group have for FY2019, complied with and observed the Principles as set out in the Code. The Board also confirms that where there are deviations from the Provisions of the Code, explanations, including the provision from which it has varied, reasons for deviation and how the Group's practices adopted are consistent with the intent, aim and philosophy of the Principle in question, have been provided in the relevant sections below:-

Sustainability reporting

The Board recognises that one of the keys to building a sustainable business involves finding a balance between addressing its business needs and the needs of the society and the environment in which the Group operates. The Board strongly believes that to grow sustainably as a forward-looking corporate entity, the Group has to regularly reach out and work together with all its stakeholders, from its employees to the community, and be responsible stewards of its natural environment. The Company endeavours to comply with Rule 711A of the Catalist Rules to issue its sustainability report by end of May 2020.

BOARD MATTERS

The Board's Conduct of its affairs

Principle 1: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company

Provision 1.1: Directors are fiduciaries who act objectively in the best interests of the company and hold Management accountable for performance. The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.

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

CORPORATE GOVERNANCE REPORT

The Board exercises due diligence and independent judgment in dealing with the business affairs of the Group and are fiduciaries who are obliged to act in good faith and to take objective decisions in the best interests of the Group. Any Director who faces a conflict of interest, discloses and recuses himself from meetings and decisions involving the issue.

The Board oversees the business affairs of the Group and works with the Management to make objective decisions in the best interests of the Group. The Board is also aware of the requirements of Rule 905 of the Catalist Rules in relation to Interested Person Transactions ("**IPT**"). The Company will ensure that any IPT is clearly communicated to shareholders in public announcements released via SGXNET, when deemed necessary.

The Board recognises that principal duties of each Director include*:*

- providing entrepreneurial leadership, and setting strategic objectives, which should include appropriate focus on value creation, innovation and sustainability;
- ensuring that adequate resources are available to meet strategic objectives;
- establishing and maintaining a sound risk management framework to effectively monitor and manage risks, and achieving an appropriate balance between risks and company performance;
- constructively challenging Management, and reviewing and monitoring their performance towards achieving organisational goals;
- overseeing succession planning for Management;
- reviewing and approving, *inter alia*, the releases of the quarterly, half yearly and full year results announcements, the annual report and financial statements, material acquisitions and disposals of assets, interested person transactions, corporate strategies, annual budgets and investment proposals of the Group;
- reviewing and evaluating the adequacy and integrity of the Group's internal controls, compliance, risk management and financial report systems;
- instilling an ethical corporate culture for the Group and ensuring that the corporate values, standards, policies and practices are consistent with the culture;
- ensuring accurate and timely reporting in communication with shareholders;
- considering sustainability issues including environmental and social factors in the Group's strategic formulation; and
- ensuring transparency and accountability to key stakeholder groups.

Provision 1.2: Directors understand the company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors). Directors are provided with opportunities to develop and maintain their skills and knowledge at the company's expense. The induction, training and development provided to new and existing directors are disclosed in the company's annual report.

The Board ensures that incoming new Directors are given comprehensive and tailored induction training on joining the Board including onsite visits, if necessary, to familiarize them with the business of the Group and the corporate

CORPORATE GOVERNANCE REPORT

governance practices of the Group upon their appointment to facilitate the effectiveness in discharging their duties. Newly appointed Directors will be provided with a formal letter setting out their duties and obligations. They will be given briefings by the Management on the business activities of the Group and its strategic directions as well as its corporate governance practices. The Company is responsible for arranging and funding the trainings of Directors.

Newly appointed directors with no prior experience as a director of a listed company in Singapore will undergo training in the roles and responsibilities of a listed company director as prescribed by the SGX-ST in accordance to Rule 406(3)(a) of the Catalist Rules. For FY2019, there were no newly appointed directors.

Provision 1.3: The Board decides on matters that require its approval and clearly communicates this to Management in writing. Matters requiring board approval are disclosed in the company's annual report.

The Group has adopted internal guidelines setting forth matters that require the Board's approval. Matters specifically reserved for the approval by the Board are as follows:

1. the strategy, business plan and budget of the Group;
2. material acquisitions and disposal of assets;
3. capital related matters including corporate or financial restructuring, investment or expenditure exceeding certain threshold limits;
4. share issuances;
5. interim dividend and other returns to shareholders; and
6. interested person transactions.

Clear directions have been disseminated to the Management that reserved matters must be approved by the Board. These matters which require board approval are set out above.

Provision 1.4: Board committees, including Executive Committees (if any), are formed with clear written terms of reference setting out their compositions, authorities and duties, including reporting back to the Board. The names of the committee members, the terms of reference, any delegation of the Board's authority to make decisions, and a summary of each committee's activities, are disclosed in the company's annual report.

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

More details on each of the Board Committees, including the names of the committee members, the terms of reference, any delegation of the Board's authority to make decisions and a summary of their activities, are set out in the further sections of this Report.

CORPORATE GOVERNANCE REPORT

Provision 1.5: Directors attend and actively participate in Board and board committee meetings. The number of such meetings and each individual director's attendances at such meetings are disclosed in the company's annual report. Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of each company.

The Board meets regularly with at least four (4) scheduled meetings on a quarterly, half yearly basis and as warranted held within each financial year to approve, amongst others, announcements of the Group's quarterly, half yearly and full year financial results. Ad-hoc meetings are also convened to discuss and deliberate on urgent substantive matters or issues. Attendance via telephone conference and conference via audio-visual communication at Board meetings are allowed pursuant to the Company's Constitution.

Following the amendments to Rule 705 of the Catalist Rules, the Board has, after due deliberation and consideration, decided not to continue with quarterly results announcement. In this regard, the Board will meet at least two times a year and at other times as warranted by particular circumstances to discuss and review the Group's key activities.

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

The number of Board and Board Committee meetings held in FY2019 and the attendance of each Board member at these meetings are set out below:

		Board Committees		
	Board	**Audit & Risk Committee**	**Remuneration Committee**	**Nominating Committee**
No. of Meeting(s) Held	6	5	1	1
	No. of Meetings Attended			
Tan Keng Siong Thomas	6	5*	1*	1*
Tan Chow Boon	6	5	1	1
Ho Boon Chuan Wilson	5	4	1	1
Ong Sie Hou Raymond	6	5	1	1

**By invitation*

The Board values the importance of Directors' attendance at Board meetings, but agrees that it should not be the only criterion to measure their contributions. The Board also takes into consideration other criteria in assessing Board members' contributions including periodical reviews, the nature and extent of their guidance and expertise rendered to the committees on which they sit and the scope of advice given on various matters relating to the Group. Directors with multiple board representations also ensure that sufficient time and attention are given to the affairs of each company.

CORPORATE GOVERNANCE REPORT

Provision 1.6: Management provides directors with complete, adequate and timely information prior to meetings and on an on-going basis to enable them to make informed decisions and discharge their duties and responsibilities.

The Directors are provided with relevant Board papers adequately and timely prior to meetings so that they can develop a better understanding on the matters to be put before the Board meeting. This ensures that discussions during the Board meetings are constructive. The Board papers which Management provides typically include financial updates with explanations of material variances and other materials with useful information. This allows the Directors to ask well-focused questions which are directly relevant to the agenda of the meetings as well as make informed decisions to fulfill their duties and responsibilities.

In addition, on an ongoing basis, Management will update the Board on matters of the Company when necessary. The Board also receives updates and information on regulatory changes, industry developments, and business initiatives as well as changes to the accounting standards. All Directors are encouraged to constantly keep abreast of developments in regulatory, legal and accounting frameworks that are of relevance to the Group.

Provision 1.7: Directors have separate and independent access to Management, the company secretary, and external advisers (where necessary) at the company's expense. The appointment and removal of the company secretary is a decision of the Board as a whole.

The Directors have separate and independent access to the Company's Management, the Company Secretary, and external advisers (where necessary) at the Company's expense. The Management, together with the Company Secretary, are responsible for ensuring the Group's compliance to Board procedures and other applicable rules and regulations. The Management is responsible for day-to-day operations and administration of the Group and they are accountable to the Board. The Company Secretary assists the Chairman in making sure that board procedures are followed and regularly reviewed so that the functioning of the Board is effective, and that the Company's Constitution and the relevant rules and regulations, not limited to the requirements of the Companies Act and the Catalist Rules, are complied with. As part of implementing and reinforcing good governance practices, the Company Secretary or their representatives administers, attends and prepares minutes of all Board meetings. The Board, as a whole, holds the decision on the appointment and the removal of the Company Secretary.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Provision 2.1: An "independent" director" is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company.

Provision 2.2: Independent directors make up a majority of the Board where the Chairman is not independent.

Provision 2.3: Non-executive directors make up a majority of the Board.

The composition of the Board comprises of four (4) Directors, three (3) of whom are Non-Executive Directors, of which two (2) are Independent Directors. As Mr Tan Keng Siong Thomas is the Executive Chairman and Chief

CORPORATE GOVERNANCE REPORT

Executive Officer of the Group, Independent Directors only make up half of the Board and does not satisfy Provision 2.2 of the Code that Independent directors should make up a majority of the board where the Chairman is not independent, for FY2019.

However, taking into consideration the following factors, the Board is of the view that the current composition of the Board is consistent with the aim of Principle 2 of the Code:

(i) Three (3) out of four (4) directors are non-executive, and hence, majority of the Board is made up of Non-Executive Directors, which satisfies the requirements of Provision 2.3 of the Code. The current Board composition is also in compliance with Rule 406(3)(c) of the Catalist Rules, which requires, the independent directors to make up at least one-third of the Board.

(ii) As Independent Directors make up half of the Board, there is a strong independent element on the Board and no individual or groups of individuals dominate the Board's decision-making process.

(iii) The Independent Directors provide the Board with independent and objective judgment on the corporate affairs of the Group and together with the Non-Executive Director, they have the necessary experience and expertise to assist the Board in decision-making and to provide a check and balance to the Board as they are not involved in the day-to-day operations of the Company and the Group.

(iv) The Board has a Lead Independent Director who plays an additional facilitative role within the Board, and where necessary, he also facilitates communication between the Board and shareholders or other stakeholders of the Company.

Nonetheless, the Board, together with the NC, will closely monitor the practices and effectiveness of the Board and ensure that, at all times, the Board will be in compliance with the aim of Principle 2 of the Code.

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

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

A brief description of the background of each Director is presented at the “Board of Directors” section of the Annual Report.

The NC reviews the independence of the Directors as mentioned under Provision 2.1 of the Code on an annual basis, and as and when circumstances require. Each of the Independent Directors has confirmed that he does not have any relationship with the Company or its related corporations, its shareholders who have an interest of at least 5% of the Company's total voting shares (excluding treasury shares), or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of independent judgment in carrying out the functions as an Independent Director with a view to the best interests of the Group. The Board and the NC have reviewed, determined and confirmed the independence of the Independent Directors.

CORPORATE GOVERNANCE REPORT

The Board noted that while Mr Ong Sie Hou Raymond is currently a director in a legal firm and the legal firm rendered legal services to, and receives fees from the Group in FY2019, he is not the partner acting for the Group. The NC has reviewed and concluded that the professional fees paid to that partner (and not to Mr Ong Sie Hou Raymond) did not exceed the threshold provided in Practice Guidance 2 of the Code and is of the view that the relationship does not affect Mr Ong Sie Hou Raymond's ability and willingness to operate independently.

Rules 406(3)(d)(i) and 406(3)(d)(ii) of the Catalist Rules also stipulate that a director will not be independent if he is employed or has been employed by the issuer or any of its related corporations in the current or any of the past three financial years; or if he has an immediate family member who is employed or has been employed by the issuer or any of its related corporations in the current or any of the past three financial years, and whose remuneration is or was determined by the remuneration committee of the issuer. In this regard, each of the Independent Directors has confirmed that they and their respective associates do and did not have any employment relationships with the Company.

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

Provision 2.4: The Board and board committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company's annual report.

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

The NC conducts an annual review on the Board's composition to ensure that the Board has the appropriate mix of expertise and experience. Having reviewed and considered the composition of the Board and its committees, the NC is of the view that the current Board comprises individuals whose diverse skills, experience and attributes provide for an effective functioning of the Board. The Board members also collectively possess the necessary core competencies necessary to lead and manage the Company. The profile of each of the Directors is set out on pages 12 to 15 of this Annual Report.

Provision 2.5: Non-executive directors and/or independent directors, led by the independent Chairman or other independent director as appropriate, meet regularly without the presence of Management. The chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.

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

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Provision 3.1: The Chairman and the CEO are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making.

Provision 3.2: The Board establishes and sets out in writing the division of responsibilities between the Chairman and the CEO.

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

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

- overseeing the smooth functioning of the Board and ensuring that Directors receive complete, adequate and timely information;
- setting the agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;
- promoting a culture of openness and debate at the Board;
- ensuring effective communication by the Board and the Management with shareholders;
- encouraging constructive relations within the Board and between the Board and Management;
- facilitating the effective contribution of non-executive directors, in particular; and
- promoting high standards of corporate governance.

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

Provision 3.1 of the Code sets out that the Chairman and CEO should be separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making. However, taking into account the current corporate structure, size, nature and scope of the Group's operations, the Board is of the view that it is presently not necessary to separate the roles of the Chairman and CEO, and there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent, based on collective decisions without any individual or group of individuals being able to exercise considerable concentration of power or influence.

CORPORATE GOVERNANCE REPORT

Provision 3.3: The Board has a lead independent director to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent. The lead independent director is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.

For good corporate governance, Mr Ho Boon Chuan Wilson has been appointed as the Lead Independent Director of the Company. Mr Ho Boon Chuan Wilson is available to shareholders where there are concerns or issues which could not be resolved with, or inappropriate to be communicated to, the Executive Chairman and CEO and/or Chief Financial Officer. Where necessary, the Independent Directors will meet without the presence of the other Directors and the Lead Independent Director will provide feedback to the Chairman after such meetings.

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Provision 4.1: The Board establishes a NC to make recommendations to the Board on relevant matters relating to:

(a) the review of succession plans for directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel;

(b) the process and criteria for evaluation of the performance of the Board, its board committees and directors;

(c) the review of training and professional development programmes for the Board and its directors; and

(d) the appointment and re-appointment of directors (including alternate directors, if any).

Provision 4.2: The NC comprises at least three directors, the majority of whom, including the NC Chairman, are independent. The lead independent director, if any, is a member of the NC.

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

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

*Independent Director

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

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

CORPORATE GOVERNANCE REPORT

- reviewing Board succession plans for Directors, in particular, the Chairman and CEO, and key management personnel;
- making recommendations to the Board on the appointment and re-appointment of Directors (including alternate Directors, if applicable), having regard to the Director's contribution and performance and ensuring that all Directors submit themselves for re-election at regular intervals;
- identifying suitable candidates and reviewing all nominations for appointment and re-appointment to the Board;
- developing a process for assessing and evaluating the effectiveness of the Board as a whole and its Board Committees as well as the contributions of each individual Director to the effectiveness of the Board;
- deciding how the Board's performance may be evaluated and to propose objective performance criteria;
- determining on an annual basis whether a Director is independent, bearing in mind the circumstances set forth in the Code and any other salient factors;
- reviewing training and professional development programs for the Board; and
- determining whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple Board representations.

Provision 4.3: The company discloses the process for the selection, appointment and re-appointment of directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates in the company's annual report.

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

- the NC evaluates the balance of skills, knowledge and experience of the Board and, in light of such evaluation and in consultation with Board, prepares a description of the role and the essential and desirable competencies for a particular appointment;
- if required, the NC may engage consultants to undertake research on, or assess, candidates for new positions on the Boards;
- the NC meets with short-listed candidates to assess their suitability and ensure that the candidates are aware of the expectations; and
- the NC makes recommendations to the Board for approval.

Provision 4.4: The NC determines annually, and as and when circumstances require, if a director is independent, having regard to the circumstances set forth in Provision 2.1. Directors disclose their relationships with the company, its related corporations, its substantial shareholders or its officers, if any, which may affect their independence, to the Board. If the Board, having taken into account the views of the NC, determines that such directors are independent notwithstanding the existence of such relationships, the company discloses the relationships and its reasons in its annual report.

The NC determines annually, and as and when circumstances require, the independence of the Independent Directors, having regard to the circumstances set forth in Provision 2.1 of the Code. Saved as disclosed under Principle 2 of the Report above, there are no relationships between the Directors with the Company, its related corporations, its substantial shareholders or its officers, if any, which may affect their independence.

CORPORATE GOVERNANCE REPORT

Provision 4.5: The NC ensures that new directors are aware of their duties and obligations. The NC also decides if a director is able to and has been adequately carrying out his or her duties as a director of the company. The company discloses in its annual report the listed company directorships and principal commitments of each director, and where a director holds a significant number of such directorships and commitments, it provides the NC's and Board's reasoned assessment of the ability of the director to diligently discharge his or her duties.

The NC will ensure that the selected candidate is aware of the expectations and the level of commitment required. The NC also ensures that new directors are aware of their duties and obligations, and decides if a director is able to and has been adequately carrying out his duties as a director of the Company. Directors are encouraged to attend relevant training programs conducted by the Singapore Institute of Directors, the SGX-ST, other business and financial institutions.

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

The NC is satisfied that sufficient time and attention are being devoted by the Directors to the affairs of the Company and the Group during FY2019. The NC will continue to review from time to time, the Board representations and other principal commitments to ensure that Directors continue to meet the demands of the Group and are able to discharge their duties adequately. Key information regarding the Directors, including the listed company directorships and principal commitments of each director, is set out in the section "Board of Directors" of this Annual Report. Information on the Directors' shareholdings in the Company and its related corporations is set out in the section "Directors' Statement" of this Annual Report.

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

1. Mr Tan Chow Boon and;
2. Mr Ho Boon Chuan Wilson

Mr Tan Chow Boon will, upon re-election as Director, remain as a Non-Independent and Non-Executive Director, and a member of the ARC, NC and RC.

Mr Ho Boon Chuan Wilson will, upon re-election as Director, remain as Lead Independent Director and the Chairman of the ARC and a member of the NC and RC. The Board considers Mr Ho Boon Chuan Wilson to be independent for the purposes of Rule 704(7) of the Catalist Rules.

In making the recommendations, the NC considers the overall contribution and performance of the Directors, Mr Tan Chow Boon and Mr Ho Boon Chuan Wilson, being NC members, had abstained from deliberation in respect of his own nomination and assessment.

CORPORATE GOVERNANCE REPORT

As at the date of this Report, there is no Independent Director appointed to the Board of any of the Group's principal subsidiaries. The Board will be informed of the revised Board structures of the principal subsidiaries, should there be any appointment of an Independent Director onto the board of any of the principal subsidiaries at any point in time.

The Company does not have any alternate Director as the Board does not encourage the appointment of alternate Directors.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

Provision 5.1: The NC recommends for the Board's approval the objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole, and of each board committee separately, as well as the contribution by the Chairman and each individual director to the Board.

Provision 5.2: The company discloses in its annual report how the assessments of the Board, its board committees and each director have been conducted, including the identity of any external facilitator and its connection, if any, with the company or any of its directors.

The NC undertakes an annual evaluation of the overall effectiveness of the Board as a whole, its Board Committees, as well as the contribution by the Chairman and each individual Director to the Board.

The performance criteria for the evaluation of the effectiveness of the Board as a whole and its Board Committees, include Board commitment, standard of conduct, competency, accountability, training & development and interaction with Directors, management and stakeholders.

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

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

The completed questionnaires were collated by the Company Secretary and the results of the evaluation exercise were subsequently considered by the NC, before making recommendations to the Board, aimed at assisting the Board's abilities to discharge its duties more effectively. Following the review of the questionnaire assessment of the Board for FY2019, both the NC and the Board are of the view that the performance of the Board as a whole is satisfactory. The NC is satisfied that each member of the Board has effectively and efficiently contributed to the Board and the Group during the year.

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

Each member of the NC shall abstain from voting on any resolutions and making any recommendation and/or participating in any deliberations of the NC in respect of the assessment of his/her own performance or re-nomination as director. Accordingly, Mr Tan Chow Boon and Mr Ho Boon Chuan Wilson, as members of the NC has abstained from voting on any resolutions in respect of the assessment of his/her performance and re-nomination as a Director.

CORPORATE GOVERNANCE REPORT

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Provision 6.1: The Board establishes a Remuneration Committee ("RC") to review and make recommendations to the Board on: (a) a framework of remuneration for the Board and key management personnel; and (b) the specific remuneration packages for each director as well as for the key management personnel.

Provision 6.2: The RC comprises at least three directors. All members of the RC are non-executive directors, the majority of whom, including the RC Chairman, are independent.

Provision 6.3: The RC considers all aspects of remuneration, including termination terms, to ensure they are fair.

Provision 6.4: The Company discloses the engagement of any remuneration consultants and their independence in the company's annual report.

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

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

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

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

*Independent Director

CORPORATE GOVERNANCE REPORT

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

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

- reviewing and recommending the remuneration of the Non-Executive Directors and Independent Directors, taking into account factors such as their effort, time spent and their responsibilities;

- reviewing and administering the award of shares and/or share options to Directors and employees under the employee performance share plan and/or employee share option scheme adopted by the Company;

- reviewing and determining the contents of any service contracts for any Directors or key management personnel; and

- carrying out other duties as may be agreed by the RC and the Board, subject always to any regulations or restrictions that may be imposed upon the RC by the Board from time to time.

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

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

Where necessary, the RC will consult external professionals on remuneration matters of the Directors and key management personnel. No remuneration consultants were engaged by the Company in FY2019.

Level and Mix of Remuneration

Principle 7: ***The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.***

CORPORATE GOVERNANCE REPORT

Provision 7.1: A significant and appropriate proportion of executive directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the company.

Provision 7.2: The remuneration of non-executive directors is appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities.

Provision 7.3: Remuneration is appropriate to attract, retain and motivate the directors to provide good stewardship of the company and key management personnel to successfully manage the company for the long term.

The remuneration of Executive Director and key management personnel comprise a fixed component (basic salary) and a variable component (variable performance bonus and benefits-in-kind (if applicable)). As such, a significant and appropriate proportion of the remuneration of the Executive Director and key management personnel is aligned to link rewards to both corporate and individual performance, where the annual variable bonus performance-related remuneration is aligned with the interests of shareholders to promote long-term success of the Group. The Executive Director does not receive Directors' fees but is remunerated as member of Management.

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

The remuneration of Non-Executive Directors is in the form of a fixed fee which will be subjected to shareholders' approval at the AGM. Directors who also serve as Chairman of each Board Committee receives additional fees in respect of their service as Chairman of the respective Board Committees. Accordingly, the RC is also of the view that the proposed remuneration of Non-Executive Directors for FY2019 is appropriate to the level of contribution, taking into account the Directors' respective roles and responsibilities in the Board and Board Committees, as well as the frequency of such meetings. Each member of the RC abstains from deliberating and voting on any resolutions in respect of his own remuneration package.

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

The RC also oversees the administration of the Kim Heng Share Employee Share Option Scheme ("**Kim Heng ESOS**") and Kim Heng Performance Share Plan ("**Kim Heng PSP**") (as well as such other similar share plans as may be implemented by the Company from time to time) upon the terms of reference as defined in the Kim Heng ESOS and Kim Heng PSP. Both Kim Heng ESOS and Kim Heng PSP, which were established on 26 December 2013, had a 10-year tenure commencing on the establishment date.

CORPORATE GOVERNANCE REPORT

Disclosure on Remuneration

Principle 8: The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provision 8.1: The Company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of: (a) each individual director and the CEO; and (b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S$250,000 and in aggregate the total remuneration paid to these key management personnel.

Provision 8.2: The Company discloses the names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S$100,000 during the year, in bands no wider than S$100,000, in its annual report. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.

Provision 8.3: The Company discloses in its annual report all forms of remuneration and other payments and benefits, paid by the company and its subsidiaries to directors and key management personnel of the company. It also discloses details of employee share schemes.

Details of the remuneration of the Directors and key management personnel of the Group for FY2019 are set out below:

	Breakdown of Remuneration in Percentage (%)				
Directors	**Fees (%)**	**Salary (%)**	**Benefits-in-kind (%)**	**Variable Bonus* (%)**	**Total (%)**
From S$250,000 and below					
Ong Sie Hou Raymond	100	–	–	–	100
Ho Boon Chuan Wilson	100	–	–	–	100
Tan Chow Boon	100	–	–	–	100
From S$500,001 to S$1,000,000					
Tan Keng Siong Thomas	–	98	2	–	100

CORPORATE GOVERNANCE REPORT

Key Management	Designation	Breakdown of Remuneration in Percentage (%)			
		Salary (%)	Benefits-in-kind (%)	Variable Bonus (%)	Total (%)
From S$250,000 and below					
Michael Law Sai Leung	Chief Financial Officer	100	–	–	100
Tan Wen Hao Justin Anderson	COO-Offshore & Marine	100	–	–	100
From S$250,001 to S$500,000					
Yeo Seh Hong	COO-Oilfield Services	92	8	–	100
Tan Keng Hoe Melvin	Chief Technical Officer	95	5	–	100

In aggregate, the total remuneration (including CPF contribution, bonus and benefits-in-kind) paid to the top four (4) key management personnel (who are not Directors or the CEO) in FY2019 was S$1,025,840.

Provision 8.1 of the Code stipulates that the Company should disclose the names, amounts and breakdown of remuneration of each individual director and the CEO. However, to maintain confidentiality on the remuneration policies of the Company, the Board is of the view that it is in the best interests of the Company to keep the disclosure of remuneration of each individual Director and key management personnel in salary bands.

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

For FY2019, save for (i) Ms Tan Peck Ling Jocelyn (Head of Corporate Services), (ii) Ms Tan Peck Ching Jeliane (Head of Supply Chain) and (iii) Mr Tan Wen Hao Justin Anderson (COO-Offshore & Marine), being the children of Mr Tan Keng Siong Thomas (the Executive Chairman, CEO and substantial shareholder of the Company), whose remuneration band is between S$100,001 to S$150,000, as well as (iv) Mr Tan Keng Hoe Melvin (Chief Technical Officer), being the brother of Mr Tan Keng Siong Thomas, whose remuneration is between S$250,001 to S$300,000, none of the other full-time employees are related to the Directors, CEO or substantial shareholders of the Company.

For avoidance of doubt, Mr Tan Wen Hao Justin Anderson had subsequently been appointed as Chief Operating Officer-Offshore and Marine on 1 April 2020. In line with the appointment, Ms Yeo Seh Hong had been redesignated as COO-Oilfield Services and Mr Tan Keng Hoe Melvin had also been redesignated as Chief Technical Officer on 1 April 2020.

The RC is of the view that their remuneration are in line with the Company's staff remuneration guidelines and commensurate with their job scopes and level of responsibilities.

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

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The Company has adopted a performance share plan known as the "Kim Heng Performance Share Plan" ("**Kim Heng PSP**") and a share option scheme known as the "Kim Heng Employee Share Option Scheme" ("**Kim Heng ESOS**") in conjunction with the listing of the Company on the Catalist of the SGX-ST, which were approved by its shareholders at an extraordinary general meeting held on 26 December 2013. Both the Kim Heng PSP and Kim Heng ESOS will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. Both the PSP and ESOS form an integral and important component of the compensation plan and are designed primarily to reward and retain employees whose services are vital to the growth and performance of the Company and the Group.

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

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

Provision 9.1: The Board determines the nature and extent of the significant risks which the company is willing to take in achieving its strategic objectives and value creation. The Board sets up a Board Risk Committee to specifically address this, if appropriate.

Provision 9.2: The Board requires and discloses in the company's annual report that it has received assurance from: (a) the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and (b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems.

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

The Company has engaged a professional services firm, PricewaterhouseCoopers Risk Services Pte. Ltd. ("**PwC**" or "**internal auditors**") to carry out internal controls reviews, as instructed by the ARC, as part of the Group's annual internal audit plan approved by the ARC.

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

Based on the internal controls established and maintained by the Group, work performed by the internal auditors and the external auditors, and reviews performed by the Management, the Board with the concurrence of the ARC on an annual basis, is of the opinion that the Group's risk management and internal control systems put in place during FY2019 to address financial, operational, compliance and information technology risks, are adequate and effective. The Board has received assurances from the CEO and the Chief Financial Officer ("**CFO**") that:

(a) the financial records of the Group have been properly maintained and the financial statements for FY2019 give a true and fair view of the Group's operations and finances, and are prepared in accordance with the relevant accounting standards; and

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

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

CORPORATE GOVERNANCE REPORT

Audit and Risk Committee

Principle 10: The Board has an Audit and Risk Committee which discharges its duties objectively.

Provision 10.1 The duties of the ARC include:

(a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;

(b) reviewing at least annually the adequacy and effectiveness of the company's internal controls and risk management systems;

(c) reviewing the assurance from the CEO and the CFO on the financial records and financial statements;

(d) making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;

(e) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the company's internal audit function; and

(f) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns.

Provision 10.2: The ARC comprises at least three directors, all of whom are non-executive and the majority of whom, including the ARC Chairman, are independent. At least two members, including the ARC Chairman, have recent and relevant accounting or related financial management expertise or experience.

Provision 10.3: The ARC does not comprise former partners or directors of the company's existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

Provision 10.4: The primary reporting line of the internal audit function is to the ARC, which also decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has unfettered access to all the company's documents, records, properties and personnel, including the ARC, and has appropriate standing within the company.

Provision 10.5: The ARC meets with the external auditors, and with the internal auditors, in each case without the presence of Management, at least annually.

CORPORATE GOVERNANCE REPORT

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

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

*Independent Director

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

The ARC meets on a quarterly basis and plays a key role in assisting the Board to review significant financial reporting issues and judgments to ensure the quality and integrity of the accounting reports, the audit procedures, internal controls, financial statements and any announcements relating to the Group's financial performance, as well as the risk management functions. Where the external auditors raise any significant issues (e g adjustments) which has a material impact on the interim financial statement or financial updates previously announced by the Company, the ARC will bring this to the Board's attention, and the Board will then consider whether an immediate announcement under Rule 703 of the Catalist Rules is required. The ARC will also advise the Board if changes are needed to improve the quality of future interim financial statements or financial updates.

The ARC meets with the external auditors and internal auditors without the presence of the Management, at least annually.

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

- assisting the Board in discharging its responsibilities on financial reporting matters;

- reviewing, with the internal and external auditors, the audit plans, scope of work, their evaluation of the system of internal accounting controls, their management letter and the Management's response, and results of their audits compiled by the internal and external auditors;

- reviewing the periodic consolidated financial statements and results announcements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with financial reporting standards as well as compliance with the Catalist Rules and any other statutory and regulatory requirements;

- reviewing the effectiveness and adequacy of the internal control procedures addressing financial, operational and compliance risks, and ensure co-ordination between the internal and external auditors, and the Management, reviewing the assistance given by the Management to the auditors, and discussing problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the Management where necessary);

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE REPORT

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

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

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As at date of this Report, in FY2019, the ARC has:

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

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

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

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

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

(vi) reviewed interested person transactions of the Company;

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

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

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

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

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

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

Key Audit Matters

Subsequent to the discussions with Management and the external auditors, the ARC has determined that the following matters are the key audit matters, amongst other significant matters considered in relation to the Group's financial statements for the year ended 31 December 2019. The table below indicates how these matters were discussed and addressed:

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Key audit matter</th><th>Action</th></tr>
<tr><td>Going concern basis of accounting</td><td> The Group reported a net loss before tax of $6.75 million for the financial year ended 31 December 2019. Excluding the carrying amounts of the Group's leasehold land and building located at No. 48 Penjuru Road Singapore 609152 (the "Property") and two cranes, which have been classified as "assets held-for-sale" of $27.8 million, and the related loans and borrowings and lease liabilities of $11.9 million, the Group's current liabilities exceeded its current assets by approximately $8.0 million as at 31 December 2019.
The Audit and Risk Committee has evaluated Mangement's assessment of the Group ability to continue as a going concern, relying on the following sources of liquidity and funding available to the Group:
(i) Evaluation of the cash flows forecast prepared by the Management and the future cash inflows from the Group's operating activities for the financial year ending 31 December 2020;
(ii) The proposed sale of the Property will strengthen the Group's cash position by approximately $10 million after the settlement of the outstanding loan related to the Property;
(iii) The Group has successfully secured and received additional working capital loan of $0.6 million under the Enterprise Financing Scheme SME Working Capital Loan subsequent to balance sheet date;
(iv) The Group has completed the disposal of certain cranes classified as held-for-sale for an aggregate consideration of $1.25 million subsequent to the balance sheet date; and
(v) Management has also considered various measures, which include but not limited to, (a) the Jobs Support Scheme and its related enhancements, (b) waiver of monthly foreign worker levy due in April 2020 and levy rebates, (c) enhanced financing support under the Temporary Bridging Loan Programme and Enterprise Financing Scheme and (d) enhanced rental waivers for industrial and office tenants of government agencies as announced in the Unity Budget on 18 February 2020, the Resilience Budget on 26 March 2020 and the Solidarity Budget on 6 April 2020 respectively.
The Audit and Risk Committee has evaluated the sources of liquidity and funding available to the Group and discussed with the auditors on their evaluation and concurred with the Management's assessment of the Group's ability as a going concern. </td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Key audit matter	Action
Impairment testing of non-financial assets, including investments in subsidiaries	The Group's non-financial assest comprises of property, plant and equipment. In view of the recurring losses and difficult industry conditions, Management performed an impairment assessment of its property, plant and equipment. The Audit and Risk Committee has reviewed the Management's assessment and discussed with the auditors on the methodology of Management's impairment assessment. The Audit and Risk Committee concurred with the Management's assessment and found that the allowance for impairment loss on property, plant and equipment is adequate.
Allowance for doubtful trade receivables	The Group records impairment losses in accordance with SFRS(I) 9, where impairment losses are now based on expected credit loss (ECL) rather than incurred loss model. The Audit and Risk Committee has reviewed the Management's assessment of allowance for doubtful debts and discussed with the auditors on their review of the reasonableness. The Audit and Risk Committee concurred with the Management's assessment on the allowance for doubtful debt and found that allowance for doubtful debt is adequate.
Measurement of Leasehold Property recorded as Assets held-for-sale	On 30 December 2019, the Group entered into a conditional Option to Purchase with a third party for the proposed sale of the Property for an aggregate consideration of $18.5 million ("**Sale Price**"). The market value and the forced sale value of the Property as at 31 December 2019 amounted to S$22 million and S$16 million respectively. This was based on a valuation report prepared by an independent professional valuer, determined using the market approach and was cross-checked with the income capitalisation approach. Management is of the view that the market value determined by the independent professional valuer reflects the highest and best use of the Property at the measurement date. Accordingly, an impairment loss of $2.6 million was recorded in the consolidated statement of comprehensive income in the financial year ended 31 December 2019. Management will record a further loss on disposal amounting to $3.5 million to write-down the carrying amount of the Property to its Sale Price upon the completion of the sale of the said Property. The Audit and Risk Committee has reviewed the Management's assessment and discussed with the auditors on the measurement of the Property recorded as Assets held-for-sale. The Audit and Risk Committee concurred with the Management's assessment and found the measurement of leasehold property recorded as Assets held-for-sale to be appropriate.

CORPORATE GOVERNANCE REPORT

The aggregate amount of audit and non-audit fees paid or payable to the external auditors, Foo Kon Tan LLP, for FY2019 are S$149,500 and S$34,000 respectively. The ARC has undertaken a review of the volume and nature of the non-audit services provided by the external auditors to the Group and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The ARC has recommended to the Board the nomination of Foo Kon Tan LLP for re-appointment as auditors of the Company at the forthcoming AGM. The Group has also complied with Rules 712 and 715 of the Catalist Rules in relation to the appointment of its external auditors.

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

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

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

Whistle Blowing Policy

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

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

The ARC's responsibilities over the Group's internal controls and risk management are complemented by the work of the internal auditors. The internal auditors have unrestricted direct access to all of the Group's documents, records, properties and personnel and reports directly to the ARC on all internal audit matters, in respect of covering the scope of their reviews as part of the Group's annual internal audit plan for FY2019. The Group's annual internal audit plan is submitted to ARC for approval prior to the commencement of the internal controls reviews and PwC plans their internal controls review schedules in consultation with the Management.

Having reviewed the Group's annual internal audit plan, the ARC is satisfied that the internal auditors are independent, adequately resourced, with staff equipped with the relevant qualifications and experience, to perform the internal controls reviews effectively and to meet the needs of the Group in its current business environment.

The hiring, removal, evaluation of the internal auditors and compensation to be paid to them is recommended by the ARC and approved by the Board.

CORPORATE GOVERNANCE REPORT

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11: The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Provisions 11.1: The company provides shareholders with the opportunity to participate effectively in and vote at general meetings of shareholders and informs them of the rules governing general meetings of shareholders.

Provision 11.2: The company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the company explains the reasons and material implications in the notice of meeting.

Provision 11.3: All directors attend general meetings of shareholders, and the external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. Directors' attendance at such meetings held during the financial year is disclosed in the company's annual report.

Provision 11.4: The company's Constitution (or other constitutive documents) allow for absentia voting at general meetings of shareholders.

Provision 11.5: The Company publishes minutes of general meetings of shareholders on its corporate website as soon as practicable. The minutes record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board and management.

Provision 11.6: The Company has a dividend policy and communicates it to shareholders.

Engagement with Shareholders

Principle 12: The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Provision 12.1: The company provides avenues for communication between the Board and all shareholders, and discloses in its annual report the steps taken to solicit and understand the views of shareholders.

Provision 12.2: The company has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders.

CORPORATE GOVERNANCE REPORT

Provision 12.3: The company's investor relations policy sets out the mechanism through which shareholders may contact the company with questions and through which the company may respond to such questions.

The Group recognises the importance of maintaining transparency and accountability to its shareholders. The Board ensures that all the Company's shareholders are treated equitably and the rights of all investors, including non-controlling shareholders, are protected. In line with the continuing disclosure obligations of the Company pursuant to the Catalist Rules and the Companies Act (Chapter 50) of Singapore, the Group is committed to providing shareholders with adequate, timely and relevant information pertaining to the Group's business developments, financial performance and other factors which could have a material impact on the Company's share price. The Company communicates with shareholders and the investing community through the timely release of announcements via SGXNET.

To enhance the above practices, the Company has established a channel to enable the shareholders to contact the Company's Investor Relations through a designated email as disclosed in the corporate information section.

With effect from 7 February 2020, following the revisions to the quarterly reporting framework of the Catalist Rules, the Group will cease to release its financial statements results announcement on a quarterly basis. Instead, financial statements results announcements of the Group will be released within 45 days from the end of the Group's half-year period, and 60 days from the full financial year end.

Notwithstanding the Board's decision to cease quarterly reporting due to, inter alia, management time, administrative efforts and costs required in connection therewith, the Board notes the importance of engaging and communicating with its shareholders under Principle 11 and 12 of the Code. In this respect, the Board will continue to monitor and will consider whether interim updates will be provided to shareholders on a voluntary basis, as well as the type of information which shareholders would deem useful and relevant to get a better understanding of the Company's performance in the context of the current business environment, in addition to the Group's mandatory financial statements. Such information would include, *inter alia*, a discussion of the significant factors that affected the company's interim performance, relevant market trends including the risks and opportunities that may have a material impact on the Company's prospects.

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

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

The Board notes that Provision 11.6 of the Code sets out that the company should have a dividend policy and communicates it to shareholders. However, as at the date of this Report, the Company does not have a fixed dividend policy. Nonetheless, the Company is of the view that the following disclosure would constitute a balanced and understandable assessment of its position on a dividend policy, and such practice is consistent with the intent of Principle 11 of the Code. Additionally, the Company also discloses the reasons for the decision of the Board not to declare or recommend a dividend, together with the announcement of the financial statements, which is in line with Rule 704(23) of the Catalist Rules.

CORPORATE GOVERNANCE REPORT

In considering the form, frequency and amount of dividends that the Board may recommend or declare in respect of any particular year or period, the Board takes into account various factors including:

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

Any payouts of dividend are clearly communicated to shareholders in public announcements and via announcements on SGXNET when the Company discloses its financial results. No dividend was declared or recommended for FY2019 as the Group has been incurring losses. It is the Group's intention to conserve cash for working capital and business expansion purposes.

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

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

The Company's Constitution allows all shareholders to appoint not more than two proxies to attend general meetings and vote on their behalf. Presently, the Company's Constitution does not allow a shareholder to vote in absentia, such as via mail, electronic mail or facsimile. This is not in line with Provision 11.4 of the Code, where the Company's Constitution should allow for absentia voting at general meetings of shareholders. As the authenticity of shareholders' identity and other related integrity issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia.

Separate resolutions on each distinct issue are tabled at general meetings and explanatory notes are set out in the notices of general meetings where appropriate. The Company shall avoid "bundling" resolutions unless the issues are interdependent and linked so as to form one significant proposal. In situations where resolutions are "bundled", the Company will provide clear explanations on the reasons and material implications in the notice of meeting.

All Directors including Chairman of the Board and the respective Chairman of the Board Committees, the Management, legal professionals and the external auditors are intended to be in attendance at the AGMs to address any queries of the shareholders.

The Company will record the minutes of general meetings that include substantial and pertinent comments from shareholders relating to the agenda of the meetings and responses from the Board and Management. Such minutes will be made available to shareholders upon their written request. The Company does not publish minutes of general meetings of shareholders on its corporate website as contemplated by Provision 11.5 of the Code. There are potential adverse implications for the Company if the minutes of general meetings are published to the public at large (outside the confines of a shareholders' meeting), including risk of litigation if defamatory statements are made during the meeting. The Company is of the view that its practices are consistent with the intent of Principle 11 of the Code as shareholders have a right to attend general meetings either in person or by proxy, where they may exercise their right to speak and vote and have the opportunity to communicate their views on various matters affecting the Company. Further, shareholders, including those who did not attend the relevant general meeting, have a statutory right to be furnished copies of minutes of general meetings in accordance with Section 189 of the Companies Act.

CORPORATE GOVERNANCE REPORT

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

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

Provision 13.1: The Company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups.

Provision 13.2: The Company discloses in its annual report its strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.

Provision 13.3: The Company maintains a current corporate website to communicate and engage with stakeholders.

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

The Company's engagement with all stakeholders is set out in detail in the Sustainability Report which will be published as a standalone report within five months from its financial year end. The Company ensures that all material information relating to the Company and its financial performance is disclosed in a timely manner via SGXNet.

The Company also maintains a current corporate website, at https://www.kimheng.com.sg, on which financial and other information to be communicated to members of the public are made available.

OTHER CORPORATE GOVERNANCE MATTERS

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

DEALINGS IN SECURITIES

(Rule 1204(19) of the Catalist Rules)

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

The Group has adopted an internal compliance code to provide guidance to its Directors and all employees of the Group with regards to dealings in the Company's securities. The code prohibits dealing in the Company's securities by the Directors and employees of the Group while in possession of unpublished price sensitive information. Directors and employees are not allowed to deal in the Company's securities on short-term considerations and during the period of two (2) weeks before the date of announcement of its quarterly financial results and one

CORPORATE GOVERNANCE REPORT

(1) month before the announcement of the Company's full year financial results. The Company, Directors and employees are also required to adhere to the provisions of the Securities and Futures Act (Chapter 289) of Singapore, Companies Act (Chapter 50) of Singapore, the Catalist Rules and any other relevant regulations with regards to their securities transactions. They are also expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

Following the cessation of quarterly reporting of its financial results with effect from 7 February 2020, the Directors, Management and officers of the Group who have access to price-sensitive, financial or confidential information are prohibited to deal in the Company's shares during the period commencing one (1) month before the announcement of the Company's half year and full year financial statements.

INTERESTED PERSON TRANSACTIONS
(Rule 907 of the Catalist Rules)

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

The ARC and the Board have reviewed all interested person transactions for FY2019. There were no interested party transactions of aggregate value of S$100,000 or more for FY2019.

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

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

Save for the service agreement between the Company and the Executive Director, disclosures above in the "Interested Person Transactions" section and except as disclosed in this Report, Directors' Report and the audited financial statements of the Company for FY2019, there were no other material contracts of the Company and its subsidiaries involving the interests of the CEO or any Director or controlling shareholder, either subsisting at the end of the financial year reported on or if not then subsisting, which were entered into since the end of the previous financial year.

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

No non-sponsor fees were paid to the Company's sponsor, SAC Capital Private Limited in FY2019.

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

FINANCIAL CONTENTS

DIRECTORS' STATEMENT

The directors submit this statement to the members of the Company together with the audited consolidated financial statements of the Group and statement of financial position of the Company for the financial year ended 31 December 2019.

In our opinion:

(a) the accompanying financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, having regard to the matters disclosed in Note 2, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

Name of directors

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

Tan Keng Siong Thomas	(Executive Chairman and Chief Executive Officer)
Ho Boon Chuan Wilson	(Independent Director)
Ong Sie Hou Raymond	(Independent Director)
Tan Chow Boon	(Non-Executive Director)

Directors' interests in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act, Cap. 50, none of the directors who held office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Shareholdings registered in the name of directors		Shareholdings in which directors are deemed to have an interest	
	As at 1.1.2019	**As at 31.12.2019**	As at 1.1.2019	**As at 31.12.2019**
The Company	**Number of ordinary shares**			
Tan Keng Siong Thomas	4,075,000	**100,000**	299,200,000	**279,649,400**
Tan Chow Boon	–	**–**	124,999,600	**124,999,600**
Ong Sie Hou Raymond	100,000	**100,000**	–	**–**
Ho Boon Chuan Wilson	100,000	**100,000**	–	**–**

DIRECTORS' STATEMENT

Directors' interests in shares or debentures (Cont'd)

By virtue of Section 7 of the Act, Tan Keng Siong Thomas is deemed to have interests in the shares of the Company held by KH Group Holdings Pte. Ltd. Tan Keng Siong Thomas, by virtue of his interests of not less than 20% of the issued share capital of the Company, is deemed to have an interest in the whole of the share capital of the Company's wholly-owned subsidiaries. Tan Chow Boon is deemed to have interests in the shares of the Company held by Credence Capital Fund II (Cayman) Limited.

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

There are no changes to the above shareholdings as at 21 January 2020.

Share options and share-based incentive

<u>Kim Heng Employee Share Option Scheme 2013 ("Kim Heng ESOS") and Kim Heng Performance Share Plan 2013 ("Kim Heng PSP")</u>

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

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

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

Audit & Risk Committee

The Audit & Risk Committee at the end of the financial year comprises the following members:

Ho Boon Chuan Wilson (Chairman)
Ong Sie Hou Raymond
Tan Chow Boon

The Audit & Risk Committee performs the functions set out in Section 201B(5) of the Singapore Companies Act, Chapter 50, the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("Catalist Rules") and the Code of Corporate Governance. In performing those functions, the Audit & Risk Committee reviewed the following:-

(i) overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls;

DIRECTORS' STATEMENT

Audit & Risk Committee (Cont'd)

(ii) the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;

(iii) the quarterly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2019 as well as the auditor's report thereon;

(iv) effectiveness of the Company's material internal controls, including financial, operational and compliance controls and information technology controls and risk management systems via reviews carried out by the internal auditors;

(v) met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit & Risk Committee;

(vi) reviewed legal and regulatory matters that may have a material impact to the financial statements, related compliance policies and programmes and any reports received from regulators;

(vii) reviewed the cost effectiveness and the independence and objectivity of the external auditor;

(viii) reviewed the nature and extent of non-audit services provided by the external auditor;

(ix) recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;

(x) reported actions and minutes of the Audit & Risk Committee to the Board of Directors with such recommendations as the Audit & Risk Committee considered appropriate;

(xi) reviewed with the Board of Directors and management the possible risks or exposures that may exist and identifying the necessary steps to take in order to minimise such risks to the Company; and

(xii) interested person transactions (as defined in Chapter 9 of the Catalist Rules.

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

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

Further details regarding the Audit & Risk Committee are provided in the Report on Corporate Governance.

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

DIRECTORS' STATEMENT

Independent auditor

At the extraordinary general meeting of the Company held on 8 August 2019, Foo Kon Tan LLP was appointed as the independent auditor of the Company.

The independent auditor, Foo Kon Tan LLP, Public Accountants and Chartered Accountants, has expressed its willingness to accept re-appointment.

On behalf of the Directors

TAN KENG SIONG THOMAS

TAN CHOW BOON

Dated: 15 April 2020

INDEPENDENT AUDITOR'S REPORT

To the members of Kim Heng Offshore & Marine Holdings Limited and its subsidiaries

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kim Heng Offshore & Marine Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

To the members of Kim Heng Offshore & Marine Holdings Limited and its subsidiaries

Key Audit Matters (Cont'd)

1. Going concern basis of accounting

The Group reported a net loss before tax of $6.75 million and total comprehensive loss of $7.1 million for the financial year ended 31 December 2019. Excluding the carrying amounts of the Group's leasehold land and building located at No. 48 Penjuru Road Singapore 609152 (the "Property") and two cranes, which have been classified as "assets held-for-sale" of $27.8 million, and the related loans and borrowings and lease liabilities of $11.9 million, the Group's current liabilities exceeded its current assets by approximately $8.0 million as at 31 December 2019.

Management's basis for preparing the financial statements on a going concern basis as at 31 December 2019 is provided in Note 2. In assessing the appropriateness of the use of going concern basis of accounting in the preparation of the financial statements, management has considered the following sources of liquidity and funding available to the Group:

(1) Future cash inflows from the Group's operating activities for the financial year ending 31 December 2020;

(2) The proposed sale of the Property will strengthen the Group's cash position by approximately $10 million after the settlement of the outstanding loan related to the Property;

(3) The Group has completed the disposal of certain cranes classified as held-for-sale for an aggregate consideration of $1.25 million subsequent to the balance sheet date;

(4) The Group has successfully secured and received an additional working capital loan of $0.6 million under the Enterprise Financing Scheme SME Working Capital Loan subsequent to balance sheet date; and

(5) Management has also considered various measures, which include but not limited to (a) the Jobs Support Scheme and its related enhancements, (b) waiver of monthly foreign worker levy due in April 2020 and levy rebates, (c) enhanced financing support under the Temporary Bridging Loan Programme and Enterprise Financing Scheme and (d) enhanced rental waivers for industrial and office tenants of government agencies as announced in the Unity Budget on 18 February 2020, the Resilience Budget on 26 March 2020 and the Solidarity Budget on 6 April 2020 respectively.

This assessment involves consideration of future events and there is a risk that the future events do not occur as expected and the variations may be material, and the required disclosures in the financial statements may be inadequate.

Our response and work performed:

We evaluated management's assessment of the Group's ability to continue as a going concern, relying on the sources of liquidity and funding available to the Group. We challenged management on the key assumptions used in the cash flows forecasts for the next 12 months from the balance sheet date. We also assessed if these forecasts are reasonable by performing sensitivity analyses on the forecasts by considering potential downside scenarios and the resultant impact on available funds. We have also considered the liquidity and recoverability of existing financial and non-financial assets on the balance sheet, including inquiries with management on the status of the completion of the sale of the Property, which will strengthen the Group's cash position in the next 12 months.

We have also reviewed the terms of the Group's bank loans and trade finance facilities, including bank overdraft facility and the amount available for drawdown. We have also sighted to the letter of one-time waiver from the financial institution.

Disclosure of the pertinent information has also been set out in Note 2 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

To the members of Kim Heng Offshore & Marine Holdings Limited and its subsidiaries

Key Audit Matters (Cont'd)

2. Impairment testing of non-financial assets, including investments in subsidiaries

The Group continues to incur losses before tax for the financial year ended 31 December 2019 due to difficult market conditions. Furthermore, the market capitalisation of the Company was lower than the Group's and the Company's net assets as at the balance sheet date. These indicate that (i) the Group's non-financial assets, comprising property, plant and equipment which is made up of a building on leasehold land, vessels, machinery and equipment and right-of-use assets arising from the adoption of SFRS(I) 16 – *Leases;* and (ii) the Company's investment in a subsidiary, including non-trade advances extended to the subsidiary, may be impaired.

An impairment loss is recognised for the amount by which an asset's or cash-generating units' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of value in use and fair value less costs of disposal.

The assessment of the recoverable amounts of the Group's non-financial assets is determined using the fair value less cost of disposal while the realisable net assets value approach is used to determine the recoverable amount of the Company's cost of investment in its subsidiary. The fair value less cost of disposal was determined by independent professional valuers ("management experts"). We consider the impairment testing of these non-financial assets to be a significant risk area due to judgemental nature of key assumptions and techniques used by the management experts and the significance of the carrying amounts of these assets in the statements of financial position of the Group and of the Company.

Our response and work performed:

We assessed the appropriateness of management's identification of the cash generating units ("CGUs") through making inquiries with management and our understanding of the Group's operations and its internal management reporting process.

We evaluated management's assessment of impairment by comparing the carrying values of the non-financial assets with their recoverable amounts determined based on fair value less cost of disposal or realisable net assets value, to determine if any impairment loss is required.

We assessed the competencies and objectivities of the management experts. We involved our auditor's expert to assist us in evaluating the valuation methodologies and assessing the appropriateness of key assumptions used, inter alia, the specifications and the age of the property, plant and equipment. We evaluated the competency and objectivity of the auditor's expert and the adequacy of the work performed by the auditor's experts.

Disclosure of the pertinent information has also been set out in Notes 4 and 5 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

To the members of Kim Heng Offshore & Marine Holdings Limited and its subsidiaries

Key Audit Matters (Cont'd)

3. Assessment of allowance for doubtful trade receivables

The Group's trade receivables as at 31 December 2019 amounted to $7.7 million, representing 7% of the Group's total assets. The collectability of trade receivables is a key element of the Group's working capital management, which is managed on an ongoing basis by management. Management determines impairment of trade receivables by making debtor-specific assessment for credit-impaired debtors. For the remaining group of debtors, management provides lifetime expected credit losses using a provision matrix. The provision rates are determined based on the Group's historical default rates analysed in accordance to days past due by grouping customers based on the customer profiles, adjusted for current and forward-looking information. This area is a key audit matter due to the amounts involved, as well as the inherent subjectivity that was involved in making judgement by the management in relation to assumptions used in the expected credit loss ("ECL") model such as forward-looking macroeconomic factors.

Our response and work performed:

As part of our audit, we assessed the Group's processes and key controls relating to the monitoring of trade receivables including the process in determining whether a debtor is credit impaired and the Group's processes in collating the key data sources and assumptions for data used in the ECL model. We reviewed the key data sources and assumptions for data used in the determination of default rate and the correlation between the default rate and the current and forward looking adjustment factor. We considered the age of the debts as well as the trend of collections to identify the collection risks. We obtained trade receivable confirmations and reviewed for collectability by way of obtaining evidence of receipts from the debtors on a sampling basis subsequent to the balance sheet date. We also considered the disclosures in the financial statements about the extent of estimation and judgement involved in determining allowance for doubtful debts.

Disclosure of the pertinent information has also been set out in Notes 9 and 28 to the financial statements respectively.

4. Measurement of Leasehold Property recorded as Assets held-for-sale

On 30 December 2019, the Group entered into a conditional Option to Purchase ("OTP") with a third party (the "Purchaser") for the proposed sale of the Property for an aggregate consideration of $18.5 million ("Sale Price"). An initial deposit of $185,000, being 1% of the Sale Price, was received on 30 December 2019. On 29 January 2020, the Purchaser exercised the OTP and a further S$740,000 (i.e. 4% of the Sale Price) has been paid and retained by the Singapore Academy of Law. The sale of the Property to the Purchaser is subject to JTC approval as at the date of this audit report. This approval is not a formality and is a substantive matter and condition for the sale to be completed.

INDEPENDENT AUDITOR'S REPORT

To the members of Kim Heng Offshore & Marine Holdings Limited and its subsidiaries

Key Audit Matters (Cont'd)

4. Measurement of Leasehold Property recorded as Assets held-for-sale (Cont'd)

The market value of the Property as at 31 December 2019 amounted to $22 million. This was based on a valuation report prepared by an independent professional valuer, determined using the market approach and was cross-checked with the income capitalisation approach. Management is of the view that the market value determined by the independent professional valuer reflects the highest and best use of the Property at the measurement date. Accordingly, an impairment loss of $2.6 million was recorded in the consolidated statement of comprehensive income in the current financial year ended 31 December 2019. Management will record a further loss on disposal amounting to $3.5 million to write-down the carrying amount of the Property to its Sale Price upon the completion of the sale of the said Property.

The application of SFRS(I) 5 *Non-Current Asset Held for Sale and Discontinued Operations* is significant to our audit because the transaction is non-routine and involves significant management judgement such as the measurement of the Property classified as held-for-sale and whether the valuation by the independent professional valuer represents the highest and best use of the Property.

Our response and work performed:

We read and reviewed the executed agreement to evaluate and determine the appropriate treatment of the transaction in accordance with the requirements of SFRS(I) 5. We held meetings and performed inquires with management to obtain an understanding of the disposal process as well as of the particularities and contingencies of the executed agreement and challenged management's assertion on why the Sale Price does not represent the highest and best use of the Property.

We assessed the competency and objectivity of the independent professional valuer ("management expert) and obtained an understanding of the work of the management expert. We challenged the appropriateness of the key assumptions and methods used by the management expert to available industry data and adjustment factors used. Through our appointed auditor's expert, we considered the valuation methodologies used against those applied by the management expert for similar assets types. In addition, we performed a computation to ascertain that the Property was measured at the lower of the carrying amount and fair value less cost to sell. We have also evaluated the competency and objectivity of the auditor's expert and the adequacy of the work performed by the auditor's expert.

Disclosure of the pertinent information has also been set out in Note 11 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

To the members of Kim Heng Offshore & Marine Holdings Limited and its subsidiaries

Information Other than the Financial Statements and Auditor's Report Thereon

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

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

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

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

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

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

The directors' responsibilities include overseeing the Group's and the Company's financial reporting processes.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

To the members of Kim Heng Offshore & Marine Holdings Limited and its subsidiaries

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Matter

The financial statements for the financial year ended 31 December 2018 were audited by another firm of auditors whose report dated 5 April 2019 expressed an unmodified opinion on those financial statements.

INDEPENDENT AUDITOR'S REPORT

To the members of Kim Heng Offshore & Marine Holdings Limited and its subsidiaries

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Kong Chih Hsiang, Raymond.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 15 April 2020

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Note	The Group **31 December 2019 $'000**	The Group 31 December 2018 $'000 (restated)	The Group 1 January 2018 $'000 (restated)	The Company **31 December 2019 $'000**	The Company 31 December 2018 $'000
ASSETS						
Non-Current Assets						
Property, plant and equipment	4	**62,386**	102,488	99,359	**–**	–
Right-of-use assets	5	**8,421**	–	–	**–**	–
Club memberships	6	**57**	57	46	**–**	–
Investment in a subsidiary	7	**–**	–	–	**80,127**	36,133
		70,864	102,545	99,405	**80,127**	36,133
Current Assets						
Inventories	8	**242**	168	193	**–**	–
Trade and other receivables	9	**13,856**	10,229	8,753	**1,823**	46,378
Cash and cash equivalents	10	**3,063**	4,952	4,405	**124**	20
		17,161	15,349	13,351	**1,947**	46,398
Assets held-for-sale	11	**27,807**	3,843	11,707	**–**	–
		44,968	19,192	25,058	**1,947**	46,398
Total assets		**115,832**	121,737	124,463	**82,074**	82,531
EQUITY AND LIABILITIES						
Capital and Reserves						
Share capital	12	**74,409**	74,409	74,409	**74,409**	74,409
Treasury shares	12	**(120)**	(110)	(92)	**(120)**	(110)
Reserves	13	**(32,957)**	(32,839)	(32,872)	**–**	–
Retained earnings		**19,718**	27,474	41,498	**3,657**	3,448
Equity attributable to owners of the Company		**61,050**	68,934	82,943	**77,946**	77,747
Non-controlling interests		**830**	20	–	**–**	–
Total equity		**61,880**	68,954	82,943	**77,946**	77,747
Non-Current Liabilities						
Loans and borrowings	14	**10,707**	22,474	17,893	**3,038**	3,822
Lease liabilities	15	**2,845**	–	–	**–**	–
Deferred tax liabilities	16	**3,397**	3,278	2,679	**–**	–
		16,949	25,752	20,572	**3,038**	3,822
Current Liabilities						
Bank overdrafts		**–**	2,985	–	**–**	–
Loans and borrowings	14	**17,983**	12,384	11,510	**784**	738
Lease liabilities	15	**6,736**	–	–	**–**	–
Trade and other payables	17	**12,127**	11,484	8,933	**306**	224
Current tax payables		**157**	178	505	**–**	–
		37,003	27,031	20,948	**1,090**	962
Total liabilities		**53,952**	52,783	41,520	**4,128**	4,784
Total equity and liabilities		**115,832**	121,737	124,463	**82,074**	82,531

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2019

The Group	Note	**Year ended 31 December 2019 $'000**	Year ended 31 December 2018 $'000
Revenue	18	**58,080**	38,060
Cost of sales		**(42,482)**	(32,688)
Gross profit		**15,598**	5,372
Other income	19	**748**	1,244
Distribution expenses		**(1,090)**	(1,056)
Administrative expenses		**(12,015)**	(12,277)
Other expenses		**(7,950)**	(4,428)
Finance costs	20	**(2,040)**	(1,448)
Loss before tax	21	**(6,749)**	(12,593)
Tax expense	22	**(197)**	(915)
Loss for the year		**(6,946)**	(13,508)
Other comprehensive loss after tax:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences (at nil tax)		**(118)**	33
Other comprehensive loss for the year, net of tax		**(118)**	33
Total comprehensive loss for the year		**(7,064)**	(13,475)
Loss attributable to:			
Owners of the Company		**(7,756)**	(13,528)
Non-controlling interests		**810**	20
		(6,946)	(13,508)
Total comprehensive loss attributable to:			
Owners of the Company		**(7,874)**	(13,495)
Non-controlling interests		**810**	20
		(7,064)	(13,475)
Loss per share:			
Basic and diluted loss per share (cents)	23	**(1.09)**	(1.91)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2019

	Share capital $'000	Treasury shares $'000	Merger deficit $'000	Translation reserve $'000	Retained earnings $'000	Equity attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2018, as reported	74,409	(92)	(32,763)	(109)	33,891	75,336	–	75,336
Prior year adjustment (Note 32)	–	–	–	–	7,607	7,607	–	7,607
At 1 January 2018, as restated	74,409	(92)	(32,763)	(109)	41,498	82,943	–	82,943
Loss for the year, as reported	–	–	–	–	(13,528)	(13,528)	20	(13,508)
Other comprehensive income	–	–	–	33	–	33	–	33
Total comprehensive income for the year	–	–	–	33	(13,528)	(13,495)	20	(13,475)
Transactions with owners recognised directly in equity:								
Contributions by and distributions to owners:								
Purchase of treasury shares	–	(18)	–	–	–	(18)	–	(18)
Dividends (Note 12)	–	–	–	–	(496)	(496)	–	(496)
At 31 December 2018, as restated	74,409	(110)	(32,763)	(76)	27,474	68,934	20	68,954
Loss for the year	**–**	**–**	**–**	**–**	**(7,756)**	**(7,756)**	**810**	**(6,946)**
Other comprehensive income	**–**	**–**	**–**	**(118)**	**–**	**(118)**	**–**	**(118)**
Total comprehensive income for the year	**–**	**–**	**–**	**(118)**	**(7,756)**	**(7,874)**	**810**	**(7,064)**
Transactions with owners recognised directly in equity:								
Contributions by and distributions to owners:								
Purchase of treasury shares	**–**	**(10)**	**–**	**–**	**–**	**(10)**	**–**	**(10)**
At 31 December 2019	**74,409**	**(120)**	**(32,763)**	**(194)**	**19,718**	**61,050**	**830**	**61,880**

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 December 2019

	Note	**Year ended 31 December 2019 $'000**	Year ended 31 December 2018 $'000
Cash Flows from Operating Activities			
Loss before taxation		**(6,749)**	(12,593)
Adjustments for:			
Depreciation of property, plant and equipment	4, 21	**7,191**	6,876
Depreciation of right-of-use assets	5, 21	**1,819**	–
Impairment loss recognised on trade and other receivables (net)	21	**47**	736
Impairment loss recognised on property, plant and equipment	4, 21	**3,106**	–
Loss/(gain) on disposal/write-off of property, plant and equipment	19, 21	**694**	(89)
Interest income	19	**(7)**	(6)
Interest expense	20	**2,040**	1,448
Operating profit/(loss) before working capital changes		**8,141**	(3,628)
Changes in inventories		**(74)**	25
Changes in trade and other receivables		**(3,674)**	(2,052)
Changes in trade and other payables		**643**	1,470
Cash generated from/(used in) operations		**5,036**	(4,185)
Income tax paid		**(99)**	(643)
Net cash generated from/(used in) operating activities		**4,937**	(4,828)
Cash Flows from Investing Activities			
Acquisition of club memberships		**–**	(11)
Acquisition of property, plant and equipment	4	**(1,218)**	(3,939)
Acquisition of right-of-use assets		**(390)**	–
Proceeds from disposal of assets held-for-sale	11	**3,843**	–
Proceeds from disposal of property, plant and equipment		**2,293**	2,866
Interest received		**7**	6
Net cash generated from/(used in) investing activities		**4,535**	(1,078)
Cash Flows from Financing Activities			
Dividends paid	12	**–**	(496)
Interest paid		**(2,040)**	(1,448)
Purchase of treasury shares	12	**(10)**	(18)
Repayment of lease liabilities		**(2,979)**	(2,609)
Repayment of term loans		**(5,016)**	(4,976)
Proceeds from trust receipts		**235**	1,990
Proceeds from term loans		**1,500**	11,000
Changes in deposits pledged		**(10)**	395
Net cash (used in)/generated from financing activities		**(8,320)**	3,838
Net increase/(decrease) in cash and cash equivalents		**1,152**	(2,068)
Cash and cash equivalents at beginning of the year		**1,685**	3,728
Effects of exchange rate fluctuations on cash held		**(66)**	25
Cash and cash equivalents at end of the year	10	**2,771**	1,685

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

for the financial year ended 31 December 2019

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings $'000 (Note 14)	Lease liabilities $'000 (Note 15)	Total $'000
At 1 January 2018	29,403	–	29,403
Cash flows:			
- Proceeds from trust receipts	1,990	–	1,990
- Proceeds from term loans	11,000	–	11,000
- Repayment of term loans	(4,976)	–	(4,976)
- Interest paid	(1,448)	–	(1,448)
- Repayment of lease liabilities	(2,609)	–	(2,609)
	3,957	–	3,957
Non-cash changes:			
- New leases	50	–	50
- Interest expense	1,448	–	1,448
	1,498	–	1,498
At 31 December 2018	34,858	–	34,858
Cash flows:			
- from trust receipts	**235**	**–**	**235**
- Proceeds from term loans	**1,500**	**–**	**1,500**
- Repayment of term loans	**(5,016)**	**–**	**(5,016)**
- Interest paid	**(1,556)**	**(484)**	**(2,040)**
- Repayment of lease liabilities	**–**	**(2,979)**	**(2,979)**
	(4,837)	**(3,463)**	**(8,300)**
Non-cash changes:			
- Adoption of SFRS(I) 16	**(2,887)**	**10,352**	**7,465**
- New leases	**–**	**2,208**	**2,208**
- Interest expense	**1,556**	**484**	**2,040**
	(1,331)	**13,044**	**11,713**
At 31 December 2019	**28,690**	**9,581**	**38,271**

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 General Information

The financial statements of the Group and the Company for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' statement.

The Company is incorporated as a limited liability company domiciled in Singapore and listed on the Catalist Exchange of Singapore.

The registered office of the Company is located at 9 Pandan Crescent, Singapore 128465. The principal activities of the Company are that of an investment holding company. The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

2 Going concern

The Group reported a net loss before tax of $6.75 million and total comprehensive loss of $7.1 million for the financial year ended 31 December 2019. Excluding the carrying amounts of the Group's leasehold land and building located at No. 48 Penjuru Road Singapore 609152 (the "Property") and two cranes, which have been classified as "assets held-for-sale" of $27.8 million, and the related loans and borrowings and lease liabilities of $11.9 million, the Group's current liabilities exceeded its current assets by approximately $8.0 million as at 31 December 2019.

In assessing the appropriateness of the use of going concern basis of accounting in the preparation of the financial statements as at 31 December 2019, management has taken into consideration that the Group has reported net cash inflows from operating activities of $5.0 million and has successfully repaid term loans (net of new loans drawn down) of $2.6 million during the financial year ended 31 December 2019. Furthermore, management has considered the following sources of liquidity and funding available to the Group and the Company:

(1) Future cash inflows from the Group's operating activities for the financial year ending 31 December 2020;
(2) The proposed sale of the Property will strengthen the Group's cash position by approximately $10 million after the settlement of the outstanding loan related to the Property;
(3) The Group has completed the disposal of certain cranes classified as held-for-sale for an aggregate consideration of $1.25 million subsequent to the balance sheet date;
(4) The Group has successfully secured and received an additional working capital loan of $0.6 million under the Enterprise Financing Scheme SME Working Capital Loan subsequent to balance sheet date; and
(5) Management has also considered various measures, which include but not limited to (a) the Jobs Support Scheme and its related enhancements, (b) waiver of monthly foreign worker levy due in April 2020 and levy rebates, (c) enhanced financing support under the Temporary Bridging Loan Programme and Enterprise Financing Scheme and (d) enhanced rental waivers for industrial and office tenants of government agencies as announced in the Unity Budget on 18 February 2020, the Resilience Budget on 26 March 2020 and the Solidarity Budget on 6 April 2020 respectively.

The financial statements have been prepared on a going concern basis, which contemplate the realisation of assets and the satisfaction of liabilities in the normal course of business. As described above, management is of the view that they have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. If for any reason the Group and the Company are unable to continue as a going concern, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal ordinary course of business and at amounts which could differ from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to provide for further liabilities which may arise and to reclassify non-current assets and liabilities as "current assets" and "current liabilities" respectively. No such adjustments have been made to the financial statements of the Group and the Company in respect of these.

NOTES TO THE FINANCIAL STATEMENTS

3(a) Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") including related Interpretations promulgated by the Accounting Standards Council ("ASC").

The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

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

The accounting policies have been applied consistently to all years presented in these financial statements.

The preparation of the financial statements in conformity with SFRS(I) requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

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

Significant accounting estimates and judgement

The significant accounting estimates and assumptions used and areas involving a high degree of judgement are detailed below

Significant judgement made in applying accounting policies

Identification of functional currency

The functional currency for each entity in the Group is the currency of the primary economic environment in which it operates. Determination of the functional currency involves significant judgement and other companies may make different judgements based on similar facts. Management reconsiders the functional currency if there is a change in the underlying transactions, events and conditions which determines its primary economic environment.

The determination of functional currency affects the carrying amount of the non-current assets included in the statement of financial position and, as a consequence, the amortisation of those assets included in the statement of comprehensive income. It also impacts the exchange gains and losses included in the statement of comprehensive income.

Determination of cash generating unit ("CGU")

Assets 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 groups thereof. A CGU is identified consistently from period to period for the same type of assets, unless a change is justified. The identification of CGUs requires significant judgement, and can be one of the most difficult areas of impairment accounting. Other than identification of independent cash inflows, management also takes into account other factors such as revenue or asset separation, ie. whether the streams of revenue derived from the groups of assets are independent of one another or whether assets that operated together to such an extent that they do not generate independent revenue streams.

NOTES TO THE FINANCIAL STATEMENTS

3(a) Basis of preparation (Cont'd)

Significant accounting estimates and judgement (Cont'd)

Significant judgement made in applying accounting policies (Cont'd)

Depreciation of property, plant and equipment (Note 4)

The cost of property, plant and equipment is depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be ranging from 3 years to 20 years. The Group reviews annually the estimated useful lives of property, plant and equipment based on factors that include asset utilisation, internal technical evaluation, technological changes and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase depreciation expense and decrease non-current assets.

Impairment of property, plant and equipment and right-of-use assets (Notes 4 and 5)

In view of the recurring losses in difficult industry conditions and the Group's market capitalisation being lower than its net assets as at 31 December 2019, management performed an impairment assessment of its property, plant and equipment and right-of-use assets. The estimated recoverable amounts are based on valuation reports obtained from independent professional valuers, having appropriate recognised professional qualifications and experience in the assets being valued. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The recoverable amounts could change significantly as a result of changes in market conditions and the assumptions used in determining the market value.

Determination of the lease term of right-of-use assets (Note 5)

In determining the lease term of right-of-use assets, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects the assessment, and that is within the control of the lessee. For leases of building on leasehold land, machinery and equipment, the following factors are normally the most relevant:

(a) If there are significant penalties to terminate (or not extend), the Group is typically reasonably to certain to extend (or not terminate);
(b) If the leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not to terminate);
(c) Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

NOTES TO THE FINANCIAL STATEMENTS

3(a) Basis of preparation (Cont'd)

Significant accounting estimates and judgement (Cont'd)

Significant judgement made in applying accounting policies (Cont'd)

Impairment of investment in a subsidiary (Note 7)

The carrying values of the investments in subsidiaries are reviewed for impairment whenever there is any indication that the investment is impaired. If an indication of impairment exists, the investment's recoverable amount is estimated in accordance with the accounting policy described in Note 3(c). This determination requires significant judgement. The Company evaluates, amongst other factors, the future profitability of the subsidiaries, the financial health and the near-term business outlook including factors such as industry performance and operational and financing cash flows. The recoverable amount of the investment could change significantly as a result of changes in market conditions and assumptions used in determining the recoverable amount.

Critical accounting estimates and assumptions used in applying accounting policies

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimate on parameters available when the financial statements are prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumption when they occur.

Provision for expected credit losses on trade receivables (Note 9)

The Group uses a provision matrix to calculate expected credit losses ("ECL") for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At the end of each reporting period, historical default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information relating to ECLs on the Group's trade receivables is disclosed in Note 9.

Estimation of the incremental borrowing rate ("IBR") (Notes 5 and 15)

For the purpose of calculating the right-of-use asset and its related lease liability, the Group applies the interest rate implicit in the lease ("IRIIL") and, if the IRIIL is not readily determinable, the entity shall use its IBR applicable to the lease asset. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

For most of the leases whereby the Group is the lessee, the IRIIL is not readily determinable. Therefore, the Group estimates the IBR relevant to each lease asset by using observable inputs (such as market interest rate and asset yield) when available, and then making certain lessee specific adjustments (such as the Group's credit rating). The carrying amount of the Group's right-of-use asset and lease liability are disclosed in Notes 5 and 15 respectively. An increase/decrease of 100 basis points in the estimated IBR does not have a material impact on the Group's right-of-use asset and lease liability as at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

3(a) Basis of preparation (Cont'd)

Significant accounting estimates and judgement (Cont'd)

Critical accounting estimates and assumptions used in applying accounting policies (Cont'd)

Deferred tax effects on adoption of SFRS(I) 16

In the jurisdictions that the Group operates in, tax deductions are available only for those lease payments as they are paid, and no tax deduction is allowed for the leased asset depreciation or finance cost. On 1 January 2019, these tax circumstances give rise to the temporary differences on initial recognition of both the right-of-use asset and lease liability. Management has assessed the impact of deferred tax on adoption of SFRS(I)16 and concluded that it is not significant to the financial statements.

Income tax (Note 22)

Significant judgement is involved in determining the provision for income tax. 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.

3(b) Interpretations and amendments to published standards effective in 2019

On 1 January 2019, the Group adopted the following SFRS(I) that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required in accordance with the transitional provisions in the respective SFRS(I).

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

SFRS (I) 16 *Leases*

SFRS(I) 16 *Leases* supersedes SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases - Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions involving the Legal Form of a Lease*, and pronounces new or amended requirements with respect to lease accounting. For lessee accounting, SFRS(I) 16 introduces significant changes by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low-value assets when such recognition exemptions are adopted. For lessor accounting, the requirements have remained largely unchanged. The impact of the adoption of SFRS(I) 16 on the Group's financial statements are discussed below.

The date of initial application of SFRS(I) 16 for the Group is 1 January 2019. The Group has elected the transition to SFRS(I) 16 using the modified retrospective approach under which the amount of right-of-use assets recognised is equal to the lease liabilities as at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated i.e. it is presented, as previously reported under SFRS(I) 1-17 and related interpretations. The details of the changes in the accounting policies are disclosed below. Additionally, the disclosure requirements in SFRS(I) 16 have not generally been applied to comparative information.

NOTES TO THE FINANCIAL STATEMENTS

3(b) Interpretations and amendments to published standards effective in 2019 (Cont'd)

SFRS (I) 16 *Leases* (Cont'd)

(a) Definition of a lease

The new definition of a lease under SFRS(I) 16 mainly relates to the concept of 'control' that determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration, which is in contrast to the concept of 'risks and rewards' under SFRS(I) 1-17.

The Group has elected to apply the practical expedient available on transition to SFRS(I) 16 not to reassess whether a contract is, or contains, a lease. Accordingly, the superseded definition of a lease under SFRS(I) 1-17 continues to be applied to those leases entered into, or modified, before 1 January 2019, and the Group applies the new definition of a lease and related guidance set out in SFRS(I) 16 only to those lease contracts entered into, or modified, on or after 1 January 2019. After the transition to SFRS(I) 16, the Group shall reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

The new requirements for identifying a lease under SFRS(I) 16 do not change significantly the scope of contracts that will meet the definition of a lease for the Group.

(b) Lessee accounting

Former operating leases

Before the adoption of SFRS(I) 16, the Group's non-cancellable operating lease payments in future reporting periods for a building on leasehold land and certain machinery and equipment, were not recognised as liabilities in the statement of financial position but were disclosed as commitments in the notes to the financial statements, and these lease payments were reported as rental expenses in statement of comprehensive income over the lease term on a straight-line basis and presented under operating activities in the statement of cash flows. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities in the statement of financial position for these outstanding lease payments, reports depreciation of right-of-use assets and interest expense on lease liabilities in the statement of comprehensive income, and presents these lease payments as principal repayment and interest paid separately under financing activities in the statement of cash flows.

Under SFRS(I) 16, lease incentives are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under SFRS(I) 1-17, they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expenses on a straight-line basis.

The Group has elected, as a practical expedient of SFRS(I) 16, not to separate non-lease components from lease components for all classes of underlying assets and instead account for each lease component and any associated non-lease components as a single lease component, except if the non-lease component is an embedded derivative according to SFRS(I) 9.

For short-term leases and leases of low-value assets, the Group has elected for exemption under SFRS(I) 16 from recognising their right-of-use assets and lease liabilities, and to report their lease expenses in the statement of comprehensive income on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS

3(b) Interpretations and amendments to published standards effective in 2019 (Cont'd)

SFRS (I) 16 *Leases* (Cont'd)

(b) Lessee accounting (Cont'd)

Former operating leases (Cont'd)

On 1 January 2019, the Group has applied the following SFRS(I) 16 transition provisions under the modified retrospective approach for each lease, or each portfolio of leases with reasonably similar characteristics, formerly classified as operating lease under SFRS(I) 1-17:

- recognises a lease liability at the present value of the remaining lease payments using the lessee's incremental borrowing rate for the underlying lease asset;
- recognises a right-of-use asset, on a lease-by-lease basis for building on leasehold land, machinery and equipment, at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application; and
- applies SFRS(I) 1-36 Impairment of Assets to perform an impairment review of the right-of-use asset.

The Group has adopted the following SFRS(I) 16 practical expedients when applying the modified retrospective approach to leases formerly classified as operating lease under SFRS(I) 1-17:

- applies a single discount rate to a portfolio of leases with reasonably similar characteristics;
- adjusts the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets* in the statement of financial position immediately before the date of initial application, as an alternative to performing an impairment review under SFRS(I) 1-36;
- elects not to recognise the right-of-use asset and lease liability for a lease with lease term ending within twelve months of the date of initial application;
- excludes initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- uses hindsight for determining the lease term when the contract contains options to extend or terminate the lease.

On 1 January 2019, with regards to the Group's leases of machinery and equipment that were formerly classified as finance lease under SFRS(I) 1-17, the carrying amounts of the leased assets (in property, plant and equipment) and obligations under finance lease immediately before the date of initial application become respectively the opening balance of the carrying amounts of right-of-use assets and lease liabilities under SFRS(I) 16. Subsequently, the Group accounts for these right-of-use assets and lease liabilities in accordance with SFRS(I) 16.

(c) Financial impact of initial application of SFRS(I) 16

The Group's incremental borrowing rate applied to measure the Group's lease liabilities recognised in the statement of financial position on 1 January 2019 is 5%.

NOTES TO THE FINANCIAL STATEMENTS

3(b) Interpretations and amendments to published standards effective in 2019 (Cont'd)

SFRS (I) 16 *Leases* (Cont'd)

(c) Financial impact of initial application of SFRS(I) 16 (Cont'd)

A reconciliation of the differences between the Group's operating lease commitments previously disclosed in the financial statements as at 31 December 2018 and the Group's lease liabilities recognised in the statement of financial position on 1 January 2019 is as follows:

	$'000
Operating lease commitments as at 31 December 2018 (Note 25)	10,948
(Less)/Add effects of:	
Short-term leases exempted from recognition	(296)
Leases of low-value assets exempted from recognition	(335)
Discounting based on the weighted average incremental borrowing rate	(2,852)
Obligations under finance lease at 31 December 2018 reclassified to lease liabilities	2,887
Lease liabilities recognised on 1 January 2019	10,352

The effects of adoption of SFRS(I)16 on the Group's financial statements as at 1 January 2019 are as follows:

The Group	**Increase/ (decrease) $'000**
Assets	
Property, plant and equipment (Note 4)	(4,733)
Right-of-use assets (Note 5)	12,198
	7,465
Liabilities	
Lease liabilities	10,352
Loans and borrowings	(2,887)
	7,465

NOTES TO THE FINANCIAL STATEMENTS

3(b) Interpretations and amendments to published standards effective in 2019 (Cont'd)

SFRS (I) 16 *Leases* (Cont'd)

(c) Financial impact of initial application of SFRS(I) 16 (Cont'd)

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

The Group has adopted SFRS(I) INT 23 for the first time in the current financial year. SFRS(I) INT 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretations require the Group and the Company to:

- determine whether uncertain tax positions are assessed separately or as a Group; and
- assess whether it is probable that a tax authority will accept on uncertain tax treatment used or planned to be used in its income tax filings as follows:
  - If yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings; or
  - If no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either most likely amount or the expected value method.

There is no material impact to the Group's and the Company's financial statements.

3(c) Standards issued but not yet effective

At the date of authorisation of these financial statements, the Group and the Company has not adopted the new and revised SFRS(I), INT SFRS(I) and amendments to SFRS(I) that have been issued but are not yet effective to them. Management anticipates that the adoption of these new and revised SFRS(I) pronouncements in future periods will not have a material impact on the Group's and the Company's financial statements in the period of their initial application, except as discussed below:

Reference	Description	Effective date (Annual periods beginning on or after)
SFRS(I) 1-1, SFRS(I) 1-8	*Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material*	1 January 2020

NOTES TO THE FINANCIAL STATEMENTS

3(c) Standards issued but not yet effective (Cont'd)

SFRS(I) 1-1, SFRS(I) 1-8 *Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material*
The amendments are intended to make the definition of 'material' in SFRS(I) 1-1 easier to understand and are not intended to alter the underlying concept of materiality in SFRS(I). The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of 'materiality' in SFRS(I) 1-8 has been replaced by a reference to the definition of 'material' in SFRS(I) 1-8. In addition, the other SFRS(I) and the *Conceptual* Framework, which contain a definition of 'material' or refer to the term 'material', have been updated to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

3(d) Summary of significant accounting policies

Consolidation

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

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

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

Losses and other comprehensive income are attributable to the non-controlling interest even if that results in a deficit balance.

Subsidiary

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

Thus, the Group controls an investee if, and only if, the Group has all of the following:

– power over the investee;
– exposure, or rights or variable returns from its involvement with the investee; and
– the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

NOTES TO THE FINANCIAL STATEMENTS

3(d) Summary of significant accounting policies (Cont'd)

Consolidation (Cont'd)

Subsidiary (Cont'd)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Acquisitions from entities under common control

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

Transactions with Non-Controlling Interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Change in ownership interest without loss of control

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

NOTES TO THE FINANCIAL STATEMENTS

3(d) Summary of significant accounting policies (Cont'd)

Consolidation (Cont'd)

Loss of control

When the Group loses control of a subsidiary, a gain or loss is recognised in the statement of comprehensive income and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)).

The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under SFRS(I) 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses, if any. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amount over their estimated useful lives as follows:

Building on a leasehold land	remaining lease term of 2 years
Machinery and equipment	3 - 20 years
Vessels	5 - 20 years
Motor vehicles	5 years
Furniture, fittings, office equipment and computers	3 - 10 years

Assets under construction are not depreciated.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before that expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before disposal, respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the statement of comprehensive income.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date as a change in estimates.

NOTES TO THE FINANCIAL STATEMENTS

3(d) Summary of significant accounting policies (Cont'd)

Leases (from 1 January 2019)

The Group as a lessee

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

(a) Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee. The incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in the statement of comprehensive income in the periods that trigger those lease payments. For all contracts that contain both lease and non-lease components, the Group has elected to not separate lease and non-lease components and account these as one single lease component. The lease liabilities are presented as a separate line item in the statement of financial position.

The lease liability is subsequently measured at amortised cost, by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

NOTES TO THE FINANCIAL STATEMENTS

3(d) Summary of significant accounting policies (Cont'd)

Leases (from 1 January 2019) (Cont'd)

The Group as a lessee (Cont'd)

(a) Lease liabilities (Cont'd)

The Group remeasures the lease liability (with a corresponding adjustment to the related right-of-use asset or to the statement of comprehensive income if the carrying amount of the right-of-use asset has already been reduced to nil) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

(b) Right-of-use assets

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Depreciation on right-of-use assets is calculated using the straight-line method to allocate their depreciable amounts over the shorter period of lease term and useful life of the underlying asset, as follows:

Leasehold land:	Over the lease term of 2 years
Machinery and equipment:	3 – 20 years

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line item in the statement of financial position.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

3(d) Summary of significant accounting policies (Cont'd)

Leases (from 1 January 2019) (Cont'd)

The Group as a lessee (Cont'd)

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from SFRS(I) 16, except for the classification of sublease entered into that resulted in a finance lease classification.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. If an arrangement contains lease and non-lease components, then the Group applies SFRS(I)15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in SFRS(I) 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

(a) Operating lease

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in the statement of comprehensive income on a straight-line basis over the period of the lease. Contingent rents are recognised as an expense in the statement of comprehensive income when incurred.

(b) Finance lease

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases. The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the statement of financial position as property, plant and equipment and loans and borrowings respectively, at the inception of the lease, based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the interest expense and he reduction of the outstanding lease liability. The interest expense is recognised within "finance costs" in the statement of comprehensive income on a basis that reflects a constant periodic rate of interest on the finance lease liability.

NOTES TO THE FINANCIAL STATEMENTS

3(d) Summary of significant accounting policies (Cont'd)

Leases (from 1 January 2019) (Cont'd)

<u>The Group as a lessor</u>

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

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in the statement of comprehensive income over the lease term on the same basis as the lease income. Contingent rents are recognised as income in the statement of comprehensive income when earned.

Club memberships

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

Investment in subsidiaries

In the Company's separate financial statements, investments in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

Non-current assets held-for-sale

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

Property, plant and equipment and right-of-use assets once classified as held-for-sale, are not depreciated.

Impairment of non-financial assets

As at each reporting date, the Group and the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

NOTES TO THE FINANCIAL STATEMENTS

3(d) Summary of significant accounting policies (Cont'd)

Impairment of non-financial assets (Cont'd)

Recoverable amount is the higher of fair value less costs to sell and value-in-use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis and includes all costs in bringing the inventories to their present location and condition. Allowance is made, where necessary, for obsolete, slow-moving and defective inventories.

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

Financial instruments

Financial instruments carried on the statement of financial position include financial assets and financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. These are recognised on the Group's and the Company's statement of financial position when the Group and the Company become a party to the contractual provisions of the instrument. Disclosures of the Group's and the Company's financial risk management objectives and policies are provided in Note 28.

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

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL").

NOTES TO THE FINANCIAL STATEMENTS

3(d) Summary of significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Initial recognition and measurement (Cont'd)

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party if the trade receivables do not contain a significant financing component at initial recognition.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest" ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refer to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

– Financial assets at amortised cost (debt instruments);
– Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments);
– Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
– Financial assets at FVTPL

The Group and the Company do not hold any financial assets at FVOCI or financial assets at FVTPL.

Subsequent measurement of debt instruments depends on the Group's and the Company's business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual cash terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal and interest on the principal amount outstanding the asset.

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

The Group's and the Company's financial assets at amortised cost comprise trade and other receivables and cash and bank balances.

NOTES TO THE FINANCIAL STATEMENTS

3(d) Summary of significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets

The Group and the Company assesses on a forward-looking basis, the expected credit losses ("ECLs") associated with its debt instrument assets carried at amortised cost and FVOCI. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For trade and other receivables, the Group and the Company measure the loss allowance at an amount equal to lifetime ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at the end of each reporting period. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group and the Company consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company

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

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

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

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO THE FINANCIAL STATEMENTS

3(d) Summary of significant accounting policies (Cont'd)

Share capital

Ordinary shares

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

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

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

Financial liabilities

Initial recognition and measurement

The Group and the Company determine the classification of its financial liabilities at initial recognition.

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

Borrowings to be settled within the Group's normal operating cycle are considered as "current". Other borrowings due to be settled more than 12 months after the reporting date are included in "non-current" borrowings in the statement of financial position. Borrowings are recognised initially at fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the statement of comprehensive income over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of borrowing using the effective interest method.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at FVTPL are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised, and through the amortisation process.

Derecognition

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

NOTES TO THE FINANCIAL STATEMENTS

3(d) Summary of significant accounting policies (Cont'd)

Financial liabilities (Cont'd)

Contract Assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customers. If the Group transferred goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract Liabilities

Contract liabilities relate primarily to the progress billing issued in excess of the Group's right to the consideration in respect of its marine service business.

Financial guarantee contracts

Financial guarantees contracts is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contracts issued by the Group's entity are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of: (a) the amount of the loss allowance determined in accordance with SFRS(I) 9; and (b) the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policy.

Provisions

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

The directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

Borrowing costs

Borrowing costs are recognised in statement of comprehensive income as incurred except to the extent that they are capitalised. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Foreign exchange differences arising from foreign currency borrowings are capitalised to the extent that they are regarded as an adjustment to interest costs. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale.

Employee benefits

Defined contribution obligations

The Group contributes to the Central Provident Fund ("CPF"), a defined contribution plan regulated and managed by the Government of Singapore, which applies to the majority of the employees. The Group's contributions to CPF are charged to the statement of comprehensive income in the period to which the contributions relate.

NOTES TO THE FINANCIAL STATEMENTS

3(d) Summary of significant accounting policies (Cont'd)

Employee benefits (Cont'd)

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for unconsumed leave as a result of services rendered by employees up to the end of the reporting period.

Income taxes

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

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

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

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

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the date of the financial position; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the date of the financial position, to recover or settle the carrying amounts of its assets and liabilities.

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

NOTES TO THE FINANCIAL STATEMENTS

3(d) Summary of significant accounting policies (Cont'd)

Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and the Company if that person:

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) both entities are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

<u>Key management personnel</u>

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain key executive officers are considered key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

3(d) Summary of significant accounting policies (Cont'd)

Revenue

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

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

Transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer.

When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

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

<u>Marine offshore support services income</u>

Marine offshore support services principally generate revenue from offshore support services rendered and freight service income. Revenue is recognised when services are rendered over time.

<u>Chartering, towage and rental of equipment</u>

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

<u>Trading in vessels and sale of goods</u>

Revenue is recognised when the vessels or goods are delivered to the customer and all criteria for acceptance has been satisfied.

NOTES TO THE FINANCIAL STATEMENTS

3(d) Summary of significant accounting policies (Cont'd)

Functional currencies

Functional and presentation currency

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

The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore Dollar. The choice of presentation currency is to better reflect the currency that mainly determines economic effects of transactions, events and conditions of the Group.

Conversion of foreign currencies

Foreign currency transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the date of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of reporting period are recognised in profit of loss, unless they arise from borrowings in foreign currencies and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to the profit or loss as part of the gain or loss on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the transactions.

Group entities

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

(i) Assets and liabilities (including comparatives) are translated at the closing exchange rates at the end of reporting period;
(ii) Income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of transactions; and
(iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve.

NOTES TO THE FINANCIAL STATEMENTS

3(d) Summary of significant accounting policies (Cont'd)

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS 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 period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

Operating segments

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. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Chief Executive Officer who makes strategic resources allocation decisions.

Additional disclosures on operating segments are shown in Note 27 to the financial statements, including the factors used to identify the reportable segments and the measurement basis of segment information. Segment results that are reported to Chief Executive Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

4 Property, plant and equipment

The Group	Building on leasehold land $'000	Machinery and equipment $'000	Vessels $'000	Furniture, fittings, office equipment and computers $'000	Assets under construction $'000	Total $'000
Cost						
At 1 January 2018	45,969	30,602	61,552	1,594	1,389	141,106
Additions	23	412	1,301	45	2,208	3,989
Disposals	–	(690)	(2,444)	(1)	–	(3,135)
Reclassification from "assets held-for-sale" (Note 11)	–	7,189	–	–	–	7,189
Exchange difference on translation	–	–	282	–	–	282
At 31 December 2018, as reported	45,992	37,513	60,691	1,638	3,597	149,431
Adoption of SFRS(I) 16 – reclassification to "right-of-use assets" (Note 5)	–	(5,009)	–	–	–	(5,009)
At 1 January 2019, as adjusted	45,992	32,504	60,691	1,638	3,597	144,422
Transfers	**–**	**437**	**2,208**	**–**	**(2,645)**	**–**
Additions	**31**	**119**	**926**	**56**	**86**	**1,218**
Disposals/write-off	**–**	**(3,078)**	**(2,553)**	**(135)**	**–**	**(5,766)**
Reclassification to "assets held-for-sale" (Note 11)	**(28,979)**	**(3,990)**	**–**	**–**	**–**	**(32,969)**
Exchange difference on translation	**–**	**–**	**(64)**	**–**	**–**	**(64)**
At 31 December 2019	**17,044**	**25,992**	**61,208**	**1,559**	**1,038**	**106,841**
Accumulated depreciation and impairment loss						
At 1 January 2018	6,016	17,254	17,901	576	–	41,747
Depreciation for the year	2,146	1,621	2,826	283	–	6,876
Disposals	–	(609)	(1,081)	–	–	(1,690)
Exchange difference on translation	–	–	10	–	–	10
At 31 December 2018, as reported	8,162	18,266	19,656	859	–	46,943
Adoption of SFRS(I) 16 – reclassification to "right-of-use assets" (Note 5)	–	(276)	–	–	–	(276)
At 1 January 2019, as adjusted	8,162	17,990	19,656	859	–	46,667
Depreciation for the year	**2,172**	**1,845**	**2,898**	**276**	**–**	**7,191**
Impairment loss recognised (Note 11)	**2,605**	**501**	**–**	**–**	**–**	**3,106**
Reclassification to "assets held-for-sale" (Note 11)	**(6,979)**	**(2,739)**	**–**	**–**	**–**	**(9,718)**
Disposals/write-off	**–**	**(1,278)**	**(1,366)**	**(135)**	**–**	**(2,779)**
Exchange difference on translation	**–**	**–**	**(12)**	**–**	**–**	**(12)**
At 31 December 2019	**5,960**	**16,319**	**21,176**	**1,000**	**–**	**44,455**
Net carrying amount						
At 31 December 2019	**11,084**	**9,673**	**40,032**	**559**	**1,038**	**62,386**
At 31 December 2018	37,830	19,247	41,035	779	3,597	102,488

NOTES TO THE FINANCIAL STATEMENTS

4 Property, plant and equipment (Cont'd)

Assets under construction mainly relate to the construction of a building at the Group's yard located at 9 Pandan Crescent, Singapore.

The carrying amounts of property, plant and equipment of the Group as at 31 December 2018 include $4.7 million in respect of machinery and equipment held under finance leases and they have been reclassified to right-of-use assets as at 1 January 2019 in accordance with SFRS(I) 16.

As at the 31 December 2019, property, plant and equipment with a carrying amount of $28.0 million (2018 - $32.4 million) are pledged as collaterals for secured term loans (Note 14).

The impairment loss relates to the No. 48 Penjuru Road, classified as held-for-sale. See the necessary disclosure in Note 11.

5 Right-of-use assets

The Group	**Leasehold land $'000**	**Machinery and equipment $'000**	**Total $'000**
Cost			
Adoption of SFRS(I) 16:			
- Initial recognition	7,465	–	7,465
- Reclassification from "property, plant and equipment" (Note 4)	–	5,009	5,009
At 1 January 2019	7,465	5,009	12,474
Additions	**–**	**2,598**	**2,598**
Reclassification to "assets held-for-sale"	**(4,826)**	**–**	**(4,826)**
At 31 December 2019	**2,639**	**7,607**	**10,246**
Accumulated depreciation			
Adoption of SFRS(I) 16:			
- Reclassification from "property, plant and equipment" (Note 4)	–	276	276
At 1 January 2019	–	276	276
Depreciation for the year	**1,216**	**603**	**1,819**
Reclassification to "assets held-for-sale"	**(270)**	**–**	**(270)**
At 31 December 2019	**946**	**879**	**1,825**
Carrying amount			
At 31 December 2019	**1,693**	**6,728**	**8,421**
At 1 January 2019	7,465	4,733	12,198

NOTES TO THE FINANCIAL STATEMENTS

5 Right-of-use assets (Cont'd)

As at 31 December 2019, the Group leases the land for its building at No. 9 Pandan Cresent Singapore 128465 from Jurong Town Corporation ("JTC"), while certain machinery and equipment with a carrying amount of $6.7million were acquired under finance leases. The average lease term of the right-of-use assets range from 2 years to 7 years.

At transition in applying SFRS (I) 16, at lease commencement, the Group recognises right-of-use assets and lease liabilities for all leases (except for short-term leases and leases of low value assets that it accounts for applying paragraph 6 of SFRS (I) 16).

Details of the leasehold land in the Group's right-of-use assets as at 31 December 2019 are as follows:

Property name/ Location	Description/ Existing use	Land area	Tenure	The Group's effective equity interest
9 Pandan Crescent, Singapore 128465	Shipyard, fabrication yard and warehouse	34,125 sqm	Lease for 11 years from 1 January 2005 and renewed for 6 years from 31 December 2015, i.e. by 31 December 2021	100%

6 Club memberships

The Group	2019 $'000	2018 $'000
Cost	**120**	120
Impairment losses	**(63)**	(63)
	57	57

7 Subsidiaries

The Company	2019 $'000	2018 $'000
Unquoted equity investments, at cost	**36,133**	36,133
Amounts due from subsidiaries (non-trade)	**43,994**	–
	80,127	36,133

Pursuant to a directors' resolution dated 31 December 2019, the non-trade amounts due from subsidiaries amounting to $44.0 million were reclassified from "trade and other receivables" to "investments in subsidiaries" as the non-trade amounts represent an extension of the Company's net investment in the subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

7 Subsidiaries (Cont'd)

These amounts are unsecured and interest-free with repayment terms at the discretion of the subsidiaries. As the amount is, in substance, a part of the Company's net investment in the subsidiary, it is considered to be part of the cost of investment, and is stated at cost, less impairment losses, if any.

Details of the subsidiaries are set out below:

Name	Country of incorporation/ principal place of business	Effective equity held by the Company		Principal activities
		2019	2018	
		%	%	
Held by the Company				
Kim Heng Offshore & Marine Pte Ltd* ("KHOM")	Singapore	**100**	100	Investment holding
Held by KHOM				
Kim Heng Marine & Oilfield Pte Ltd*	Singapore	**100**	100	Chartering, freight, servicing and repair of vessels, provision of services of marine engineers, consultants, sub-contractors and labour supply
Kim Heng Maritime Pte Ltd*	Singapore	**100**	100	Vessel chartering and provision of port operation services
Kim Heng Tubulars Pte Ltd*	Singapore	**100**	100	Trading in drill pipes and related drilling materials, provision of services and rental of marine equipment
Kim Heng Shipbuilding & Engineering Pte Ltd*	Singapore	**100**	100	Offshore engineering, shipbuilding and fabrication services
Alpine Progress Shipping Pte Ltd*	Singapore	**100**	100	Vessel chartering and provision of port operating services
KH Mazu Offshore & Marine Sdn Bhd (KH Mazu)#	Malaysia	**100**	100	Repairing and/or docking of ships and other kinds of vessels, supply chain and crew management, heavy-lift equipment, rental and investment holding

NOTES TO THE FINANCIAL STATEMENTS

7 Subsidiaries (Cont'd)

Name	Country of incorporation/ principal place of business	Effective equity held by the Company 2019 %	2018 %	Principal activities
Held by Kim Heng Marine & Oilfield Pte Ltd				
Kim Heng Heavy Equipment Pte Ltd*	Singapore	**100**	100	Lease, sale, repair and maintenance and after sale services of cranes and industrial equipment
Bridgewater 130 Pte Ltd*	Singapore	**100**	100	Ship ownership and provision of ship chartering and marine support services
Bridgewater 131 Pte Ltd*	Singapore	**100**	100	Ship ownership and provision of ship chartering and marine support services
Bridgewater 132 Pte Ltd*	Singapore	**100**	100	Ship ownership and provision of ship chartering and marine support services
Mazu Land & Marine Works Pte Ltd*	Singapore	**100**	100	Marine construction
Kim Heng Marine Labuan Ltd#	Malaysia	**100****	–	Marine transportation and logistics related services
Held by KH Mazu Offshore & Marine Sdn Bhd				
RUHM Mazu Sdn Bhd#	Malaysia	**49^**	49^	Provision of ship chartering and marine support services
Held by RUHM Mazu Sdn Bhd				
Bridgewater 131 Sdn Bhd#	Malaysia	**49^**	49^	Ship ownership and provision of ship chartering and marine support services
Bridgewater 132 Sdn Bhd#	Malaysia	**49^**	49^	Ship ownership and provision of ship chartering and marine support services
Mazu 60 Sdn Bhd#	Malaysia	**49^**	49^	Provision of ship chartering and marine support services

* Audited by Foo Kon Tan LLP

\# Audited by member firm of HLB International - HLB Ler Lum

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

** Newly incorporated subsidiary during the year

NOTES TO THE FINANCIAL STATEMENTS

8 Inventories

The Group	2019 $'000	2018 $'000
Finished goods, at cost	**1,549**	1,544
Allowance for inventory obsolescence	**(1,307)**	(1,376)
	242	168

Changes in inventories recognised in cost of sales in the consolidated statement of comprehensive income amounted to $25,000 (2018 - $35,000).

9 Trade and other receivables

	The Group		The Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Trade receivables	**8,916**	8,469	**–**	–
Allowance for impairment loss	**(1,250)**	(1,368)	**–**	–
Net trade receivables	**7,666**	7,101	**–**	–
Deposits	**250**	480	**–**	–
Contract assets	**5,072**	1,129	**918**	876
Amounts due from subsidiaries:				
- Trade	**–**	–	**791**	1,078
- Non-trade	**–**	–	**47**	44,408
Other receivables	**404**	950	**18**	3
Financial assets at amortised cost	**13,392**	9,660	**1,774**	46,365
Deposits	**70**			
Prepayments	**312**	312	**49**	13
Advance payment to suppliers	**82**	257	**–**	–
	13,856	10,229	**1,823**	46,378

NOTES TO THE FINANCIAL STATEMENTS

9 Trade and other receivables (Cont'd)

Amounts due from subsidiaries

During the current financial year, management reclassified non-trade balances due from subsidiaries amounting to $44.0 million to "investment in a subsidiary" as disclosed in Note 7 to the financial statements. The outstanding balances with subsidiaries are unsecured, interest-free and are repayable on demand. There is no allowance for doubtful debts arising from these outstanding balances as the ECL is not material.

Credit and market risks, and impairment losses
The Group's exposure to credit and currency risks, and impairment losses for trade and other receivables is disclosed in Note 28.

10 Cash and cash equivalents

	The Group		The Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	**2,771**	4,661	**124**	20
Fixed deposits	**292**	291	**–**	–
	3,063	4,952	**124**	20
Deposits pledged	**(292)**	(282)		
Bank overdrafts	**–**	(2,985)		
Cash and cash equivalents in the statement of cash flows	**2,771**	1,685		

Fixed deposits amounting to $292,000 (2018 - $282,000) are pledged to secure term loans and finance lease (see Notes 14 and 15). As at 31 December 2018, bank overdrafts amounting to $3.0 million bore interest at 5.25% and was secured against the Group's leasehold land and buildings and certain vessels.

The Group and Company's exposure to interest rate and currency risks is disclosed in Note 28.

11 Assets held-for-sale

As at 31 December 2019, the carrying amount of the assets held-for-sale comprised (i) $26.56 million for the leasehold land and building located at No. 48 Penjuru Road, Singapore 609152 (the "Property"); and (ii) $1.25 million for 2 units of cranes, respectively. The Property is a purpose-built 4-storey single user warehouse with ancillary office and open waterfront fabrication and storage yard, with land and floor area of 19,512 sqm and 13,341sqm, respectively. The Group's percentage of interest in the property is 100%.

No. 48 Penjuru Road

On 30 December 2019, the Group entered into a conditional Option to Purchase ("OTP") with a third party (the "Purchaser") for the proposed sale of the Property for an aggregate consideration of $18.5 million ("Sale price").

NOTES TO THE FINANCIAL STATEMENTS

11 Assets held-for-sale (Cont'd)

The Group received a deposit of $0.2 million i.e. 1% on the Sale Price, which was recorded in "deposits from customers" in Note 17 to the financial statements as at 31 December 2019. On 29 January 2020, the Purchaser exercised the OTP and a further $740,000 i.e. 4% on the Sale Price, was paid and retained by the Singapore Academy of Law to be released to the Group upon completion of the sale. The sale of the Property to the Purchaser is subject to JTC approval as at the date of these financial statements.

As at 31 December 2019, the market value of the Property was written down to its market value of $22 million in accordance with SFRS (I) 1-36 (Impairment of Assets) before being reclassified from "property, plant and equipment" to "assets held-for-sale" (see Note 4). Arising from the reclassification, the corresponding right-of-use assets of $4.6 million in respect of the Property was also reclassified to "assets held-for-sale" (see Note 5).

The market value of the Property was determined based on the Property's highest and best use as at 31 December 2019 determined by an independent firm of professional valuer who have the appropriate recognised professional qualification and recent experience in the location and category of the Property being valued.

The valuation is based on the direct comparison method in arriving at the fair value of the Property. The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflective of the Property. These are regarded as Level 2 fair values.

As at 31 December 2019, the Property has been pledged to a financial institution for bank facility.

<u>2 units of cranes</u>

On 13 November 2019, the Group and an unrelated third-party entered into a sale and purchase agreement to dispose of 2 units of cranes for an aggregate consideration of $1.25 million. As at 31 December 2019, $0.5 million was received and was recorded as "deposits from customers".

In the previous financial year, the Group entered into a sales and purchase agreement with Hup Hin Heavy Equipment Pte. Ltd. (the "Buyer") to acquire 24 cranes and 2 luffing jibs for an aggregate consideration of $12.5 million. In February 2019, the Buyer informed the Group that they were only able to complete the purchase of 10 cranes at $4.2 million instead. As at 31 December 2018, the Group received a deposit of $0.6 million which was recorded in "deposits from customers" under trade and other payables in Note 17. The remaining cranes were reclassified back to property, plant and equipment as at 31 December 2018. The sale was completed and proceeds of $3.8 million were received in March 2019.

NOTES TO THE FINANCIAL STATEMENTS

12 Share capital

The Company	No. of ordinary shares		Amount	
	2019	2018	**2019**	2018
			$	$
Issued and fully paid with no par value				
At beginning of year	**708,832**	709,051	**74,409**	74,409
Purchase of treasury shares	**(150)**	(219)	**–**	–
At end of year	**708,682**	708,832	**74,409**	74,409

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 Company. All shares rank equally with regard to the Company's residual assets.

Treasury shares

Treasury shares of $120,000 (2018 – $110,000) relate to ordinary shares of the Company that are held by the Company.

During the financial year, the Company purchased 150,000 (2018 – 219,000) of its ordinary shares by way of on-market purchases at share prices averaging from $0.066. The total amount paid to purchase the shares was $10,000 (2018 - $18,000).

Dividends

The Company declared and paid dividends as follows:

	The Company
	2018
	$'000
Final tax-exempt (one-tier) dividend paid in respect of FY2017 of 0.007 cents per share	496

NOTES TO THE FINANCIAL STATEMENTS

13 Reserves

The reserves comprise the following balances:

	The Group		The Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Merger deficit	**(32,763)**	(32,763)	**–**	–
Translation reserve	**(194)**	(76)	**–**	–
	(32,957)	(32,839)	**–**	–

Merger deficit

The merger deficit arises from the difference between the nominal value of the shares issued by the Company and the nominal value of shares of the subsidiaries acquired under the pooling-of-interest method of consolidation as described in Note 3(d).

Translation reserve

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

14 Loans and borrowings

	The Group		The Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Non-current liabilities				
Term loans (Note a)	**10,707**	21,477	**3,038**	3,822
Finance lease liabilities (Note b)	**–**	997	**–**	–
	10,707	22,474	**3,038**	3,822
Current liabilities				
Term loans (Note a)	**15,758**	8,504	**784**	738
Finance lease liabilities (Note b)	**–**	1,890	**–**	–
Trust receipts	**2,225**	1,990	**–**	–
	17,983	12,384	**784**	738

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

- Corporate guarantees by the Company amounted to $58,830,000; and
- Property, plant and equipment and fixed deposits as disclosed in notes 4 and 10 respectively.

NOTES TO THE FINANCIAL STATEMENTS

14 Loans and borrowings (Cont'd)

(a) Term loans

The Group had secured bank loans with a carrying amount of $26,465,000 and $29,981,000 at 31 December 2019 and 31 December 2018, respectively.

The Group is subject to externally imposed capital requirements whose loan facilities are required to maintain its financial position in excess of specified financial thresholds at all times. The Group has complied with these covenants at the reporting date.

On 11 December 2019, the Group has obtained a one-time waiver from the financial institution on the following covenant for the financial year ended 31 December 2019.

(b) Finance lease liabilities

As at 31 December 2018, the Group had obligations under finance leases that are payable as follows:

The Group	2018 $'000
Minimum lease payments payable:	
No later than one year	1,999
Later than one year and not later than five years	1,023
Later than five years	14
	3,036
Less: Finance charges allocated to future years	(149)
Present value of minimum lease payments	2,887
Presented as:	
Non-current	997
Current	1,890
	2,887

As at 31 December 2018, the Group leased certain of its machinery and equipment under finance leases, with an average lease term of 6 years. The average effective borrowing rate was 3.10%. Interest rates were fixed at the contract date, and do not expose the Group to interest rate risk. All leases were on a fixed repayment basis and no arrangements had been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

Finance leases were reclassified to lease liabilities (Note 15) on 1 January 2019 arising from the adoption of SFRS(I) 16. The impact of the adoption is disclosed in Note 3(d).

NOTES TO THE FINANCIAL STATEMENTS

14 Loans and borrowings (Cont'd)

(c) Terms and debt repayment schedule

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

The Group	**Nominal interest rate %**	**Year of maturity**	**Carrying amount 2019 $'000**	2018 $'000	**Fair value 2019 $'000**	2018 $'000
Term loans						
- Fixed rate	3.42 - 5.50	2020-2024	**15,860**	17,675	**15,860**	17,675
- Floating rate	Cost of fund +1.75, 3 months cost of fund +1.50	2022-2026	**10,605**	12,306	**10,605**	12,306
Trust receipts	5	2020	**2,225**	1,990	**2,225**	1,990
Lease liabilities	1.50 - 4.69	2020-2026	**–**	2,887	**–**	3,036
			28,690	34,858	**28,690**	35,007
The Company						
Term loans						
- Fixed rate	5.50	2024	**3,822**	4,560	**3,822**	4,560

Information about the Group and Company's exposure to interest rate and liquidity risks is disclosed in Note 28.

15 Lease liabilities

The Group	**2019 $'000**
Undiscounted lease payments due:	
- No later than one year	**9,273**
- Later than one year and not later than five years	**3,068**
- Later than five years	**30**
	12,371
Less: Future interest costs	**(2,790)**
	9,581
Presented as:	
- Non-current	**2,845**
- Current	**6,736**
	9,581

NOTES TO THE FINANCIAL STATEMENTS

15 Lease liabilities (Cont'd)

The Group's lease liabilities are secured by the lessors' title to the leased assets.

Total cashflows for all leases in the current financial year amounted to $2,979,000. Information about the Group's leasing activities are further disclosed in Note 25.

Interest expense on lease liabilities of $484,000 is recognised within "finance costs" in the consolidated statement of comprehensive income.

Rental expenses not capitalised in lease liabilities but recognised within "operating expenses" in the consolidated statement of comprehensive income are set out below:

The Group	2019 $'000
Short-term leases	**322**
Leases of low-value assets	**109**
	431

As at 31 December 2019, the Group's short-term lease commitments at the reporting date are not substantially dissimilar to those giving rise to the Group's short-term lease expense for the year.

16 Deferred tax liabilities

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

	At 1 January $'000 (restated)	Recognised in profit or loss $'000 (restated) (Note 22)	At 31 December $'000 (restated)
At 31 December 2019			
Deferred tax liabilities			
Property, plant and equipment	3,278	**119**	**3,397**
At 31 December 2018			
Deferred tax liabilities			
Property, plant and equipment	2,679	599	3,278
At 1 January 2018			
Deferred tax liabilities			
Property, plant and equipment	2,679	–	2,679

NOTES TO THE FINANCIAL STATEMENTS

16 Deferred tax liabilities (Cont'd)

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

The Group	2019 $'000	2018 $'000 (restated)
Deferred tax liabilities - to be settled beyond one year	**3,397**	3,278

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

The Group	2019 $'000	2018 $'000
Unutilised tax losses	**14,701**	14,977
Unutilised capital allowances	**67**	1,327
	14,768	16,304

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

17 Trade and other payables

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Trade payables	**5,877**	5,785	**223**	126
Accrued operating expenses	**4,794**	3,871	**83**	98
Amounts due to directors (non-trade)	**354**	–	**–**	
Deposits from customers	**802**	1,596	**–**	–
Other payables	**59**	125	**–**	–
Financial liabilities at amortised cost	**11,886**	11,377	**306**	224
Contract liabilities	**241**	107	**–**	–
	12,127	11,484	**306**	224

The non-trade amounts due to directors are interest-free, unsecured and repayable on demand. The Group's exposure to currency and liquidity risks related to trade and other payables is disclosed in Note 28.

NOTES TO THE FINANCIAL STATEMENTS

18 Revenue

The Group	2019 $'000	2018 $'000
Marine offshore support services income, recognised over time	**28,138**	10,992
Chartering and towage income, recognised over time	**15,546**	6,991
Equipment rental income, recognised over time	**4,845**	7,196
Sale of goods, recognised at a point in time	**9,551**	9,342
Trading in vessels, recognised at a point in time	**–**	3,539
	58,080	38,060

19 Other income

The Group	2019 $'000	2018 $'000
Gain on disposal of property, plant and equipment	**–**	89
Interest income	**7**	6
Payables written-off	**–**	33
Rental income	**423**	422
Exchange gain - net	**–**	338
Miscellaneous income	**318**	356
	748	1,244

20 Finance costs

The Group	2019 $'000	2018 $'000
Interest expenses on:		
- Bank overdrafts and term loans	**1,439**	1,232
- Lease liabilities (2018: Finance lease liabilities)	**486**	160
- Trust receipts	**115**	56
	2,040	1,448

NOTES TO THE FINANCIAL STATEMENTS

21 Loss before tax

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

The Group	Note	2019 $'000	2018 $'000
Audit fees paid/payable to:			
- auditors of the Company		**150**	250
- other auditors		**56**	15
Non-audit fees paid/payable to auditors of the Company			
- auditors of the Company		**34**	52
- other auditors		**10**	–
Depreciation of property, plant and equipment	4	**7,191**	6,876
Depreciation of right-of-use assets	5	**1,819**	–
Directors' fees		**152**	150
Exchange (gain)/loss –net		**40**	(338)
Impairment loss on property, plant and equipment	4	**3,106**	74
Impairment loss on trade and other receivables (net)	28	**47**	736
Loss on disposal/write-off of property, plant and equipment		**694**	–
Operating lease expenses		**–**	1,649
Employee benefits:			
- Staff costs, including salaries, bonuses and other costs*		**8,447**	7,706
- Contributions to defined contribution plans*		**1,215**	1,248
		9,662	8,954

* Included in the above is key management personnel compensation, excluding directors' fees paid to non-executive directors, which is disclosed in Note 24 (ii).

22 Tax expense

Major components of income tax expense

The major components of income tax expenses for the year ended 31 December 2019 and 31 December 2018 are:

The Group	2019 $'000	2018 $'000
Current tax expense		
Underprovision of current tax in respect of prior years	**78**	316
Deferred tax expense		
Movements in temporary differences (Note 16)	**119**	599
	197	915

NOTES TO THE FINANCIAL STATEMENTS

22 Tax expense (Cont'd)

Reconciliation of effective tax rate

The Group	2019 $'000	2018 $'000
Loss before taxation	(6,749)	(12,667)
Tax at statutory rate of 17% (2018 - 17%)	(1,147)	(2,153)
Effect of tax rates in foreign jurisdictions	142	–
Tax effect on non-deductible expenses	2,361	2,130
Tax effect on non-taxable income	(879)	(340)
Utilisation of previously unrecognised deferred tax assets	(261)	–
Deferred tax assets not recognised	–	1,005
Underprovision of current tax in respect of prior years	78	316
Others	(97)	(43)
	197	915

Non-deductible expenses mainly relate to depreciation expenses on property, plant and equipment and right-of-use assets determined based on a ratio to allocate the common expenses and common assets incurred by the Group between its tax exempt and non-tax exempt income categories. Non-taxable income relates to gain on disposal of property, plant and equipment amongst entities in different tax jurisdictions within the Group which are capital in nature.

23 Loss per share

The Group	2019 $'000	2018 $'000
Loss attributable to ordinary shareholders of the Company	(7,756)	(13,528)

The calculation of the basic and diluted loss per share was based on the weighted average number of ordinary outstanding shares of the Company of 708,769,000 (2018 - 708,948,000) shares, calculated as follows:

Weighted average number of shares

The Group	2019 $'000	2018 $'000
Issued ordinary shares at 1 January	708,832	709,051
Effect of own share held	(101)	(103)
Weighted average number of ordinary shares during the year	708,731	708,948

There were no dilutive potential ordinary shares in existence for the year ended 31 December 2019 and 2018.

NOTES TO THE FINANCIAL STATEMENTS

24 Related party transactions

(i) Sale and purchase of goods and services

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

(ii) Compensation of key management personnel

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

The key management personnel compensation comprises:

The Group	**2019** **$'000**	2018 $'000
Short term employee benefits	**2,105**	2,157
Contributions to defined contribution plans	**47**	61
	2,152	2,218

25 Commitments

Capital commitments

As at 31 December 2019, capital expenditures contracted for but not recognised in the financial statements, are as follows:

The Group	**2019** **$'000**	2018 $'000
Property, plant and equipment	**1,400**	–

NOTES TO THE FINANCIAL STATEMENTS

25 Commitments (Cont'd)

Lease commitments - *Where the Group are lessee*

As at 31 December 2018, the Group was committed to making the following rental payments in respect of non-cancellable operating leases of certain office equipment and workers' dormitories in accordance with SFRS(I) 1-17.

The Group	2018 $'000
Not later than one year	1,824
Later than one year and not later than five years	3,778
Later than five years	5,346
	10,948

The leases run for periods of three to twenty years, with options to renew the leases upon expiry.

As disclosed in Note 3(d), the Group has adopted SFRS(I) 16 on 1 January 2019. These operating lease commitments as at 31 December 2018 have been recognised as right-of-use assets and lease liabilities on the statement of financial position as at 1 January 2019, except for short-term and low value assets.

Where the Group is the lessor

At the reporting date, the Group sub-lease certain office spaces to a non-related party under non-cancellable operating leases receivables with term of more than one year. The future minimum lease receivable under non-cancellable operating lease contracted for at the end of the reporting period are as follows:

The Group	**2019** **$'000**	2018 $'000
Not later than one year	**70**	422
Later than one year and not later than five years	**–**	69
	70	491

NOTES TO THE FINANCIAL STATEMENTS

26 Contingent liabilities

The Group

There were contingent liabilities in respect of the following:

(a) Immigration bond given to Ministry of Manpower by three of the subsidiaries within the Group in respect of the employment of foreign workers amounting to $1,750,000 (2018 - $1,750,000); and

(b) Guarantees given to suppliers, customers, port authorities and immigration authorities by one of the entities within the Group in respect of services rendered amounted to $2,857,000 (2018 - $2,789,000).

27 Operating segments

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

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

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

Performance is measured based on segment loss before tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment loss 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.

The segmental results for the financial years ended 31 December 2019 and 2018 relate solely to the offshore rig services and supply chain management.

NOTES TO THE FINANCIAL STATEMENTS

27 Operating segments (Cont'd)

Geographical Information

The Group's operations are mainly in the region of Southeast Asia, Australasia (comprising mainly Australia, Marshall Islands and Papua New Guinea), Middle East, Europe and North America. In presenting information on geographical segments, segment revenue is based on the delivery order address of customers. Segment assets which are based on the geographical location of the assets, are all in Singapore.

The Group	2019 $'000	2018 $'000
Australia	**501**	1,070
Bangladesh	**2,021**	–
Indonesia	**–**	889
Malaysia	**16,635**	7,570
Papua New Guinea	**–**	488
Singapore	**23,226**	17,994
United Arab Emirates	**1,613**	438
United States of America	**7,493**	4,957
Europe	**1,946**	–
Others	**4,645**	4,654
Total revenue	**58,080**	38,060

28 Financial risk management objectives and policies

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks included credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no significant change in the Group's exposure to these risks or the manner in which it manages and measures risks.

The Group does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

NOTES TO THE FINANCIAL STATEMENTS

28 Financial risk management objectives and policies (Cont'd)

Credit risk

Credit risk refers to the risk that counterparties may default on their contractual obligations resulting in financial loss to the Group.

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

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

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

	The Group		The Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Singapore	**8,700**	5,022	**9,699**	46,364
Southeast Asia excluding Singapore	**1,820**	2,285	**75**	1
Australasia	**250**	304	**–**	–
Middle East	**54**	95	**–**	–
Europe and others	**2,568**	1,954	**–**	–
	13,392	9,660	**9,774**	46,365

At reporting date, the Group has concentration of credit risk with 3 customers (2018 - 8 customers) engaged in the Oil and Gas sector accounting for approximately 19% (2018 - 40%) of the total trade receivables.

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

The movement in the allowance for impairment loss during the year is summarised as follows:

	2019	2018
The Group	**$'000**	$'000
At 1 January	**1,368**	8,093
Impairment loss recognised	**922**	736
Impairment loss reversed	**(875)**	–
	47	736
Amounts utilised	**(165)**	(7,445)
Translation differences	**–**	(16)
At 31 December	**1,250**	1,368

NOTES TO THE FINANCIAL STATEMENTS

28 Financial risk management objectives and policies (Cont'd)

Credit risk (Cont'd)

The following table provides information about the exposure to credit risk and ECLs for trade receivables for individual customers as at each reporting date.

The Group	Weighted average loss rate %	Net carrying amount $	Impairment loss allowance $	Credit-impaired $
At 31 December 2019				
Current (not past due)	**4.38**	**1,355**	**(59)**	**Yes**
1 – 30 days past due	**6.78**	**1,902**	**(129)**	**Yes**
31 – 120 days past due	**10.56**	**3,059**	**(323)**	**Yes**
More than 120 days past due	**4.59**	**1,350**	**(62)**	**Yes**
		7,666	**(573)**	
At 31 December 2018				
Current (not past due)	0.00	1,622	–	No
1 – 30 days past due	0.28	1,732	(5)	No
31 – 120 days past due	2.51	2,366	(59)	No
More than 120 days past due	11.14	1,381	(154)	Yes
		7,101	(218)	

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

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

As disclosed in Note 9 to the financial statements, the Company held non-trade receivables from its subsidiaries. These balances relate to accrued management fee receivable from subsidiaries. Impairment on these balances has been measured on the 12-month expected loss basis which reflects the low credit risk of the exposures. The amount of the allowance on these balances is insignificant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

NOTES TO THE FINANCIAL STATEMENTS

28 Financial risk management objectives and policies (Cont'd)

Interest rate risk (Cont'd)

The Group is exposed to changes in interest rates primarily due to the Group's loans and borrowings which are subject to variable interest rates. Interest rate risk is managed by the Group on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates. At the reporting date, the interest rate profile of the Group's and the Company's interest-bearing financial instruments, as reported to the management, was as follows:

The Group	2019 $'000	2018 $'000
Fixed rate instruments		
Fixed rate loans	**(15,860)**	(17,675)
Trust receipts	**(2,225)**	(1,990)
Bank overdrafts	**–**	(2,985)
Lease liabilities (2018 - finance lease liabilities)	**(9,581)**	(2,887)
	(27,666)	(25,537)

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

The Group	2019 $'000	2018 $'000
Variable rate instruments		
Fixed deposits	**292**	291
Floating rate loans	**(10,605)**	(12,306)
	(10,313)	(12,015)
The Company		
Fixed rate instruments		
Fixed rate loan	**(3,822)**	(4,560)

<u>Sensitivity analysis for fixed rate instruments</u>

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

NOTES TO THE FINANCIAL STATEMENTS

28 Financial risk management objectives and policies (Cont'd)

Interest rate risk (Cont'd)

Cash flow sensitivity analysis for variable rate instruments

For the variable rate financial assets and liabilities, a 100 basis points ("bp") change in interest rates at the reporting date would have increase/decrease loss before tax and equity by amounts as shown below. This analysis has not taken into account the associated tax effects and assumes that all other variables, in particular foreign currency rates, remain constant.

The Group's policy is to obtain the most favourable interest rates available without increasing its interest exposure.

	Loss before tax increase/(decrease)		**Equity** increase/(decrease)	
The Group	**(100 bp Increase)** $'000	(100 bp Decrease) $'000	(100 bp Increase) $'000	(100 bp Decrease) $'000
31 December 2019				
Variable rate instruments	**103**	**(103)**	**103**	**(103)**
31 December 2018				
Variable rate instruments	120	(120)	120	(120)

Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

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

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

	The Group		**The Company**	
	2019 $'000	2018 $'000	**2019** $'000	2018 $'000
United States Dollar				
Trade and other receivables	**609**	1,858	**60**	–
Cash and cash equivalents	**630**	1,248	**–**	–
Trade and other payables	**(1,485)**	(1,395)	**(79)**	–
	(246)	1,711	**(19)**	–

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

NOTES TO THE FINANCIAL STATEMENTS

28 Financial risk management objectives and policies (Cont'd)

Foreign currency risk (Cont'd)

Sensitivity analysis - Foreign currency risk

A 10% strengthening of the United States dollar against the functional currencies of the respective entities within the Group at the reporting date would increase the loss before tax by the amounts below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2019 and 2018, albeit that the reasonably possible foreign exchange rate variances may have been different.

	The Group		The Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
United States dollar	**(25)**	171	**(2)**	–

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

Liquidity risk

Liquidity or funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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

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

The Group maintains the following lines of credit:

- $1.5 million overdraft facility.
- $2.0 million facility that can be drawn down to meet short-term financing needs. The facility has a 120 days maturity.

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

NOTES TO THE FINANCIAL STATEMENTS

28 Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

Analysis of financial instruments by remaining contractual maturities

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

		Contractual undiscounted cash flows			
The Group	**Carrying amount $'000**	**Total $'000**	**Less than 1 year $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**
31 December 2019					
Term loans					
- Fixed rate	**15,860**	**17,230**	**8,471**	**8,759**	**–**
- Floating rate	**10,605**	**11,748**	**8,895**	**2,853**	**–**
Trust receipts	**2,225**	**2,238**	**2,238**	**–**	**–**
Lease liabilities	**9,581**	**12,371**	**9,273**	**3,068**	**30**
Trade and other payables	**11,886**	**11,886**	**11,886**	**–**	**–**
	50,157	**55,473**	**40,763**	**14,680**	**30**
31 December 2018					
Term loans					
- Fixed rate	17,675	19,804	7,621	11,805	378
- Floating rate	12,306	13,693	2,050	8,145	3,498
Trust receipts	1,990	2,090	2,090	–	–
Bank overdrafts	2,985	3,155	3,155	–	–
Finance lease liabilities	2,887	3,036	1,999	1,023	14
Trade and other payables	11,377	11,377	11,377	–	–
	49,220	55,753	30,292	21,571	3,890
The Company					
31 December 2019					
Term loan - Fixed rate	**3,822**	**4,379**	**1,000**	**3,379**	**–**
Trade and other payables	**306**	**306**	**306**	**–**	**–**
	4,128	**4,685**	**1,306**	**3,379**	**–**
31 December 2018					
Term loan - Fixed rate	4,560	5,379	1,000	4,001	378
Trade and other payables	224	224	224	–	–
	4,784	5,603	1,224	4,001	378

NOTES TO THE FINANCIAL STATEMENTS

28 Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

Analysis of financial instruments by remaining contractual maturities

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

Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices.

The Group and the Company are not exposed to any movement in price risk as it does not hold any quoted or marketable financial instruments.

29 Fair value measurement

Definition of fair value

FRSs define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement of financial instruments

The carrying values of variable rate bank loans approximate their fair values. The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, balances with related parties, cash and cash equivalents, trade and other payables, and borrowings) approximate their fair values because of the short period to maturity.

The table below presents assets and liabilities recognised and measured at fair value and classified by level of the following fair value measurement hierarchy:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 : unobservable inputs for the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

30 Financial instruments

Accounting classifications of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities in each category are as follows:

The Group	Note	2019 $'000	2018 $'000
At 31 December 2019			
Financial assets at amortised cost			
Trade and other receivables	9	**13,392**	9,660
Cash and cash equivalents	10	**3,063**	4,952
		16,455	14,612
Financial liabilities at amortised cost			
Bank overdraft	9	**–**	2,985
Loans and borrowings	14	**28,690**	34,858
Lease liabilities	15	**9,581**	–
Trade and other payables	17	**11,886**	11,377
		50,157	49,220

The Company	Note	2019 $'000	2018 $'000
At 31 December 2019			
Financial assets at amortised cost			
Trade and other receivables	9	**1,774**	46,365
Cash and cash equivalents	10	**124**	20
		1,898	46,385
Financial liabilities at amortised cost			
Loans and borrowings	14	**3,822**	4,560
Trade and other payables	17	**306**	224
		4,128	4,784

NOTES TO THE FINANCIAL STATEMENTS

31 Capital management

The Group's and the Company's objectives when managing capital are:

(a) To safeguard the Group's and the Company's ability to continue as a going concern;

(b) To support the Group's and the Company's stability and growth; and

(c) To provide capital for the purpose of strengthening the Group's and the Company's risk management capability; and

The Group and the Company actively and regularly review and manage its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and the Company and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group and the Company currently do not adopt any formal dividend policy.

The Group and the Company monitor capital using Gearing Ratio, which is net debt divided by total equity attributable to owners of the Company. Net debt represents total borrowings less cash and bank balances.

There were no changes in the Group's and the Company's approach to capital management during the year.

The Company and its subsidiaries are not subject to externally imposed capital requirements.

	The Group		**The Company**	
	31 December 2019 S$'000	31 December 2018 S$'000	**31 December 2019 S$'000**	31 December 2018 S$'000
Bank overdrafts (Note 10)	**–**	2,985	**–**	–
Loans and borrowings (Note 14)	**28,690**	34,858	**3,822**	4,560
Lease liabilities (Note 15)	**9,581**	–	**–**	–
Cash and cash equivalents (Note 10)	**(3,063)**	(4,952)	**(124)**	(20)
Net debt	**35,208**	32,891	**3,698**	4,540
Total equity	**61,880**	68,954	**77,946**	77,747
Total capital	**97,088**	101,845	**81,644**	82,287
Net debt to total capital ratio	**36.3%**	32.3%	4.5%	5.5%

NOTES TO THE FINANCIAL STATEMENTS

32 Prior year adjustments

In FY2016, management changed its accounting policy on "leasehold land and buildings" from the "cost model" to the "revaluation model". Management recorded deferred tax liabilities of $4.4 million on the resultant changes in fair value of the leasehold land and buildings which were recognised in other comprehensive income in accordance with SFRS(I) 1-16 *Property, plant and equipment*.

In FY2018, with the adoption of SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*, the Group elected the optional exemption to measure the "leasehold land and buildings" at fair value and used that fair value as its deemed cost with effect from 1 January 2018. The fair value recorded under the "revaluation reserve" was reclassified to "retained earnings" at the date of transition i.e. 1 January 2017. However, no adjustment was made to the corresponding "deferred tax liabilities".

Under Singapore tax rules, gains derived from the sale of a property are generally not taxable as it is a capital gain. Furthermore, the Group did not claim industrial building allowances on its leasehold land and buildings. Consequently, no deferred tax should be recognised since there are no temporary differences between the accounting tax bases and the carrying amounts of the leasehold land and buildings at inception.

Furthermore, management also identified an overstatement of deferred tax liabilities as at 1 January 2018 arising from the erroneous recording of deferred tax liabilities on other timing differences of $3.2 million.

Management corrected the material prior period's error identified above retrospectively by restating the comparative amounts for the prior period's statement of comprehensive income in accordance with SFRS (I) 1-8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

The prior year adjustment, to the extent that they are applied retrospectively, have the following impact:

	As reported $'000	Prior year adjustments $'000	As restated $'000
Statement of financial position			
At 1 January 2018			
Deferred tax liabilities	10,286	(7,607)	2,679
Retained earnings	33,891	7,607	41,498
At 31 December 2018			
Deferred tax liabilities	10,885	(7,607)	3,278
Retained earnings	19,867	7,607	27,474

NOTES TO THE FINANCIAL STATEMENTS

33 Subsequent events

(a) COVID-19 outbreak

The COVID-19 outbreak subsequent to the reporting period is expected to impact the business of the Group. On 3 April 2020, the Government of Singapore announced the COVID-19 circuit breaker, where closure of workplace premises and additional safe distancing measures will be implemented from 7 April 2020.

As the situation relating to the spread remains uncertain, it is currently not possible to ascertain the full financial impact it may have on the financial performance of the Group for the financial year ended 31 December 2020.

(b) Incorporation of a Joint Venture and Taiwanese Branch

On 27 March 2020, the Company announced (i) the incorporation of a joint venture company – Bridgewater Marine (Taiwan) Limited 成功海業台灣有限公司 (the "JVC"); and (ii) the incorporation of Mazu Land & Marine Works Pte. Ltd. (Taiwan Branch) (the "Branch").

The JVC was incorporated between the Company's wholly owned subsidiary Kim Heng Marine & Oilfield Pte. Ltd. and蓮豪有限公司, a company incorporated in Taiwan and owned by two Taiwanese who are unrelated to the Company and the Group. The Company's effective equity interest in the JVC is 49%.

The Branch was incorporated by the Company's indirect wholly owned subsidiary, Mazu Land & Marine Works Pte. Ltd.

The JVC and the Branch are intended to support the Group's expansion to Taiwan and the Offshore Wind Farm project, and are funded through internally generated resources.

(c) Incorporation of an indirect subsidiary

Khan Hin Engineering Pte. Ltd. was incorporated on 8 April 2020 by the Company's wholly owned subsidiary – Alpine Progress Shipping Pte. Ltd. and an unrelated third party. The Group's effective equity interest is 80%.

STATISTICS OF SHAREHOLDINGS

As at 18 March 2020

SHARE CAPITAL

Issued and fully paid-up capital	:	S$76,133,121.00
No. of issued shares (excluding treasury shares)	:	708,502,300
No. of treasury shares	:	1,497,700
Percentage of treasury shares against total number of issued shares (excluding treasury shares)	:	0.21%
No. of subsidiary holdings	:	Nil
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS BY SIZE OF SHAREHOLDINGS

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

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	0	0.00	0	0.00
100 - 1,000	29	1.79	20,050	0.00
1,001 – 10,000	357	22.07	2,483,100	0.35
10,001 – 1,000,000	1,198	74.04	122,965,900	17.36
1,000,001 and Above	34	2.10	583,033,250	82.29
TOTAL	1,618	100.00	708,502,300	100.00

*Excluding Treasury Shares as at 18 March 2020 - 1,497,700 shares

LIST OF 20 LARGEST REGISTERED SHAREHOLDERS

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

No.	Shareholders' Name	No. of Shares	%
1.	KH GROUP HOLDINGS PTE LTD	279,949,000	39.51
2.	CREDENCE CAPITAL FUND II (CAYMAN) LIMITED	124,999,600	17.64
3.	DBS NOMINEES PTE LTD	39,193,800	5.53
4.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	24,450,250	3.45
5.	MAYBANK KIM ENG SECURITIES PTE. LTD	15,374,100	2.17
6.	CITIBANK NOMINEES SINGAPORE PTE LTD	13,999,500	1.98
7.	OCBC SECURITIES PRIVATE LTD	11,043,600	1.56
8.	ONEEQUITY SG PRIVATE LIMITED	9,000,000	1.27
9.	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	8,323,000	1.17
10.	PEH KWEE CHIM	8,199,800	1.16
11.	VINCENT LIM BOK HUAT	4,300,000	0.61
12.	RAFFLES NOMINEES (PTE) LIMITED	4,175,900	0.59
13.	PHILLIP SECURITIES PTE LTD	3,963,700	0.56
14.	NG THOR HUAT MOXHAM	3,144,900	0.44
15.	YEO KHEE SENG BENNY	3,015,900	0.43
16.	BONG YEW KENG (HUANG YOUQING)	2,570,000	0.36
17.	TAN CHENG HIANG ROSALIND MRS ROSALIND LIM	2,500,000	0.35
18.	CHEW THYE CHUAN OR TAN SEW MAI	2,473,800	0.35
19.	UOB KAY HIAN PTE LTD	1,932,000	0.27
20.	TAN LIP PENG (CHEN LIPING)	1,806,100	0.25
	Total	564,414,950	79.65

STATISTICS OF SHAREHOLDINGS

As at 18 March 2020

SUBSTANTIAL SHAREHOLDERS

Names of Substantial Shareholders	No. of shares registered in the name of substantial shareholder or nominees	No. of shares in which substantial shareholders are deemed to be interested	Total	Percentage of issued Shares
KH Group Holdings Pte. Ltd.	280,049,000[(1)]	–	280,049,000	39.53
Tan Keng Siong Thomas	100,000	280,049,000[(2)]	280,149,000	39.54
Ng Chwee Lian Natalie Amanda	–	280,049,000[(2)]	280,049,000	39.53
Credence Capital Fund II (Cayman) Limited	124,999,600	–	124,999,600	17.64
Tan Chow Boon	–	124,999,600[(3)]	124,999,600	17.64
Seow Kiat Wang	–	124,999,600[(3)]	124,999,600	17.64
Koh Boon Hwee	–	124,999,600[(3)]	124,999,600	17.64
Credence Partners Pte. Ltd.	–	124,999,600[(3)]	124,999,600	17.64

Notes:

(1) KH Group Holdings Pte. Ltd. had acquired 100,000 shares in the Company via a market transaction on 16 March 2020, which had not been reflected in the Register of Members and Depositors Register as at 18 March 2020.

(2) Mr Tan Keng Siong Thomas and Mdm Ng Chwee Lian Natalie Amanda are deemed to be interested in 280,049,000 Shares which are held by KH Group Holdings Pte. Ltd.

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

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on information available to the Company as at 18 March 2020, approximately 42.65% of the shareholdings of the Company is held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Catalist Rules.

KIM HENG
OFFSHORE & MARINE HOLDINGS LIMITED

Incorporated in the Republic of Singapore on 29 April 2013
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