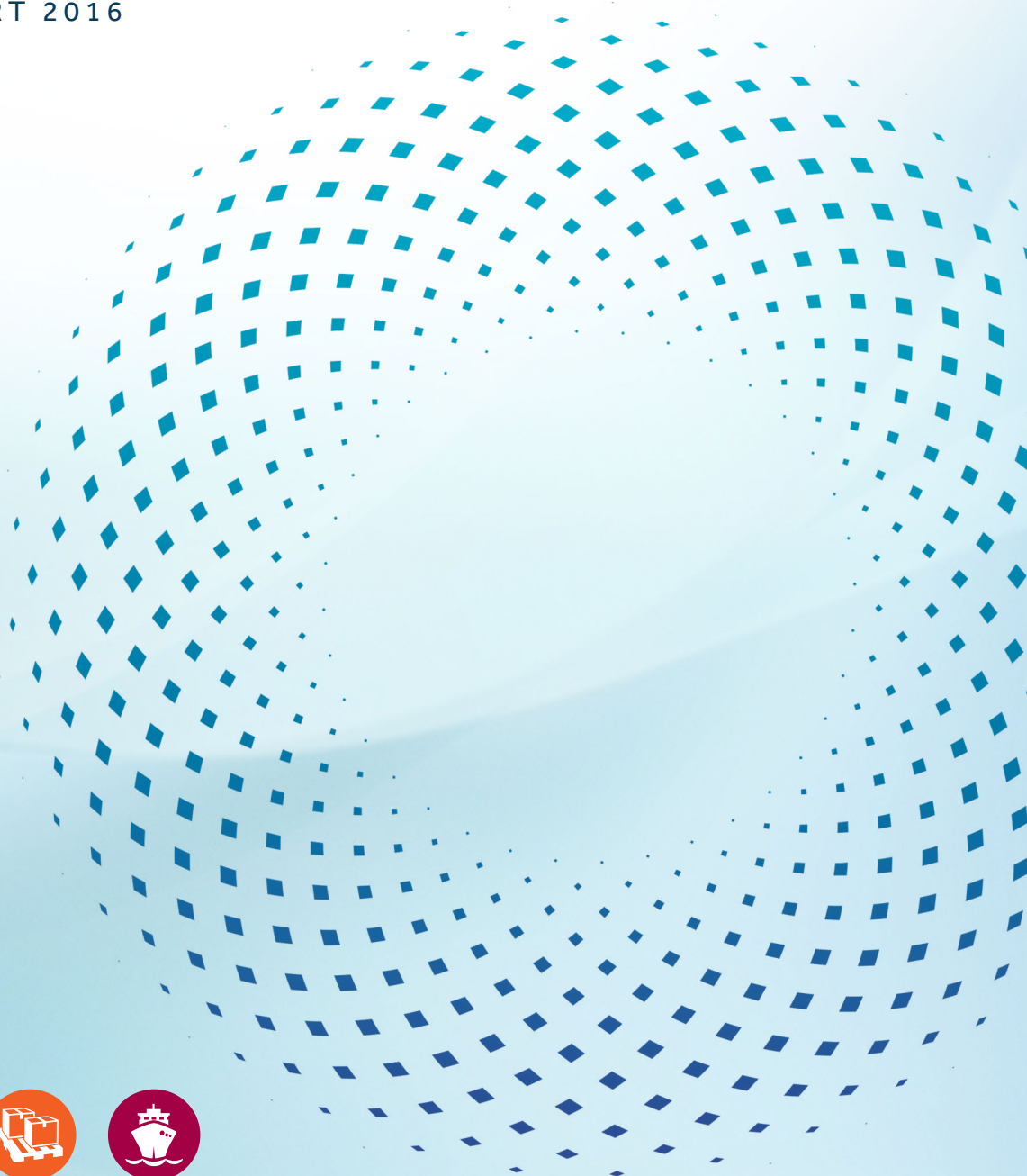




明 光 集 團
BENG KUANG GROUP

Extending Our Reach

ANNUAL REPORT 2016





Our Vision

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

Our Mission

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

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Corporate Profile



Growing Strategically

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

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

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

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

Infrastructure Engineering

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

Corrosion Prevention

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

Shipping and Others

- Livestock Carriers
- Tugs & Barges
- Ship Management

Supply and Distribution

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

Infrastructure Engineering Division (“IE Division”)

Our Infrastructure Engineering Division has been accredited with ISO9001:2000 certification and has received numerous letters of appreciation from shipyard operators and vessel owners alike.

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

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

Since 2009, we have constructed and delivered a number of vessels such as semi-submersible barges, patrol vessels, various types of crane barges, tug boats and cargo barges. Apart from new construction, we have also successfully converted vessels to AMSA approved livestock carriers and fabricated complex steel structures and products for the marine and offshore industries.

In 2014, we have extended our services to include in-situ offshore platform and support vessel repairs, sandwich plate system (SPS) overlay treatment, implementation and installation of fire-fighting equipment and fire detection system.

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

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

Corrosion Prevention Division (“CP Division”)

Our past vast record and reputation for reliability have enabled us to secure appointments such as “Resident Contractor” to provide corrosion prevention services in several established shipyards in Singapore and Batam, Indonesia. Our customers include Keppel Group of companies, Singapore Technologies Group of companies and DDW-PaxOcean Group of companies.

Supply and Distribution Division (“SD Division”)

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

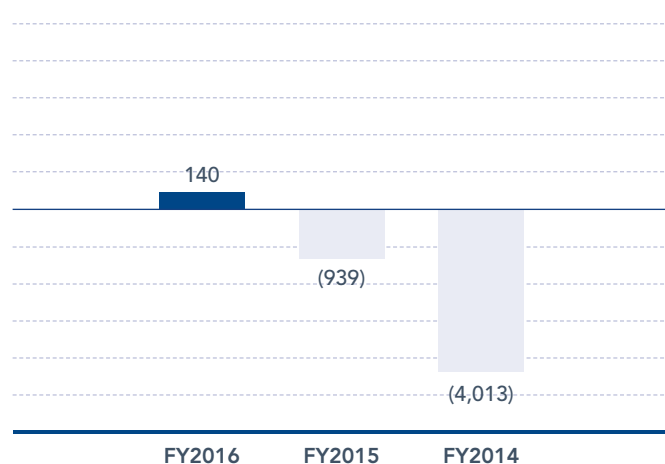
Shipping Division (“SH Division”)

The Shipping Division has a total fleet of 16 vessels. The 2 livestock vessels trade from Australia to Vietnam, China, Indonesia and Malaysia and occasionally to South African countries. The 14 tugs and barges are all deployed in Indonesian waters, transporting mainly coal and building materials such as sand and aggregates.

Financial Highlights

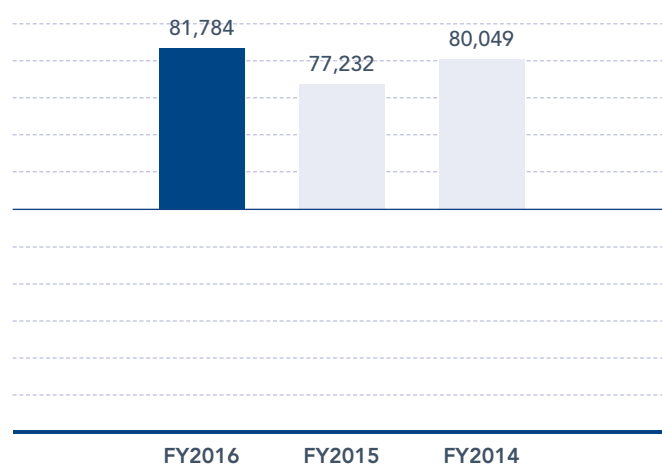
Attributable profit / (loss) (S\$'000)

140



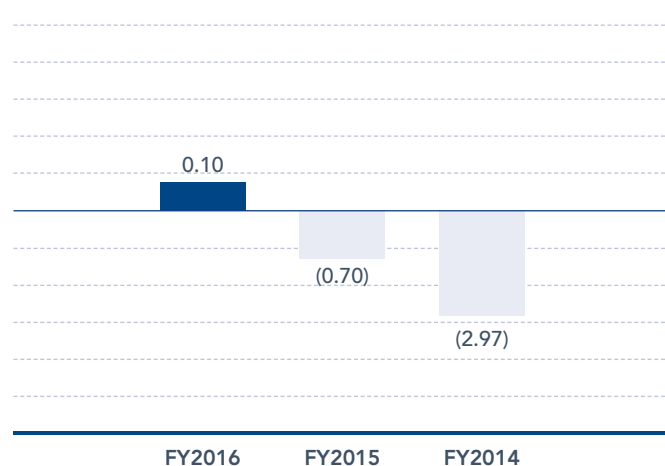
Tangible Net Worth (S\$'000)

81,784



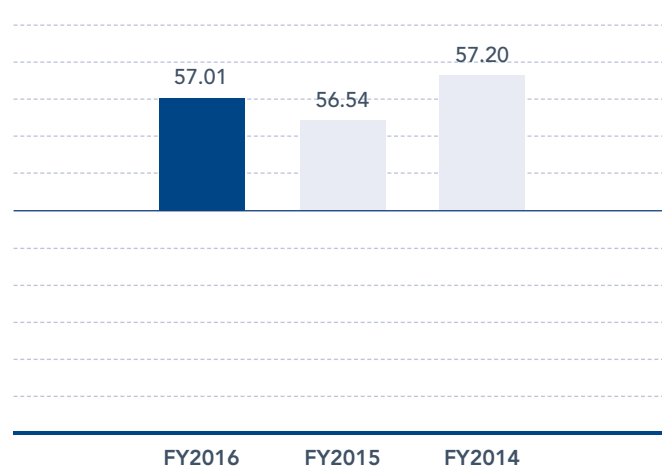
Earnings per Share - Basic (in cents)

0.10



NAV per Share (in cents)

57.01



	2016	2015 Restated	2014
Operating Results			
Turnover	76,633,791	83,561,571	73,924,561
EBITDA	13,277,587	9,255,166	7,540,273
Pretax profit / (loss)	646,277	(3,513,421)	(3,508,778)
Attributable profit / (loss)	140,406	(939,187)	(4,013,374)
Turnover growth / (decline)	-8.3%	13.0%	-11.8%
EBITDA growth / (decline)	43.5%	22.7%	-57.6%
Pretax growth / (decline)	118.4%	-0.1%	-151.3%
Attributable profit growth	114.9%	51.9%	-171.9%
EBITDA margin	17.3%	11.1%	10.2%
Pretax margin	0.8%	-4.2%	-4.7%
Net profit / (loss) margin	1.6%	-3.9%	-5.2%
Financial Position			
Total assets	164,097,018	173,149,624	175,405,238
Total liabilities	(82,248,456)	(95,898,912)	95,291,988
Net debt	(52,388,870)	(55,917,919)	(57,578,839)
Tangible Net Worth	81,784,725	77,231,875	80,049,413
Net Gearing ratio	64.1%	72.4%	71.9%
Per Share Data (In cents)			
Basic Earnings per Share	- Basic	0.10	(0.70)
	- Diluted	0.10	(0.70)
NAV per Share (in cents)	57.01	56.54	57.20
Segment Results			
Turnover			
Infrastructure Engineering	35,695,946	32,530,383	15,665,613
Corrosion Prevention	20,656,121	28,334,804	36,123,870
Supply & Distribution	9,367,506	12,241,436	14,534,152
Shipping	10,914,218	10,454,948	7,600,926
Profit / (loss) from operating segments			
Infrastructure Engineering	2,029,188	(5,169,807)	(5,209,646)
Corrosion Prevention	2,666,619	5,238,280	6,135,213
Supply & Distribution	770,953	242,211	338,866
Shipping	(1,860,922)	(648,346)	(1,209,772)
Others	(84,394)	(105,818)	(57,045)
Capital Expenditure			
Infrastructure Engineering	6,510,237	6,541,522	593,607
Corrosion Prevention	507,914	2,202,843	1,806,213
Supply & Distribution	467,800	–	24,865
Shipping	1,573,298	1,162,461	4,944,318

Executive Chairman's Statement



“We returned to profitability in FY2016 and will continue our efforts to actively grow our revenue and profit.

Dear Shareholders,

The global marine and offshore oil and gas industries remained stuck in the doldrums as the prolonged depression in oil prices continued into 2016. During the year we saw the fall and exit of some players in these industries worldwide and in Singapore. New orders in the shipbuilding and offshore industries were vastly reduced and available marine related work in Singapore shrunk drastically. In the face of these conditions, major Singapore shipyards were compelled to downsize their capacity and reduce costs. This significantly affected the Group's businesses.

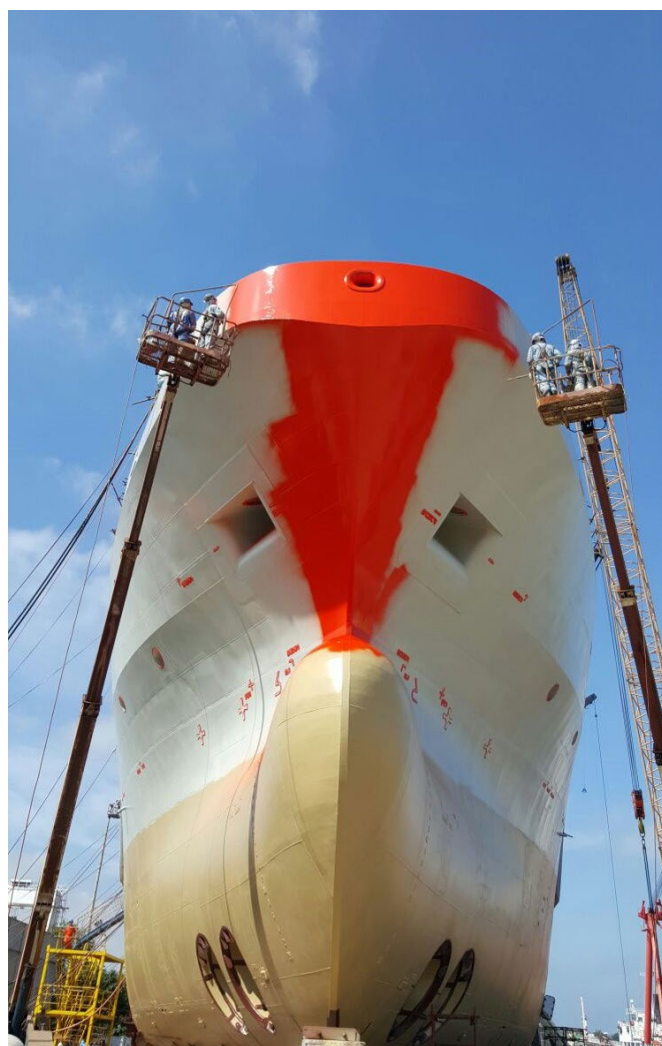
The Group had a difficult year in 2016 in these challenging market conditions. Total revenue fell from \$83.56 million in FY2015 to \$76.63 million in FY2016, a drop of 8.3%. The Group made a net profit after tax of \$140,000 attributable to the Company's shareholders. The net loss attributable to shareholders in FY2015 was \$939,000.

The Infrastructure Engineering Division increased its sales from \$32.53 million in FY2015 to \$35.70 million in FY2016, an increase of 9.7%, as it was able to secure more value added offshore maintenance contracts. Our Corrosion Prevention (CP) Division which is very reliant on the Singapore and Batam marine industry suffered a severe drop in revenue from \$28.33 million in FY2015 to \$20.66 million in FY2016, a fall of 27.1%.

The Supply and Distribution (SD) Division also had a lower revenue of \$9.37 million in FY2016 on account of slower demand for marine and industrial hardware. This was 23.4% lower than its sales of \$12.24 million in FY2015. Our Shipping Division recorded a marginally higher revenue of \$10.91 million in FY2016.

Our new office building, workshop and open fabrication facility were completed recently and this would enable the Group to secure a 28-year lease extension of its premises at 55 Shipyard Road, Singapore.

The Group continued to implement serious measures to reduce costs and enhance operational efficiencies across all business units and our efforts to increase sales had showed some improvements in the IE Division. We returned to profitability in FY2016 and will continue our efforts to actively grow our revenue and profit. We expect to see some improvement in the demand for offshore business and activities in 2017.



On behalf of the Board, I would like to place on records our thanks to Mr Kwek Kok Beng who resigned on 5 May 2016 and welcome Mr Tan Ling Kwok, Philip to the Board. I also wish to thank my fellow Directors for their counsel and guidance in FY2016.

We would also like to express our heartfelt gratitude to our bankers, customers, suppliers and partners for their continued support and to all our employees for showing the grit and steel to navigate these choppy waters.

Chua Beng Kuang
Executive Chairman

Financial & Operations Review



The marine, offshore oil and gas sectors encountered the worst downturn in 2015 and 2016 since 1980s. Beng Kuang Group's revenue was largely affected as work from established shipyards was significantly reduced compared to 2015. Hence, the Group's revenue decreased by 8.3% or S\$6.93 million from S\$83.56 million in FY2015 to S\$76.63 million in FY2016.

SEGMENTAL REVIEW

Infrastructure Engineering ("IE") Division

Revenue for our IE division increased by 9.7% or S\$3.17 million from S\$32.53 million in FY2015 to S\$35.70 million in FY2016. The improvement was generated from securing more orders for fabrication and offshore maintenance services.

Our offshore maintenance team continued to capitalise on the current weak oil and gas market securing various onboard repairs for FSO, FPSO vessels as most offshore ship owners are extending the lifespan and sea-worthiness of their current operating fleet at work site and defer acquiring new vessels due to uncertainties on recovery of the oil prices.

Our IE division managed to secure a fabrication project which utilised part of our Batam yard on the construction of three E-houses steel structures for a leading energy technology customer. However, on the vessel construction segment, business remained weak as there were hardly any positive market news for new vessel building for the last 2 years.

Our yard only managed to work on some minor ship repairs and providing mooring space for few layup barges.

With tighter project cost control, our IE division reported operating profits in FY2016 of S\$2.03 million as compared to operating losses of S\$5.17 million for FY2015.

Corrosion Prevention ("CP") Division

Revenue for our CP division decreased by 27.1% or S\$7.67 million from S\$28.33 million in FY2015 to S\$20.66 million in FY2016. This was due to the difficult market conditions in marine, offshore oil and gas sectors as the major shipyards in Singapore and Batam experienced significant drop in their order books. As a result, operating profit dropped in tandem with the slowdown in sales in FY2016 to S\$2.67 million compared to S\$5.24 million for FY2015.

Supply & Distribution ("SD") Division

Our SD division registered a decline in revenue by 23.4% or S\$2.87 million from S\$12.24 million in FY2015 to S\$9.37 million in FY2016 due to weaker demand for marine hardware product. However, operating profit improved in FY2016 to S\$0.77 million compared to S\$0.24 million in FY2015 due to intensive marketing effort on Singapore customers over better margins.

Shipping and Others ("SH") Division

Our SH division generated a steady revenue of S\$10.91 million for FY2016 compared to S\$10.45 million in FY2015.

Our tugs and barges business in Indonesia continued to be badly affected by the Indonesian export ban on untreated minerals. As a result of the above-mentioned, SH division incurred S\$1.86 million operating losses in FY2016 compared to S\$0.65 million operating loss in FY2015.

OPERATING PROFITS

Our gross profit increased S\$5.34 million from \$14.11 million in FY2015 to S\$19.45 million in FY2016. However, our gross profit margin improved at 25.4% in FY2016 as compared to 16.9% in FY2015. This was due to contribution from higher value added IE projects and tighter project cost control.

EBITDA improved S\$4.03 million from \$8.85 million in FY2015 to S\$13.28 million in FY2016. Similarly, EBITDA margin improved by 7.4% from 10.6% in FY2015 to 18.0% in FY2016 due to contribution from higher value added IE projects and tighter project cost control.

Financial expenses remained constant at S\$3.02 million in FY2015 compared to S\$2.97 million in FY2015. The Group has been placing priorities to manage borrowings at adequate level.

Income tax credit increased by S\$0.32 million from S\$S\$0.23 million in FY2015 to S\$0.55 million in FY2016 due to deferred tax assets arising from enhanced tax deduction for purchase of automation equipment under the PIC Scheme.

The Group's net profit after tax of S\$1.20 million was mainly due to operating profits from our IE, CP and SD divisions. Profit attributable to shareholders was S\$0.14 million for FY2016 compared to loss of S\$0.94 million for FY2015.

CASH FLOW STATEMENT

The Group generated positive net cash flow of S\$10.33 million in FY2016 from operating activities.

Net cash outflow in investing activities for FY2016 was approximately S\$8.51 million. This was mainly attributable to the completion of the construction of the office building and waterfront yard upgrading works in Singapore for S\$6.35 million. The remaining key capital expenditure included S\$1.57 million on drydocking cost of vessels and S\$0.38 million on machinery and equipment.

Net cash outflow in financing activities was approximately S\$2.84 million for FY2016. Cash outflow in financing activities was mainly due to S\$2.59 million net repayment

of bank borrowings, S\$1.78 million repayment of finance lease liabilities and S\$0.91 million on bills payable. Cash inflow in financing activities amounting to S\$2.79 million was for increase in share capital of Ocean Eight Shipping Pte. Ltd. by a non-controlling interest.

As a result of the above, the Group registered a net decrease in cash and cash equivalent of approximately S\$1.02 million for FY2016.

ASSETS AND LIABILITIES

The Group registered total assets of S\$164.10 million as at 31 December 2016.

The Group's current assets decreased from S\$67.65 million as at 31 December 2015 to S\$57.39 million as at 31 December 2016 due to the decrease of S\$8.87 million in trade and other receivables, decrease of S\$0.87 million in inventories and decrease of S\$0.52 million in cash and bank balances.

Total liabilities for the Group were S\$82.25 million as at 31 December 2016 as compared to S\$95.90 million as at 31 December 2015. The key reduction was attributable to the decrease in current liabilities by S\$11.68 million, where trade and other payables were paid down by S\$8.63 million and bank borrowings reduced by S\$2.40 million.

The Group registered net current assets of S\$1.65 million as at 31 December 2016.



Board Of Directors

MR. CHUA BENG KUANG
Executive Chairman



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

MR. CHUA MENG HUA
Managing Director and Chief Executive Officer



Mr. Chua Meng Hua is our Managing Director and one of our founders. He was first appointed Director on 8 January 1994 and last re-elected on 28 April 2015. He oversees the overall administrative, safety and operational systems, including developing and steering plans, and directions for the Group. He has about 25 years of experience within the marine industry.

MR. ALAN YONG THIAM FOOK
Executive Director



Mr. Alan Yong Thiam Fook was appointed as our Executive Director on 14 July 2008. Prior to that, he has been on the Board as a Non-Executive Director since 30 May 2002. He was last re-elected on 28 April 2015. He is our head of the Shipping Division as well as overseeing the Risk Management Committee, investment & joint ventures and business development for the Group.

Mr. Yong was the Chief Financial Officer of Labroy Marine Limited from 1994 to October 2006. He was the Group Financial Controller of JK Yaming International Holdings Limited, Finance Manager of Kuok (Singapore) Ltd, Island Concrete group of companies and Neptune Orient Lines.

Mr. Yong obtained a Bachelor of Science (Economics) from the University of London in 1978. He is a fellow member of the Institute of Certified Public Accountants of Singapore and a member of the Singapore Institute of Directors.

DR. WONG CHIANG YIN
Independent Director



Chairman, Audit Committee
Chairman, Remuneration Committee
Member, Nominating Committee

Dr. Wong Chiang Yin was first appointed as our Independent Director on 30 August 2004 and was last re-elected on 28 April 2014. He is also the Director of two institutions of public character: Academy of Medicine Singapore and SMA Charity Fund Limited.

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

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

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

MR. GOH CHEE WEE
Independent Director



Chairman, Nominating Committee
Member, Audit Committee
Member, Remuneration Committee

Mr. Goh Chee Wee was first appointed as our Independent Director on 30 August 2004 and was last re-elected on 28 April 2016. He is also a director of Chailease Holding Company Ltd, King Wan Corporation Ltd, Stamford Tyres Corporation Ltd and Sin Ghee Huat Corporation Ltd, all listed companies.

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

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

MR. TAN LING KWOK, PHILIP
Non-Executive Director



Member, Audit Committee
Member, Remuneration Committee
Member, Nominating Committee

Mr. Tan Ling Kwok, Philip was first appointed as our Non-Executive Director on 5 May 2016. He has more than 20 years of experience in finance and accounting. Mr. Tan was appointed as Chief Financial Officer of PaxOcean Group in 2015, having previously served as Group Financial Controller of PACC Offshore Services Holdings Limited, a related company. He is responsible for the Group finance and reporting functions.

Prior to this, Mr. Tan was the Chief Financial Officer of various SGX listed companies since 2001. He was responsible for full finance functions and acquired good understanding of listing compliance and regulatory. He joined Sing Lun Holdings Limited from 2007 to 2014, where he played an instrumental role in the company's privatisation and was also responsible for Human Resources and Management Information Systems functions. From 2000 to 2007, he served in PCA Technology Limited and took the company through its Initial Public Offering in 2001. Prior to this, Mr. Tan was an Audit Manager in Arthur Andersen and provided audit and advisory services to various industries.

Mr. Tan holds a Bachelor of Accountancy (Hons) degree from Nanyang Technological University. He is a Chartered Accountant and a member of the Institute of Singapore Chartered Accountants. He serves in various capacities among different grassroots organisations under the People's Association. In recognition of his public service, he was conferred the Public Service Medal in 2006.

Key Executives

MR. CHUA BENG YONG
Chief Operating Officer



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

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

MR. CHUA BENG HOCK
Deputy Chief Operating Officer



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

He is currently overseeing the Group's business divisions, particularly in the CP Division, including developing and steering plans, directions in the marketing, business development and operations aspects. He has over 22 years of experience in the corrosion prevention business in the marine, offshore, oil and gas industries. He leads the CP Division in pursuing the Group's mission and objectives and has been instrumental in the market expansion in CP Division.

MR. WILLIAM LEE
Chief Financial Officer



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

Corporate Structure



INFRASTRUCTURE ENGINEERING

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



CORROSION PREVENTION

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



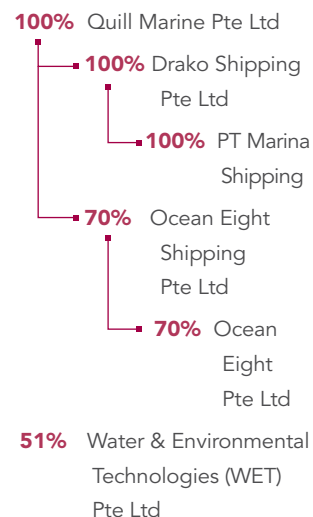
SUPPLY AND DISTRIBUTION

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



SHIPPING AND OTHERS

- Livestock Carriers
- Tugs & Barges
- Ship Management



GROUP CORPORATE SERVICES

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

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

Corporate Information

BOARD OF DIRECTORS

Mr. Chua Beng Kuang
Executive Chairman

Mr. Chua Meng Hua
Managing Director and
Chief Executive Officer

Mr. Yong Thiam Fook
Executive Director

Dr. Wong Chiang Yin
Independent Director

Mr. Goh Chee Wee
Independent Director

Mr. Kwek Kok Beng
Non-Executive Director
(Resigned on 5 May 2016)

Mr. Tan Ling Kwok, Philip
Non-Executive Director
(Appointed on 5 May 2016)

AUDIT COMMITTEE

Dr. Wong Chiang Yin
Chairman

Mr. Goh Chee Wee

Mr. Tan Ling Kwok, Philip

REMUNERATION COMMITTEE

Dr. Wong Chiang Yin
Chairman

Mr. Goh Chee Wee

Mr. Tan Ling Kwok, Philip

NOMINATING COMMITTEE

Mr. Goh Chee Wee
Chairman

Dr. Wong Chiang Yin

Mr. Tan Ling Kwok, Philip

COMPANY SECRETARIES

Ms. Wee Woon Hong

Mr. Srikanth Rayaprolu

REGISTERED OFFICE

55 Shipyard Road, Singapore 628141

Tel : (65) 6266 0010

Fax: (65) 6264 0010

Email: bkm@bkmgroup.com.sg

Website: www.bkmgroup.com.sg

AUDITORS

Nexia TS Public Accounting Corporation

100 Beach Road

#30-00 Shaw Tower

Singapore 189702

Partner-In-Charge: Mr. Loh Ji Kin

Appointed since Financial Year Ended 2015

BANKERS

United Overseas Bank Limited

CIMB Bank Berhad

DBS Bank Limited

BNP Paribas

Oversea-Chinese Banking Corporation Limited

Malayan Banking Berhad

RHB Bank Berhad

PT. Bank Mandiri (Persero) Tbk

PT. Bank ICBC Indonesia

Hong Leong Finance Ltd

REGISTRAR AND THE SHARE TRANSFER OFFICE

M & C Services Private Limited

112 Robinson Road, #05-01,

Singapore 068902

Tel : (65) 6228 0530

Fax: (65) 6225 1452

Report of Corporate Governance

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

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

(A) BOARD MATTERS

Principle 1: The Board's Conduct of Its Affairs

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

The principal functions of the Board are to:-

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

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

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

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

The Board conducts regular scheduled meetings on a quarterly basis and where the circumstances require, ad-hoc meetings are arranged. Attendance of the Directors via telephone conference is allowed under Regulation 120(2) of the Company's Constitution. The Board may also make decisions by resolutions in writing. The number of Board and Board committees meetings held and attended by each Director during FY2016 are as follows:-

Report of Corporate Governance

Name	Board Meeting		Audit Committee		Remuneration Committee		Nominating Committee	
	No of meetings		No of meetings		No of meetings		No of meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Chua Beng Kuang	4	4	–	–	–	–	–	–
Chua Meng Hua	4	4	–	–	–	–	–	–
Yong Thiam Fook	4	4	–	–	–	–	–	–
Dr Wong Chiang Yin	4	4	4	4	1	1	1	1
Goh Chee Wee	4	4	4	4	1	1	1	1
Kwek Kok Beng ¹	1	1	1	1	1	1	1	1
Tan Ling Kwok, Philip ²	3	3	3	3	–	–	–	–

¹ Kwek Kok Beng resigned as Non-Executive Director of the Company on 5 May 2016.

² Tan Ling Kwok, Philip was appointed as Non-Executive Director of the Company on 5 May 2016.

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

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

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

Principle 2: Board Composition and Guidance

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

Executive Directors

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

Non-Executive Directors

Dr Wong Chiang Yin	(Independent Director)
Goh Chee Wee	(Independent Director)
Tan Ling Kwok, Philip	(Non-Executive Director)

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

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

Report of Corporate Governance

Dr. Wong Chiang Yin and Mr. Goh Chee Wee were first appointed Directors on 30 August 2004 and have held their office as Directors for more than 12 years and the Code requires their independence should be subject to rigorous review. In this context, the NC and the Board have separately reviewed the independence of Dr. Wong Chiang Yin and Mr. Goh Chee Wee and are satisfied that their long tenure does not impair their independence and they are able to discharge the duties as Directors independently and objectively. They remained independent in character and judgement and there are no relationships or circumstances which are likely to affect their judgement. Both of them are well qualified and experienced and have the ability to make impartial and well balanced decisions and to act in the best interests of the Company and shareholders.

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

Principle 3: Chairman and Managing Director

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

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

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

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

Mr. Chua Beng Kuang (Executive Chairman) and Mr. Chua Meng Hua (Managing Director and Chief Executive Officer) are brothers. The Board is aware of the timeline set by the Code for independent directors to make up half of the Board where the Chairman and CEO are immediate family members.

Principle 4: Board Membership

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

Goh Chee Wee	(Chairman, Independent Director)
Dr Wong Chiang Yin	(Member, Independent Director)
Tan Ling Kwok, Philip	(Member, Non-Executive Director)

Report of Corporate Governance

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

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

The NC is responsible for the re-nomination of the Directors. Regulation 107 of the Company's Constitution requires one-third of the Directors to retire from office at least once in every three years at the Company's AGM whereas Regulation 112 provides that each term of appointment of the Managing Director shall not exceed five years. Retiring Directors are eligible to offer themselves for re-election pursuant to Regulation 109.

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

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

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

Principle 5: Board Performance

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

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

Report of Corporate Governance

Principle 6: Access to Information

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

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

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

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

(B) REMUNERATION

Principle 7: Procedures for Developing Remuneration Policies

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

Dr Wong Chiang Yin	(Chairman, Independent Director)
Goh Chee Wee	(Member, Independent Director)
Tan Ling Kwok, Philip	(Member, Non-Executive Director)

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

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

Principle 8: Level and Mix of Remuneration

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

Report of Corporate Governance

The Company has entered into separate service agreements with Mr. Chua Beng Kuang and Mr. Chua Meng Hua for an initial period of three years commencing 1 January 2004 which shall be automatically renewed on a three-year basis and with Mr. Yong Thiam Fook for an initial period of three years commencing 14 July 2008 which shall be automatically renewed on an annual basis. There are no onerous removal clauses in the service agreements. Other than a fixed salary, Mr. Chua Beng Kuang and Mr. Chua Meng Hua are also entitled to an additional variable performance related bonus that is designed to align their interests with those of the shareholders and link rewards to corporate and individual performance.

Principle 9: Disclosure on Remuneration

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

A summary compensation table of the directors' remuneration for the financial year ended 31 December 2016 is set out below:

Name of Directors	Salary [#] (%)	Bonus (%)	Fees* (%)	Benefits (%)	Total (%)
\$S\$250,001 to \$S\$500,000					
Chua Beng Kuang	95.11	–	–	4.89	100.00
Chua Meng Hua	93.41	–	1.92	4.67	100.00
Up to \$S\$250,000					
Yong Thiam Fook	99.49	–	0.51	–	100.00
Dr Wong Chiang Yin	–	–	100.00	–	100.00
Goh Chee Wee	–	–	100.00	–	100.00
Kwek Kok Beng [^]	–	–	100.00	–	100.00
Tan Ling Kwok, Philip [^]	–	–	100.00	–	100.00

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

Salary is inclusive of fixed allowance and CPF contributions.

[^] Kwek Kok Beng resigned from his office as a non-executive director of the Company with effect from 5 May 2016.
Tan Ling Kwok, Philip was appointed as a non-executive director of the Company with effect from 5 May 2016.

A summary compensation table of the top five Executive Officers' remuneration for the financial year ended 31 December 2016 is set out below:

Name of Top 5 Executive Officers	Salary (%)	Bonus (%)	Fees (%)	Benefits (%)	Total (%)
\$S\$250,001 to \$S\$500,000					
Chua Beng Yong	100.00	–	–	–	100.00
Chua Beng Hock	98.71	–	1.29	–	100.00
Up to \$S\$250,000					
Lee Wei Liang	99.34	–	0.66	–	100.00
Tan Say Tian	100.00	–	–	–	100.00
S.Thillainathan	100.00	–	–	–	100.00

Report of Corporate Governance

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

Mr. Chua Beng Kuang and Mr. Chua Meng Hua (Executive Directors) and Mr. Chua Beng Yong and Mr. Chua Beng Hock (Executive Officers) are brothers. The Code recommends that the remuneration of employees who are immediate family member of a Director or CEO be disclosed within the bands of S\$50,000. However, the Board is of the opinion that the remuneration details of Mr. Chua Beng Yong and Mr. Chua Beng Hock are confidential and disclosure of their remuneration in the bands of S\$50,000 would not be in the interest of the Company. Mr. Chua Min Kong who is also a brother of Mr. Chua Beng Kuang and Mr. Chua Meng Hua is employed by the Group as a Manager and his total remuneration in 2016 was between S\$50,000 to S\$100,000.

Save as disclosed above, there is no employee who is an immediate family member of any Director or CEO, whose remuneration for FY2016 exceeds S\$50,000.

The aggregate total remuneration paid to or accrued to top five Executive Officers (who are not Directors or CEO) for FY2016 amounted to S\$909,354.

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

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

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

(C) ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

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

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

Report of Corporate Governance

Principle 11: Risk Management and Internal Controls

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

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

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

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

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

The Company is gradually placing emphasis on sustainability and would implement appropriate policies and programmes when the opportunities arise.

Principle 12: Audit Committee

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

Dr Wong Chiang Yin	(Chairman, Independent Director)
Goh Chee Wee	(Member, Independent Director)
Tan Ling Kwok, Philip	(Member, Non-Executive Director)

Report of Corporate Governance

Dr. Wong Chiang Yin, an Independent Director, chairs this Committee. The AC met four times in the financial year under review. It performs the following functions:-

- Reviewing the audit plans and reports of the independent auditor and to consider the effectiveness of the actions taken by the Management on the auditor's recommendations;
- Reviewing the internal audit plans, the scope and results of internal audit procedures;
- Review Enterprise Risk Management structure, governance and processes;
- Reviewing the balance sheet of the Company, the consolidated financial statements of the Group for the financial year ended 31 December 2016 and other announcements to shareholders and the SGX-ST before submission to the Board of Directors ("Board") for approval, as well as the independent auditor's report on the balance sheets of the Company and the Consolidated financial statements of the Group;
- Appraising and reporting to the Board on the audits undertaken by the independent auditor, the adequacy of disclosure of information, and the adequacy and effectiveness of the system of management internal audit function and internal controls;
- Reviewing the assistance and co-operation given by the Management to the independent auditor;
- Evaluating quality of work performed by independent auditor;
- Discussing problems and concerns, if any, arising from the interim and final audits;
- Considering and make recommendations to the Board on the appointment, re-appointment and removal of independent auditor, their remuneration and terms of engagement;
- Reviewing the framework for staff to raise concerns about possible improprieties in matters of financial reporting or other matters in confidence, and that there is independent investigation of such matters and appropriate follow-up action; and
- Reviewing interested person transactions, as defined in the Listing Manual of SGX-ST.

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

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

The aggregate amount of fees paid or payable to the independent auditors of the Company, broken down into audit and non-audit services during FY2016 are as follows:-

Audit fees	: S\$169,288
Non-audit fees	: S\$45,521

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

Whistle Blowing Policy

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

Report of Corporate Governance

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

Principle 13: Internal Audit

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

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

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholders Rights

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

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

Principle 15: Communication with Shareholders

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

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

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

In view of the Group's weak operating results in FY2016, the Board has decided not to declare any dividend for FY2016.

Report of Corporate Governance

Principle 16: Conduct of Shareholder Meetings

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

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

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

(E) DEALINGS IN SECURITIES

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

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

(F) INTERESTED PERSON TRANSACTIONS

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

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

Disclosure of interested person transactions are made together with the Company's quarterly results. The AC reviewed the significant transactions entered into by the Company with its interested persons for FY2016 in accordance with its existing procedures.

Report of Corporate Governance

A summary of the interested person transactions for FY2016 is as follows:

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920).	Aggregate value of all interested person transactions conducted under the shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000).
[Revenue / (Expenses)]	S\$	S\$
<u>DP Shipbuilding & Engineering Pte Ltd</u>		
Ship Repair Services		(269,334)
<u>PT. Nanindah Mutiara Shipyard</u>		
Provision of Corrosion Prevention Services		1,156,827
<u>PT. Graha Trisaka Industri</u>		
Provision of Corrosion Prevention Services		1,500,651
Procurement of Materials and Consumables		(862)
<u>DDW – PaxOcean Shipyard Pte Ltd (Formerly known as Drydocks World – Singapore Pte Ltd)</u>		
Provision of Corrosion Prevention Services		1,713,898
Procurement of Materials and Consumables		(25,026)
Transportation Charges		(24,646)
<u>PT. Drydocks World Pertama</u>		
Provision of Corrosion Prevention Services		1,157,610
Procurement of Materials and Consumables		(180,484)

(G) MATERIAL CONTRACTS AND LOANS

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

Directors' Statement

for the financial year ended 31 December 2016

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2016 and the balance sheet of the Company as at 31 December 2016.

In the opinion of the directors,

- (i) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 37 to 110 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2016 and of the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

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

Chua Beng Kuang

Chua Meng Hua

Yong Thiam Fook

Dr Wong Chiang Yin

Goh Chee Wee

Kwek Kok Beng (Resigned on 5 May 2016)

Tan Ling Kwok, Philip (Appointed on 5 May 2016)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

Directors' Statement

for the financial year ended 31 December 2016

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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

	Holdings registered in name of director or nominee	
	At 31.12.2016	At 1.1.2016
The Company		
<u>(No. of ordinary shares)</u>		
Chua Beng Kuang	9,066,875	9,066,875
Chua Meng Hua	8,829,875	8,829,875
Yong Thiam Fook	64,000	64,000
Dr Wong Chiang Yin	25,000	25,000

The directors' interests in the ordinary shares of the Company as at 21 January 2017 were the same as those as at 31 December 2016.

SHARE OPTIONS

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

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

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

AUDIT COMMITTEE

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

Dr Wong Chiang Yin	(Chairman, Independent Director)
Goh Chee Wee	(Member, Independent Director)
Tan Ling Kwok, Philip	(Member, Non-independent and Non-executive Director)

Directors' Statement

for the financial year ended 31 December 2016

AUDIT COMMITTEE (CONT'D)

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

- the audit plans and reports of the independent auditor and to consider the effectiveness of the actions taken by Management on the auditor's recommendations;
- the internal audit plans, the scope and results of internal audit procedures;
- the Enterprise Risk Management structure, governance and processes;
- the balance sheet of the Company, the consolidated financial statements of the Group for the financial year ended 31 December 2016 and other announcements to shareholders and the Singapore Exchange Securities Trading Limited ("SGX-ST") before submission to the Board of Directors ("Board") for approval, as well as the independent auditor's report on the balance sheet of the Company and the consolidated financial statements of the Group;
- the audit conducted by the independent auditor, the adequacy of disclosure of information;
- the assistance and co-operation given by Management to the independent auditor;
- the quality of work performed by the independent auditor;
- the problems and concerns, if any, arising from the interim and final audits;
- the considerations and make recommendations to the Board on the appointment, re-appointment and removal of independent auditor, their remuneration and terms of engagement;
- the framework for staff to raise concerns about possible improprieties in matters of financial reporting or other matters in confidence, and that there is independent investigation of such matters and appropriate follow-up action; and
- the interested person transactions, as defined in the Listing Manual of SGX-ST.

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

INDEPENDENT AUDITOR

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

On behalf of the directors

Chua Beng Kuang
Executive Chairman

Chua Meng Hua
Managing Director

24 March 2017

Independent Auditor's Report

to the Members of Beng Kuang Marine Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Beng Kuang Marine Limited (the "Company") and its subsidiary corporations (the "Group"), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including summary of significant accounting policies, as set out on pages 43 to 57.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

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

Independent Auditor's Report

to the Members of Beng Kuang Marine Limited

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

Key Audit Matters

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

Key audit matter	How our audit addressed the matter
1. Completeness and accuracy of revenue recognition on construction contracts	
For the financial year ended 31 December 2016, the construction revenue recognised was \$56.35 million. The Group has significant long-term contracts in relation to the provision of infrastructure engineering services and corrosion prevention services. The recognition of profit on construction in accordance with FRS11 is based on the stage of completion of contract activity. This is assessed by reference to the proportion of contract costs incurred for the work performed as at balance sheet date relative to the estimated total costs of contract at completion. We focused on this area because of the significant judgements required in preparing reasonable estimates of the initial budgeted costs, and subsequently, the inherent uncertainties in determining the actual costs attributable to the respective contracts which directly impacts the revenue recognised on the said contracts. Factual errors or imprecise estimations in the computation of both budgeted costs and actual amounts incurred could result in material variance in the amount of profit or loss recognised to date and therefore also in the current period. Furthermore, the budgeted profit on contracts includes key judgements over the expected recovery of costs arising from variations to the contract not uncommonly requested by the customer, compensation events, and claims made against the contractor for delays or other additional costs for which the customer is jointly or severally liable. The inclusion of these amounts in the budget where they are not recoverable could result in a material error in the level of profit or loss recognised by the Group.	Our audit approach comprises of both controls testing and substantive procedures as follows: • an understanding and evaluation of the design and implementation of key controls over the budgeting process and recognition of contract costs and testing of these key controls, on a sample basis, to determine whether these controls were operating effectively throughout the year; • discussed with management and understood the estimation and bidding process of contracts and ascertained there are procedures in place to ensure accuracy and completeness of estimated total contract cost; • selected a sample of contracts in order to challenge both current and future financial performance. Samples were selected based on a number of quantitative and qualitative factors, as well as other randomly selected contracts; • for sampled contracts, challenged management's key judgements inherent in the estimated costs to complete as well as tested details of actual costs incurred, both of which drive the accounting under the percentage of completion method, including the following procedures: - reviewed the contract terms and conditions through scrutiny of contract documentation; - verified contract costs incurred from suppliers in respect of materials needed and reviewed the estimation basis of overheads allocated;

Independent Auditor's Report

to the Members of Beng Kuang Marine Limited

Key Audit Matters (cont'd)

Key audit matter

How our audit addressed the matter

1. Completeness and accuracy of revenue recognition on construction contracts (cont'd)

The accounting policies for construction contracts are set out in Note 2.9 to the consolidated financial statements and the different revenue streams for the Group have been disclosed in Note 4 to the consolidated financial statements.

Our audit approach comprises of both controls testing and substantive procedures as follows:
(cont'd)

- reviewed actual cost incurred including accrued costs vis-à-vis estimated contract cost;
- tested the existence and completeness of claims and variations within contract costs via inspection of correspondence with customers and the suppliers; and
- identified inventories during stock take observations which have not been utilised but charged out as project cost incurred.

Based on our audit procedures performed, we consider management's judgement in preparing the key estimations to be within a reasonable range.

2. Impairment of trade receivables

As at 31 December 2016, trade receivables amounted to \$22.04 million. Trade receivables are stated at their original invoiced value less appropriate allowance for estimated irrecoverable amounts.

The Group assesses at each reporting date whether there is objective evidence that a financial asset is impaired. In carrying out this assessment, judgement is applied by the management to determine appropriate parameters and assumptions used to calculate impairment.

Our audit procedures focused on evaluating the key judgements and assumptions used by the management in conducting the impairment review. These procedures included:

- understood, evaluated and validated key controls over sales and receivables cycle;
- assessed the recoverability of sampled outstanding trade receivable balances by comparing management's views of recoverability of amounts outstanding to historical patterns of receipts, in conjunction with assessing cash received subsequent to year end for its effect in reducing amounts outstanding as at year end;

Independent Auditor's Report

to the Members of Beng Kuang Marine Limited

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

Key Audit Matters (cont'd)

Key audit matter	How our audit addressed the matter
2. Impairment of trade receivables (cont'd) Typically, credit terms given to customers ranges between 30 to 120 days. However, due to the deteriorated market outlook in which the Group operates in, an increasing trend of customers requiring a longer time over and above their respective credit terms to make payments have been noted and certain amounts of such are outstanding for more than 365 days, invariably heightening the risk of default. In assessing the recoverability of these amounts, management is required to exercise judgement based on the credit-worthiness of the customers, historical payment trend and business relationship fostered with the respective customers. Impairment is a subjective area due to the level of judgement applied by the management in determining the impairment allowance. Due to the significance of trade receivables (representing 14% of total assets) and the related estimation uncertainty, this is considered a key audit matter. The accounting policies for impairment of trade receivables are set out in Note 2.7 to the consolidated financial statements. The credit risk and the aging of the trade receivables are as disclosed in Note 29(b) to the consolidated financial statements.	Our audit procedures focused on evaluating the key judgements and assumptions used by the management in conducting the impairment review. These procedures included: (cont'd) • analysed significant receivables aged over 120 days for which impairment allowance were not provided for by the Group and challenged management's assessment to determine whether there were any indicators of impairment; and • inspected arrangements and/or correspondences with external parties to assess the recoverability of long outstanding receivables. Based on our audit procedures performed, we consider management's allowance for impairment to be within a reasonable range.

Independent Auditor's Report

to the Members of Beng Kuang Marine Limited

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

Key Audit Matters (cont'd)

Key audit matter	How our audit addressed the matter
3. Valuation of property, plant and equipment	
As at 31 December 2016, property, plant and equipment ("PPE") amounting to \$105,560,000 represent 60% of total assets. Management identified separate cash-generating units ("CGU") and has calculated the recoverable amount of CGU where there were indicators of impairment, as the higher of value-in-use and fair value less costs to sell. The value-in-use is based on discounted future cash flow forecasts over which management makes judgements on certain key inputs including, for example, discount rates and long term growth rates. In certain instances, the fair value less costs of disposal is estimated by a third party valuer based on their knowledge of each CGU and the relevant markets. Management's assessment of the valuation of PPE was significant to our audit because of the magnitude of the assets under consideration and also as this process involves inherent judgement in determining key assumptions such as future sales growth, profit margins, discount rates and inflation rates. Furthermore, there is an increased risk of impairment due to the pessimistic market sentiment in which the Group operates in. The accounting policies for impairment for property, plant and equipment are set out in Note 2.6 to the consolidated financial statements.	Our audit procedures focused on evaluating the key assumptions used by the management in preparing the impairment assessment. These procedures included: • tested management's assumptions used in the value-in-use calculations and assessed the accuracy of the historical data used by management as the basis of arriving at the estimates; • involved our valuation expert to assist us in the evaluation of the reasonableness of the discount rates used by the Group, performed sensitivity analyses where considered necessary, and assessed the consistency of valuation methodologies applied throughout the relevant entities within the Group; and • in instances where the Group has obtained a valuation by an independent third party valuer, we assessed the competence and independence of the external valuers to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitation on their work. Considering the fair value of the CGU has been determined by the valuer using the sales comparison method and market replacement method, we evaluated the valuation process, methodologies applied, inputs used, adjustments made to reflect the market conditions prevalent in the particular location as well as any other relevant significant assumptions and critical judgement areas.

Based on our audit procedures performed, we consider management's key assumptions to be within a reasonable range.

Independent Auditor's Report

to the Members of Beng Kuang Marine Limited

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

Other Information

Management is responsible for the other information. The other information comprises the information 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 performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 Beng Kuang Marine Limited

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

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

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

(cont'd)

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

Independent Auditor's Report

to the Members of Beng Kuang Marine Limited

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement director on the audit resulting in this independent auditor's report is Loh Ji Kin.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Singapore
24 March 2017

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2016

	Note	2016 \$	2015 \$ Restated
Revenue	4	76,633,791	83,561,571
Cost of sales		(57,183,595)	(69,455,040)
Gross profit		19,450,196	14,106,531
Other gains – net	7	1,348,098	3,435,110
Expenses			
- Selling and distribution		(1,556,440)	(1,878,222)
- Administrative		(15,628,869)	(16,160,348)
- Finance	8	(2,966,708)	(3,016,492)
Profit/(loss) before income tax		646,277	(3,513,421)
Income tax benefit	9	548,934	234,373
Net profit/(loss)		1,195,211	(3,279,048)
Other comprehensive income/(loss), net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation – gains/(losses)		567,639	(5,586)
Total comprehensive income/(loss)		1,762,850	(3,284,634)
Profit/(loss) attributable to:			
Equity holders of the Company		140,406	(939,187)
Non-controlling interests		1,054,805	(2,339,861)
		1,195,211	(3,279,048)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		638,025	(1,003,731)
Non-controlling interests		1,124,825	(2,280,903)
		1,762,850	(3,284,634)
Earnings/(loss) per share attributable to equity holders of the Company (cents per share)			
- Basic	10	0.10	(0.70)
- Diluted	10	0.10	(0.70)

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

Consolidated Balance Sheet

As at 31 December 2016

		Group		
	Note	31.12.2016	31.12.2015	1.1.2015
		\$	\$	\$
			Restated	
ASSETS				
Current assets				
Cash and cash equivalents	11	4,985,041	5,502,147	6,495,080
Trade and other receivables	12	38,190,459	47,058,953	47,320,383
Inventories	13	14,219,375	15,088,441	12,750,430
		57,394,875	67,649,541	66,565,893
Non-current assets				
Intangible assets	16	63,837	63,837	63,837
Property, plant and equipment	17	105,562,511	105,167,522	108,402,579
Deferred income tax assets	23	1,075,795	313,724	372,929
		106,702,143	105,545,083	108,839,345
Total assets		164,097,018	173,194,624	175,405,238
LIABILITIES				
Current liabilities				
Trade and other payables	18	23,252,739	31,879,892	28,349,135
Deferred income	19	345,341	768,954	408,420
Current income tax liabilities		526,051	755,651	732,650
Borrowings	20	31,625,685	34,027,531	45,960,368
		55,749,816	67,432,028	75,450,573
Non-current liabilities				
Deferred income	19	505,184	719,470	933,756
Borrowings	20	25,748,226	27,392,535	18,113,551
Deferred income tax liabilities	23	245,230	354,879	794,108
		26,498,640	28,466,884	19,841,415
Total liabilities		82,248,456	95,898,912	95,291,988
NET ASSETS		81,848,562	77,295,712	80,113,250
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	24	49,651,347	49,651,347	49,651,347
Other reserves	25	193,573	(304,046)	(350,532)
Retained profits	26	27,121,662	26,981,256	27,920,443
		76,966,582	76,328,557	77,221,258
Non-controlling interests	15	4,881,980	967,155	2,891,992
Total equity		81,848,562	77,295,712	80,113,250

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

Balance Sheet

As at 31 December 2016

		Company	
	Note	2016 \$	2015 \$
ASSETS			
Current assets			
Cash and bank balances		73,873	103,137
Trade and other receivables	12	66,995,354	69,764,244
		67,069,227	69,867,381
Non-current assets			
Investments in subsidiary corporations	15	12,519,401	10,707,249
Property, plant and equipment	17	592,949	597,127
Deferred income tax assets	23	15,370	16,700
		13,127,720	11,321,076
Total assets		80,196,947	81,188,457
LIABILITIES			
Current liabilities			
Trade and other payables	18	6,572,173	6,854,815
Borrowings	20	15,118,711	13,599,879
		21,690,884	20,454,694
Non-current liability			
Borrowings	20	4,948,399	6,115,384
Total liabilities		26,639,283	26,570,078
NET ASSETS		53,557,664	54,618,379
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	24	49,651,347	49,651,347
Other reserves	25	163,297	163,297
Retained profits	26	3,743,020	4,803,735
Total equity		53,557,664	54,618,379

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

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2016

← Attributable to equity holders of the Company →						
Note	Share capital \$	Retained profits \$	Other reserves \$	Equity attributable to owners of the Company \$	Non- controlling interests \$	Total \$
2016						
Beginning of financial year	49,651,347	26,981,256	(304,046)	76,328,557	967,155	77,295,712
Total comprehensive income for the financial year	–	140,406	497,619	638,025	1,124,825	1,762,850
Increase in share by non- controlling interests	15	–	–	–	2,790,000	2,790,000
End of financial year	49,651,347	27,121,662	193,573	76,966,582	4,881,980	81,848,562
2015						
Beginning of financial year	49,651,347	27,920,443	(350,532)	77,221,258	2,891,992	80,113,250
Acquisition of a subsidiary corporation	32(c)	–	–	–	303,800	303,800
Acquisition of additional equity interest in subsidiary corporations		–	(52,267)	(52,267)	52,266	(1)
Convertible bonds – equity component	25(b)(ii)	–	163,297	163,297	–	163,297
Total comprehensive income/ (loss) for the financial year (as previously stated)		–	94,315	(64,544)	29,771	(1,287,930)
Prior year adjustments	33	–	(1,033,502)	–	(1,033,502)	(992,973)
Total comprehensive loss for the financial year (restated)		–	(939,187)	(64,544)	(1,003,731)	(2,280,903)
End of financial year	49,651,347	26,981,256	(304,046)	76,328,557	967,155	77,295,712

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

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2016

	Note	2016 \$	2015 \$ Restated
Cash flows from operating activities			
Net profit/(loss)		1,195,211	(3,279,048)
Adjustments for:			
Allowance for impairment of trade receivables – net	5	817,365	351,349
Inventories written down	5	–	38,454
Inventories written back	5	(278,324)	(9,449)
Income tax benefit	9	(548,934)	(234,373)
Gain on disposal of property, plant and equipment	7	(101,346)	(994,245)
Property, plant and equipment written off	7	6,378	12,535
Depreciation of property, plant and equipment	17	9,672,917	9,759,772
Interest income	7	(8,315)	(7,677)
Interest expense	8	2,966,708	3,016,492
Unrealised currency translation (gains)/losses		(403,581)	273,338
		13,318,079	8,927,148
<i>Change in working capital, net of effects from acquisition of subsidiary corporations:</i>			
Inventories		1,147,390	(2,282,615)
Trade and other receivables		7,637,208	2,359,341
Trade and other payables		(8,649,484)	1,936,134
Cash generated from operations		13,453,193	10,940,008
Interest received		8,315	7,677
Interest paid		(2,581,983)	(2,806,708)
Income tax paid		(552,386)	(122,650)
Net cash generated from operating activities		10,327,139	8,018,327
Cash flows from investing activities			
Additions to property, plant and equipment	17(a)	(8,619,895)	(7,525,476)
Proceeds from disposal of property, plant and equipment		316,780	5,688,191
Acquisition of a subsidiary corporation, net of cash acquired	33(b)	–	39,417
Acquisition of additional equity interest in subsidiary corporations		–	(1)
Interest paid		(203,348)	(10,057)
Net cash used in investing activities		(8,506,463)	(1,807,926)

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

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2016

	Note	2016 \$	2015 \$ Restated
Cash flows from financing activities			
Proceeds from borrowings		7,406,264	4,145,705
Repayment of borrowings		(9,992,585)	(13,623,531)
Repayment of finance lease liabilities		(1,776,956)	(1,774,675)
Repayment of bills payable		(911,852)	(339,176)
Proceeds from convertible bonds	21	–	5,000,000
Interest paid		(357,152)	(182,475)
Proceeds from subscription of ordinary shares by non-controlling interests		2,790,000	–
Net cash used in financing activities		(2,842,281)	(6,774,152)
Net decrease in cash and cash equivalents		(1,021,605)	(563,751)
Cash and cash equivalents			
Beginning of financial year		2,578,555	3,119,605
Effects of currency translation on cash and cash equivalents		43,525	22,701
End of financial year	11	1,600,475	2,578,555

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

Notes to the Financial Statements

For the financial year ended 31 December 2016

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

1 GENERAL INFORMATION

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

The principal activities of the Company are provision of corrosion prevention services relating to repairing of ships, tankers and other ocean-going vessels and investment holding. The principal activities of subsidiary corporations are shown in Note 15 of the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

Interpretations and amendments to published standards effective in 2016

On 1 January 2016, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years.

2.2 Group accounting

(a) Subsidiary corporations

(i) Consolidation

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

Notes to the Financial Statements

For the financial year ended 31 December 2016

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Group accounting (cont'd)

(a) Subsidiary corporations (cont'd)

(i) Consolidation (cont'd)

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

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

(ii) Acquisitions

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2016

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 *Group accounting (cont'd)*

(a) Subsidiary corporations (cont'd)

(iii) Disposals

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

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

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

(b) Transaction with non-controlling interests

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

2.3 *Property, plant and equipment*

(a) Measurement

(i) Drydockings

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

Notes to the Financial Statements

For the financial year ended 31 December 2016

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Property, plant and equipment (cont'd)

(a) Measurement (cont'd)

(ii) Other property, plant and equipment

Other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs (refer to Note 2.17) directly attributable to the acquisition or construction of property, plant and equipment.

(b) Depreciation

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

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

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

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

(c) Subsequent expenditure

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

Notes to the Financial Statements

For the financial year ended 31 December 2016

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

2.4 *Intangible assets*

(a) Goodwill on acquisition

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

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

(b) Intellectual property rights

Intellectual property rights acquired in business combinations are measured initially at valuation. Intellectual property rights not yet available for use are tested for impairment annually or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The Group's existing intellectual property rights have a finite useful life and are amortised over the period of 8 years on a straight-line basis.

2.5 *Cash and cash equivalents*

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

2.6 *Impairment of non-financial assets*

Intangible assets

Property, plant and equipment

Investments in subsidiary corporations

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

Notes to the Financial Statements

For the financial year ended 31 December 2016

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

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

2.7 *Financial assets*

(a) Classification

The Group classifies its financial assets as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" (Note 12) and "cash and cash equivalents" (Note 11) on the balance sheet.

(b) Recognition and derecognition

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2016

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 *Financial assets (cont'd)*

(c) Measurement

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

(d) Impairment

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

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

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

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

2.8 *Investments in subsidiary corporations*

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

2.9 *Construction contracts*

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date ("percentage-of-completion method"). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is recognised as contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

Notes to the Financial Statements

For the financial year ended 31 December 2016

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Construction contracts (cont'd)

The stage of completion is measured by reference to the proportion of contract costs incurred to date to the estimated total costs for the contract. Costs incurred during the financial year in connection with future activity on a contract are excluded from costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work-in-progress on the balance sheet unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

At the balance sheet date, the cumulative costs incurred plus recognised profit (less recognised losses) on each contract is compared against the progress billings. Where cumulative costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as due from customers on construction contracts within "trade and other receivables" (Note 12). Where progress billings exceed the cumulative costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on construction contracts within "trade and other payables" (Note 18).

Progress billings not yet paid by customers and retentions by customers are included within "trade and other receivables". Advances received are included within "trade and other payables".

2.10 Inventories

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

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

2.11 Trade and other payables

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

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

2.12 Government grants

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

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

Notes to the Financial Statements

For the financial year ended 31 December 2016

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Provisions

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

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

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

2.14 Income taxes

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

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

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

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

Deferred income tax is measured:

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

Notes to the Financial Statements

For the financial year ended 31 December 2016

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 *Income taxes (cont'd)*

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

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

2.15 *Financial guarantees*

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

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiary corporations' borrowings, unless it is probable that the Company will reimburse the banks for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the banks in the Company's balance sheet.

Intra-group transactions are eliminated on consolidation.

2.16 *Borrowings*

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

(a) Borrowings

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

(b) Convertible bonds

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2016

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Borrowings (cont'd)

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

2.17 Borrowing costs

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

2.18 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sales of goods and rendering of services in the ordinary course of the Group's activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) Corrosion prevention and infrastructure engineering services

Revenue from corrosion prevention and infrastructure engineering services are recognised based on the stage of completion or to the extent of contract costs incurred where it is probable those costs will be recoverable. The stage of completion for a given project is measured by reference to the contract costs incurred to date against the estimated total costs for the contract. Revenue is recognised to the extent of contract costs incurred, in situations where the contract outcome cannot be reliably measured.

Please refer to the paragraph "Construction contracts" for the accounting policy for revenue from construction contracts.

(b) Supply and distribution of products

Supply and distribution revenue is recognised net of goods and services tax and discounts when goods have been delivered and accepted by the customers. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Notes to the Financial Statements

For the financial year ended 31 December 2016

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Revenue recognition (cont'd)

(c) Chartering income

Chartering income is recognised on a straight-line basis over the charter hire period.

(d) Interest income

Interest income is recognised using the effective interest method.

2.19 Employee compensation

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

(a) Defined contribution plan

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund (CPF), a defined contribution pension scheme in Singapore. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed. The Group has no further payment obligations once the contributions have been paid.

(b) Employment leave entitlement

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

(c) Termination benefits

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

2.20 Share capital

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

Notes to the Financial Statements

For the financial year ended 31 December 2016

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Translation of Group entities' financial statements

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

- (i) assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

2.22 Fair value estimation of financial assets and liabilities

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amount.

Notes to the Financial Statements

For the financial year ended 31 December 2016

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Segment reporting

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

2.24 Leases

- (a) When the Group is the lessee:

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

- (i) Lessee – Finance leases

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

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

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

- (ii) Lessee – Operating leases

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2016

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Leases (cont'd)

- (b) When the Group is the lessor:

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

Lessor – Operating leases

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

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

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

2.25 Dividends to Company's shareholders

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

2.26 Offsetting of financial instruments

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

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

3.1 Critical accounting estimates and assumptions

- (a) Estimated impairment of non-financial assets

Impairment of property, plant and equipment

If the management estimated growth rate used in the value-in-use calculation for shipping CGU as at 31 December 2016 had been lowered by 5% (2015: 5%) the recoverable amount of the property, plant and equipment in shipping CGU would have been reduced by \$2,457,311 (2015: \$3,046,840) and the Group would have recognised an impairment charge on property, plant and equipment in shipping CGU of \$Nil (2015: \$Nil).

Notes to the Financial Statements

For the financial year ended 31 December 2016

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONT'D)

3.1 Critical accounting estimates and assumptions (cont'd)

(a) Estimated impairment of non-financial assets (cont'd)

Impairment of property, plant and equipment (cont'd)

If the management estimated weighted cost of capital used in determining the pre-tax discount rate applied to the discounted cash flows for shipping CGU had been raised by 1% than management's estimates (for example, 9% instead of 8%) at 31 December 2016, the Group would have recognised an impairment charge on property, plant and equipment in shipping CGU of \$Nil (2015: \$82,356).

If the valuation of property, plant and equipment for infrastructure engineering CGU had been lowered by 10%, the Group would have recoverable amount of \$42,657,589 (2015: \$41,547,338) instead of \$47,397,321 (2015: \$46,163,709), while the carrying amount of the infrastructure engineering CGU is \$24,499,335 (2015: \$26,225,069). No allowance for impairment has been recognised in the shipping and infrastructure engineering CGU in the financial year ended 31 December 2016.

(b) Impairment of loans and receivables

Management assesses at the end of each reporting period whether there is any objective evidence that receivables are impaired. If there is objective evidence of impairment, management has carrying out assessment, judgement is applied by the management to determine appropriate parameters and assumptions used to calculate impairment. Impairment is a subjective area due to the level of judgement applied by the management in determining the impairment allowance. The carrying amounts of trade and other receivables at the balance sheet date are disclosed in Note 12.

If the values of financial assets that is past due but not impaired as at 31 December 2016 increase/decrease by 10%, the Group's allowance for impairment will increase/decrease by \$Nil and \$562,699 (2015: \$643,518 and \$1,101,282) respectively.

(c) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 3 to 30 years. The carrying amounts of the Group's property, plant and equipment at 31 December 2016 were \$105,562,512 (2015: \$105,167,522). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

If the actual useful lives of the property, plant and equipment differ by 10% from management's estimate, the carrying amount of the property, plant and equipment will be approximately higher/lower by \$1,215,021 and \$1,327,416 (2015: \$803,889 and \$982,532) respectively.

Notes to the Financial Statements

For the financial year ended 31 December 2016

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONT'D)

3.1 Critical accounting estimates and assumptions (cont'd)

(d) Construction contracts

The Group recognised revenue arising from provision of corrosion prevention and infrastructure engineering services based on the stage of completion method of contract activity. The stage of completion is measured by reference to the proportion of contract costs incurred for the work performed as at balance sheet date against the estimated total costs for the contract at completion.

Significant judgements required in preparing reasonable estimates of the initial budgeted costs, and subsequently, the inherent uncertainties in determining the actual costs attributable to the respective contracts which directly impacts the revenue recognised on the said contracts. Factual errors or imprecise estimations in the computation of both budgeted costs and actual amounts incurred could result in material variance in the amount of profit or loss recognised to date and therefore also in the current period.

The budgeted profit on contracts includes key judgements over the expected recovery of costs arising from variations to the contract not uncommonly requested by the customer, compensation events, and claims made against the contractor for delays or other additional costs for which the customer is jointly or severally liable. The inclusion of these amounts in the budget where they are not recoverable could result in a material error in the level of profit or loss recognised by the Group. The carrying amount of construction contracts is disclosed in Note 14.

If the revenue on uncompleted contracts at the balance sheet date increases/decreases by 10% from management's estimates, the Group's revenue will increase/decrease by \$1,819,347 and \$1,819,347 (2015: \$1,745,686 and \$1,745,688) respectively.

If the contract costs of uncompleted contracts to be incurred increase/decrease by 10% from management's estimates, the Group's profit will decrease/increase by \$61,875 and \$66,811 (2015: \$80,623 and \$86,907) respectively.

4 REVENUE

	Group	
	2016 \$	2015 \$
Infrastructure engineering services	35,695,946	32,530,383
Corrosion prevention services	20,656,121	28,334,804
Supply and distribution of products	9,367,506	12,241,435
Chartering income	10,914,218	10,454,949
	76,633,791	83,561,571

Notes to the Financial Statements

For the financial year ended 31 December 2016

5 EXPENSES BY NATURE

	Group	
	2016	2015
	\$	\$
		Restated
Purchases of inventories and construction materials	17,961,665	28,020,746
Subcontractors' fees	9,730,137	6,261,847
Depreciation of property, plant and equipment (Note 17)	9,672,917	9,759,772
Inventories written down	–	38,454
Inventories written back (Note 13)	(278,324)	(9,449)
Allowance for impairment of trade receivables – net (Note 29(b)(ii))	817,365	351,349
Total depreciation and impairment	10,211,958	10,140,126
Fees on audit services paid/payable to:		
- Auditor of the Company	169,288	191,088
- Other auditor	27,352	15,459
Total fees on audit services	196,640	206,547
Fees on non-audit services paid/payable to:		
- Auditor of the Company	45,521	53,648
- Other auditor	5,302	4,470
Total fees on non-audit services	50,823	58,118
Employee compensation (Note 6)	19,369,336	23,137,886
Employees' accommodation and utilities	4,021,513	3,533,916
Rental on operating lease and repair of equipment and machinery	816,976	1,219,584
Maintenance of equipment and machinery	1,879,461	2,764,369
Transport and travelling	1,044,666	1,144,625
Office related expenses	650,794	630,891
Insurance	1,484,520	1,538,798
Foreign worker levies	1,732,403	1,895,090
Shipping related expenses	3,824,175	2,935,493
Other expenses	524,771	1,629,109
Changes in inventories	869,066	2,376,465
Total cost of sales, selling and distribution and administrative expenses	74,368,904	87,493,610

Notes to the Financial Statements

For the financial year ended 31 December 2016

6 EMPLOYEE COMPENSATION

	Group	
	2016	2015
	\$	\$
Wages and salaries	17,167,634	21,035,653
Employer's contribution to defined contribution plans including Central Provident Fund	1,015,470	1,081,022
Other short-term benefits	1,186,232	1,021,211
	<u>19,369,336</u>	<u>23,137,886</u>

7 OTHER GAINS – NET

	Group	
	2016	2015
	\$	\$
Interest income from bank deposits	8,315	7,677
Gain on disposal of property, plant and equipment	101,346	994,245
Property, plant and equipment written off	(6,378)	(12,535)
Currency translation gains, net	351,777	1,704,735
Government grants ^(a)	287,853	416,307
Miscellaneous back-charge of services	605,185	324,681
	<u>1,348,098</u>	<u>3,435,110</u>

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

8 FINANCE EXPENSES

	Group	
	2016	2015
	\$	\$
Interest expense		
- Bank borrowings	2,257,833	2,252,967
- Bank overdrafts	164,424	172,875
- Finance lease liabilities	155,508	182,475
- Bills payable	153,960	122,183
- Convertible bonds	438,331	296,049
	<u>3,170,056</u>	<u>3,026,549</u>
Less: Amount capitalised in property, plant and equipment	(203,348)	(10,057)
Finance expenses recognised in profit or loss	<u>2,966,708</u>	<u>3,016,492</u>

Borrowing costs on construction of a building and vessel were capitalised at the rate range from 4.50% to 4.65% (2015: 3.73% to 4.50%) respectively.

Notes to the Financial Statements

For the financial year ended 31 December 2016

9 INCOME TAX BENEFIT

	Group	
	2016	2015
	\$	\$
Tax benefit attributable to profit/(loss) is made up of:		
– Profit/(loss) for the financial year:		
Current income tax – Singapore	335,904	277,373
– Foreign	176,560	606,806
	512,464	884,179
Deferred income tax	10,190	(138,348)
	522,654	745,831
– (Over)/under provision in prior financial years		
Current income tax – Singapore	(224,614)	(4,252)
– Foreign	34,936	(734,276)
	(189,678)	(738,528)
Deferred income tax	(881,910)	(241,676)
	(1,071,588)	(980,204)
	(548,934)	(234,373)

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

	Group	
	2016	2015
	\$	\$
		Restated
Profit/(loss) before income tax	646,277	(3,513,421)
Tax at the applicable tax rate of 17% (2015: 17%)	109,867	(597,282)
Effects of:		
– expenses not deductible for tax purposes	479,034	621,625
– income not subject to tax	(513,016)	(402,926)
– tax incentives	(217,701)	(102,323)
– different tax rates in other countries	348,474	225,874
– deferred tax assets not recognised	317,186	1,011,216
– others	(1,190)	(10,353)
Tax charge	522,654	745,831

Notes to the Financial Statements

For the financial year ended 31 December 2016

10 EARNINGS/(LOSS) PER SHARE

	Group	
	2016	2015 Restated
Profit/(loss) attributable to equity holders of the Company (\$)	140,406	(939,187)
Weighted average number of ordinary shares for basic earnings per share	135,010,406	135,010,406
Basic earnings/(loss) per share (cents per share)	0.10	(0.70)
Diluted earnings/(loss) per share (cents per share)	0.10	(0.70)

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

The Group has no dilution in its earnings per share as at 31 December 2016 and 2015. The dilutive potential ordinary shares arising from convertible bonds have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

11 CASH AND CASH EQUIVALENTS

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

	Group	
	2016 \$	2015 \$
Cash and bank balances	4,985,041	5,502,147
Less: Bank overdrafts (Note 20)	(3,384,566)	(2,923,592)
Cash and cash equivalents per consolidated statement of cash flows	1,600,475	2,578,555

Notes to the Financial Statements

For the financial year ended 31 December 2016

12 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Trade receivables				
- Subsidiary corporations	–	–	1,116,192	1,752,150
- Related parties	1,175,330	2,850,109	–	–
- Non-related parties	22,741,689	26,368,757	–	1,810
	23,917,019	29,218,866	1,116,192	1,753,960
Less: Allowance for impairment of trade receivables - non-related parties (Note 29(b)(ii))	(1,877,655)	(1,101,282)	–	–
Trade receivables – net	22,039,364	28,117,584	1,116,192	1,753,960
Construction contracts				
- Due from customers (Note 14)	11,202,857	13,487,005	–	–
- Retentions (Note 14)	583,467	816,112	–	–
	11,786,324	14,303,117	–	–
Non-trade receivables				
- Subsidiary corporations	–	–	65,804,899	67,950,905
- Non-related parties	2,738,145	3,576,163	66,699	37,628
	2,738,145	3,576,163	65,871,598	67,988,533
Deposits	968,430	517,348	–	–
Prepayments	658,196	544,741	7,564	21,751
	4,364,771	4,638,252	65,879,162	68,010,284
	38,190,459	47,058,953	66,995,354	69,764,244

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

Amounts of \$26,901,843 (2015: \$8,306,194) due from certain subsidiary corporations which bear fixed interest rate from the range of 1.50% to 5.61% (2015: 3.22% to 5.00%) per annum and are receivable on demand.

Notes to the Financial Statements

For the financial year ended 31 December 2016

13 INVENTORIES

	Group	
	2016	2015
	\$	\$
Construction materials and components	5,129,978	5,069,908
Trading goods	9,089,397	10,018,533
	14,219,375	15,088,441

The cost of inventories related to construction materials and trading goods recognised as an expense and included in "cost of sales" amounted to \$1,579,876 (2015: \$6,737,319) and \$6,780,826 (2015: \$9,325,038) respectively.

The Group reversed \$278,324 (2015: \$9,449) of previous inventory write-down in prior years, as the inventories were sold above the carrying amounts in 2016. The amount reversed has been included in "cost of sales".

14 CONSTRUCTION CONTRACTS

	Group	
	2016	2015
	\$	\$
Aggregate costs incurred and profits recognised (less losses recognised) to date on uncompleted construction contracts	37,289,556	39,849,377
Less: Progress billings	(26,536,457)	(27,226,052)
	10,753,099	12,623,325
Presented as:		
Due from customers on construction contracts (Note 12)	11,202,857	13,487,005
Due to customers on construction contracts (Note 18)	(449,758)	(863,680)
	10,753,099	12,623,325
Retentions on construction contracts (Note 12)	583,467	816,112

Notes to the Financial Statements

For the financial year ended 31 December 2016

15 INVESTMENTS IN SUBSIDIARY CORPORATIONS

	Company	
	2016 \$	2015 \$
Equity investments at cost		
Beginning of financial year	10,707,249	10,827,249
Impairment charge	–	(120,000)
Struck off	(187,848)	–
Additions	2,000,000	–
End of financial year	12,519,401	10,707,249

Impairment charge on investment in a subsidiary corporation

Impairment loss of \$Nil (2015: \$120,000) in a subsidiary corporation was recognised during the financial year. The impairment loss was made to write down the carrying amount of investment in a subsidiary corporation to its recoverable amount following a review of the subsidiary corporation's business.

Acquisition of additional equity interest in subsidiary corporations

On 3 June 2015, the Group's wholly-owned subsidiary corporation, Quill Marine Pte. Ltd. acquired the remaining 15% equity interest in Drako Shipping Pte. Ltd. and its subsidiary corporation, PT. Marina Shipping ("Drako Group") for a cash consideration of \$1. Consequently, the Group holds 100% of the equity share capital of Drako Group. On the acquisition date, the carrying amount of the net liabilities of Drako Group amounted to \$52,266. The difference between the consideration and the carrying value of the additional interest acquired has been recognised as "Premium paid on acquisition of non-controlling interests" within equity.

On 11 August 2016, the Company increased its investment in a wholly-owned subsidiary corporation, Asian Sealand Engineering Pte. Ltd. ("ASE") from \$5 million to \$7 million by subscribing additional 2,000,000 ordinary shares allotted by ASE. The payment for the 2,000,000 ordinary shares in ASE was made by way of capitalisation of an amount of \$2,000,000 owing by ASE to the Company.

Struck off of subsidiary corporations

On 7 June 2016, the Company has struck-off two of its subsidiary corporations, B & J Marine Pte. Ltd. and Beng Kuang Marine (B&Y) Pte. Ltd..

Incorporation of a subsidiary corporation

On 10 June 2016, International Offshore Equipment Pte. Ltd. ("IOE") incorporated a subsidiary corporation, International Offshore Equipment Canada Inc. ("IOEC") in Canada under the Canada Companies Act. At the time of incorporation, IOE had subscribed for 10,000 ordinary shares for a cash consideration of CAD\$10,000.

Increase in share capital of a subsidiary corporation

On 16 December 2016, Ocean Eight Shipping Pte. Ltd. ("OES") increased its issued and paid share capital from \$2,600,000 to \$11,900,000. The payment for the increase in share was made by way of capitalisation of the loan amount of \$9,300,000 owing by OES to its existing shareholders in proportion to their current shareholdings.

Notes to the Financial Statements

For the financial year ended 31 December 2016

15 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

Details of the subsidiary corporations as at 31 December 2016 and 2015 are as follows:

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares held by the Company		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			2016 %	2015 %	2016 %	2015 %	2016 %	2015 %
<u>Subsidiary corporations held by the Company</u>								
Nexus Sealand Trading Pte. Ltd. ⁽¹⁾	Supply and distribution of hardware equipment, tools and other products	Singapore	100	100	100	100	–	–
Asian Sealand Engineering Pte. Ltd. ⁽¹⁾	Provision of infrastructure engineering services	Singapore	100	100	100	100	–	–
PT. Nexus Engineering Indonesia ⁽²⁾	Provision of infrastructure engineering services	Indonesia	100 ⁽⁵⁾	100 ⁽⁵⁾	100 ⁽⁵⁾	100 ⁽⁵⁾	–	–
PT. Master Indonesia ⁽⁴⁾	Supply and distribution of hardware equipment, tools and other products	Indonesia	100 ⁽⁵⁾	100 ⁽⁵⁾	100 ⁽⁵⁾	100 ⁽⁵⁾	–	–
B & J Marine Pte. Ltd. ⁽¹⁾	Struck-off in current financial year	Singapore	–	100	–	100	–	–
B & K Marine Pte. Ltd. ⁽¹⁾	Provision of corrosion prevention services	Singapore	100	100	100	100	–	–
Beng Kuang Marine (B&Chew) Pte. Ltd. ⁽¹⁾	Provision of corrosion prevention services	Singapore	100	100	100	100	–	–
Beng Kuang Marine (B&M) Pte. Ltd. ⁽¹⁾	Provision of corrosion prevention services	Singapore	100	100	100	100	–	–
Beng Kuang Marine (B&Y) Pte. Ltd. ⁽¹⁾	Struck-off in current financial year	Singapore	–	100	–	100	–	–
Nexus Hydrotech Pte. Ltd. ⁽¹⁾	Provision of corrosion prevention services (utilising hydro-jetting machines)	Singapore	80	80	80	80	20	20
ASIC Engineering Sdn Bhd ⁽³⁾	Provision of infrastructure engineering services	Malaysia	100	100	100	100	–	–
Venture Automation & Electrical Engineering Pte. Ltd. ⁽¹⁾	Provision of industrial and marine automation works	Singapore	51	51	51	51	49	49
Pangco Pte. Ltd. ⁽¹⁾	Provision of corrosion prevention services	Singapore	51	51	51	51	49	49

Notes to the Financial Statements

For the financial year ended 31 December 2016

15 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

Details of the subsidiary corporations as at 31 December 2016 and 2015 are as follows: (cont'd)

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares held by the Company		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			2016 %	2015 %	2016 %	2015 %	2016 %	2015 %

Subsidiary corporations held by the Company (cont'd)

Water and Environmental Technologies (WET) Pte. Ltd. ⁽¹⁾	Provision of research and development, and solution for waste management	Singapore	51	51	51	51	49	49
Asian Sealand Offshore and Marine Pte. Ltd. ⁽¹⁾	Provision of offshore repair and maintenance services	Singapore	51	51	51	51	49	49
PT. Nexelite CP Indonesia ⁽⁴⁾	Provision of corrosion prevention services	Indonesia	100 ⁽⁵⁾	100 ⁽⁵⁾	100 ⁽⁵⁾	100 ⁽⁵⁾	–	–
Quill Marine Pte. Ltd. ⁽¹⁾	Investment holding company and provision of freight transport services	Singapore	100	100	100	100	–	–

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			2016 %	2015 %	2016 %	2015 %

Held by Nexus Sealand Trading Pte. Ltd.

MTM (ASE) Metalizing Pte. Ltd. ⁽¹⁾	Provision of metalising services	Singapore	100	100	–	–
Picco Enterprise Pte. Ltd. ⁽¹⁾	Supply and distribution of beverage products	Singapore	100	100	–	–
OneHub Tank Coating Pte. Ltd. ⁽¹⁾	Provision for internal tank coating services	Singapore	100	100	–	–

Notes to the Financial Statements

For the financial year ended 31 December 2016

15 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

Details of the subsidiary corporations as at 31 December 2016 and 2015 are as follows: (cont'd)

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			2016 %	2015 %	2016 %	2015 %
<u>Held by Pangco Pte. Ltd.</u>						
PT. Berger Batam ⁽⁴⁾	Provision of corrosion prevention services	Indonesia	51 ⁽⁵⁾	51 ⁽⁵⁾	49	49
<u>Held by Quill Marine Pte. Ltd.</u>						
Drako Shipping Pte. Ltd. ⁽¹⁾	Provision of freight transport services	Singapore	100	100	–	–
Ocean Eight Shipping Pte. Ltd. ⁽¹⁾	Provision of freight transport services	Singapore	70	70	30	30
<u>Held by Asian Sealand Engineering Pte. Ltd.</u>						
International Offshore Equipments Pte. Ltd. ⁽¹⁾	Provision of design, manufacture, and fabricate offshore equipment and ship parts	Singapore	51	51	49	49
<u>Held by Drako Shipping Pte. Ltd.</u>						
PT. Marina Shipping ⁽⁴⁾	Provision of freight transport services	Indonesia	100	100	–	–
<u>Held by Ocean Eight Shipping Pte. Ltd.</u>						
Ocean Eight Pte. Ltd. ⁽⁴⁾	Provision of freight transport services	Marshall Islands	70	70	30	30
<u>Held by International Offshore Equipments Pte. Ltd.</u>						
International Offshore Equipment Canada Inc. ⁽⁶⁾	Design, manufacture and fabricate offshore equipment and ship parts	Canada	51	–	49	–

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

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

⁽³⁾ Audited by S.H. Lim & Co.

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2016

15 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

Carrying value of non-controlling interests

	2016 \$	2015 \$ Restated
Nexus Hydrotech Pte. Ltd.	678,807	361,405
Pangco Pte. Ltd.	514,826	416,848
Venture Automation & Electrical Engineering Pte. Ltd.	356,609	390,227
Water and Environmental Technologies (WET) Pte. Ltd.	324,561	365,914
Ocean Eight Shipping Pte. Ltd. and its subsidiary corporation	4,369,462	1,436,018
Asian Sealand Offshore and Marine Pte. Ltd.	1,562,691	224,699
International Offshore Equipments Pte. Ltd. and its subsidiary corporations	(2,924,976)	(2,227,956)
	4,881,980	967,155

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

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

Summarised balance sheet

	Asian Sealand Offshore and Marine Pte. Ltd.		Ocean Eight Shipping Pte. Ltd.		International Offshore Equipments Pte. Ltd.	
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$ Restated
As at 31 December						
Current						
Assets	5,067,371	2,388,427	13,937,962	13,478,525	4,134,468	6,391,338
Liabilities	(1,991,959)	(1,935,793)	(23,671,919)	(33,218,067)	(8,571,206)	(9,366,546)
Total current net assets/ (liabilities)	3,075,412	452,634	(9,733,957)	(19,739,542)	(4,436,738)	(2,975,208)
Non-current						
Assets	136,080	10,934	29,181,667	30,071,865	86,287	36,474
Liabilities	(17,330)	–	(6,178,998)	(8,076,006)	–	–
Total non-current net assets	118,750	10,934	23,002,669	21,995,859	86,287	36,474
Net assets/(liabilities)	3,194,162	463,568	13,268,712	2,256,317	(4,350,451)	(2,938,734)

Notes to the Financial Statements

For the financial year ended 31 December 2016

15 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

Summarised statement of comprehensive income

	Asian Sealand Offshore and Marine Pte. Ltd.		Ocean Eight Shipping Pte. Ltd.		International Offshore Equipments Pte. Ltd.	
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$ Restated
Revenue	10,688,759	3,616,009	6,352,329	4,963,678	1,846,559	6,431,305
Profit/(loss) before income tax	3,068,701	183,928	1,660,536	415,006	(1,422,444)	(3,558,734)
Income tax expense	(338,106)	(11,390)	–	–	–	–
Profit/(loss) for the financial year	2,730,595	172,538	1,660,536	415,006	(1,422,444)	(3,558,734)
Profit/(loss) for the financial year allocated to non-controlling interests	1,337,991	84,544	498,161	124,502	(696,998)	(2,531,756)

Summarised statement of cash flows

	Asian Sealand Offshore and Marine Pte. Ltd.		Ocean Eight Shipping Pte. Ltd.		International Offshore Equipments Pte. Ltd.	
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
Cash flows from operating activities						
Cash generated from/ (used in) operations	1,675,760	57,881	(5,183,728)	4,760,291	925,922	(1,171,672)
Interest received	–	–	448	603	–	–
Interest paid	–	–	(497,701)	–	(140,981)	(75,019)
Net cash (used in)/generated from operating activities	1,675,760	57,881	(5,680,981)	4,760,894	784,941	(1,246,691)
Net cash (used in)/generated from investing activities	(138,364)	(12,056)	8,733,119	(867,000)	(108,263)	375,756
Net cash (used in)/generated from financing activities	–	(3,090)	(3,364,065)	(4,454,894)	(622,064)	836,229
Net increase/(decrease) in cash and cash equivalents	1,537,396	42,735	(311,927)	(561,000)	54,614	(34,706)
Cash and cash equivalents Beginning of financial year	316,844	274,109	456,102	1,017,102	13,429	48,135
End of financial year	1,854,240	316,844	144,175	456,102	68,043	13,429

Notes to the Financial Statements

For the financial year ended 31 December 2016

16 INTANGIBLE ASSETS

	Group	
	2016	2015
	\$	\$
Composition:		
Goodwill arising on consolidation	63,837	63,837

(a) Goodwill arising on consolidation

	Group	
	2016	2015
	\$	\$
Cost		
Beginning and end of financial year	2,368,545	2,368,545
Accumulated impairment		
Beginning and end of financial year	2,304,708	2,304,708
	63,837	63,837

Impairment tests for goodwill

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

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

Cash flow projection used in the value-in-use calculations were based on financial budgets approved by management covering a five year period. Cash flows beyond the five-year period were extrapolated using an estimated growth rate of 5% (2015: 10%) bi-annually. The budgeted gross margin used in the value-in-use calculation is 18% (2015: 17%). The growth rate did not exceed the long-term average growth rate in which the CGU operates. The pre-tax discount rate used in the projected cash flows is 8% (2015: 7%) per annum.

Notes to the Financial Statements

For the financial year ended 31 December 2016

17 PROPERTY, PLANT AND EQUIPMENT

Group 2016	Motor vehicles \$	Furniture, and equipment \$	Forklifts, machinery, tools and equipment \$	Leasehold improvement and renovation \$	Leasehold building \$	Leasehold land \$	Yard development \$	Construction in-progress \$	Vessels \$	Drydockings \$	Total \$
Cost											
Beginning of financial year	3,469,497	3,093,406	39,220,753	3,454,305	7,790,582	2,212,200	16,711,452	3,466,683	72,687,488	2,055,067	154,161,433
Adjustment	73,649	(47,045)	80,717	6,966	2,015,297	12,733	(567,204)	(1,601,832)	-	-	(26,719)
Additions	474,112	181,263	481,474	-	1,803	-	-	6,347,301	-	1,573,296	9,059,249
Disposals	(841,933)	(3,128)	(850,662)	-	-	-	-	-	-	-	(1,695,723)
Written-off	(36,717)	(32,832)	(995,039)	(163,190)	-	-	-	-	-	-	(1,227,778)
Currency translation differences	5,175	17,844	131,397	-	-	-	135,651	-	1,210,828	24,093	1,524,988
End of financial year	3,143,783	3,209,508	38,068,640	3,298,081	9,807,682	2,224,933	16,279,899	8,212,152	73,898,316	3,652,456	161,795,450
Accumulated depreciation											
Beginning of financial year	2,462,862	2,709,230	22,598,511	3,346,536	1,853,296	488,870	3,177,796	-	11,306,519	1,050,291	48,993,911
Adjustment	15,675	(36,144)	63,349	5,119	47,176	-	(121,894)	-	-	-	(26,719)
Depreciation charge (Note 5)	283,660	153,979	3,160,613	-	469,168	80,634	745,272	-	3,864,613	914,978	9,672,917
Disposals	(721,066)	(3,128)	(756,095)	-	-	-	-	-	-	-	(1,480,289)
Written-off	(36,717)	(32,826)	(988,671)	(163,186)	-	-	-	-	-	-	(1,221,400)
Currency translation differences	1,772	14,216	81,997	-	-	-	38,705	-	148,192	9,637	294,519
End of financial year	2,006,186	2,805,327	24,159,704	3,188,469	2,369,640	569,504	3,839,879	-	15,319,324	1,974,906	56,232,939
Net book value											
End of financial year	1,137,597	404,181	13,908,936	109,612	7,438,042	1,655,429	12,440,020	8,212,152	58,578,992	1,677,550	105,562,511

Notes to the Financial Statements

For the financial year ended 31 December 2016

17 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group 2015	Motor vehicles \$	Furniture, fittings and equipment \$	Forklifts, machinery, tools and equipment \$	Leasehold improvement and renovation \$	Leasehold building \$	Leasehold land \$	Yard development \$	Construction in progress \$	Vessels \$	Drydockings \$	Total \$
Cost											
Beginning of financial year	3,668,192	3,120,147	42,602,469	3,467,608	7,817,531	2,212,200	16,670,519	3,688,067	69,242,936	893,908	153,383,577
Adjustment	-	-	(39,046)	-	-	-	-	-	-	-	(39,046)
Acquisition of a subsidiary corporation (Note 33)	12,825	13,405	67,049	4,331	-	-	-	-	-	-	97,610
Additions	-	89,387	6,928,349	-	-	-	-	1,739,865	-	1,149,225	9,906,826
Disposals	(167,751)	(120,317)	(10,106,364)	(16,951)	(26,949)	-	(175)	-	-	-	(10,438,507)
Written-off	(21,636)	(1,937)	(230,142)	-	-	-	-	-	-	-	(253,715)
Transfer to inventories	-	-	-	-	-	-	-	(1,961,249)	-	-	(1,961,249)
Currency translation differences	(22,133)	(7,279)	(1,562)	(683)	-	-	41,108	-	3,444,552	11,934	3,465,937
End of financial year	3,469,497	3,093,406	39,220,753	3,454,305	7,790,582	2,212,200	16,711,452	3,466,683	72,687,488	2,055,067	154,161,433
Accumulated depreciation											
Beginning of financial year	2,301,228	2,632,716	24,715,086	3,332,898	1,374,332	408,236	2,402,735	-	7,468,120	345,647	44,980,998
Depreciation charge (Note 5)	313,391	203,240	3,599,488	28,634	482,535	80,634	768,325	-	3,578,881	704,644	9,759,772
Disposals	(117,603)	(116,698)	(5,492,199)	(14,315)	(3,571)	-	(175)	-	-	-	(5,744,561)
Written-off	(21,636)	(1,937)	(217,607)	-	-	-	-	-	-	-	(241,180)
Currency translation differences	(12,518)	(8,091)	(6,257)	(681)	-	-	6,911	-	259,518	-	238,882
End of financial year	2,462,862	2,709,230	22,598,511	3,346,536	1,853,296	488,870	3,177,796	-	11,306,519	1,050,291	48,993,911
Net book value											
End of financial year	1,006,635	384,176	16,622,242	107,769	5,937,286	1,723,330	13,533,656	3,466,683	61,380,969	1,004,776	105,167,522

Notes to the Financial Statements

For the financial year ended 31 December 2016

17 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company 2016	Motor vehicles \$	Furniture, fittings and equipment \$	Forklifts, machinery, tools and equipment \$	Leasehold improvement and renovation \$	Total \$
Cost					
Beginning of financial year	1,429,727	858,580	787,669	163,191	3,239,167
Additions	159,300	7,307	–	–	166,607
Disposal	(182,746)	(8,700)	–	–	(191,446)
Written-off	–	(24,656)	(787,669)	(163,191)	(975,516)
End of financial year	1,406,281	832,531	–	–	2,216,812
Accumulated depreciation					
Beginning of financial year	843,381	847,804	787,668	163,187	2,642,040
Depreciation charge	119,366	5,722	–	–	125,088
Disposal	(137,059)	(8,698)	–	–	(145,757)
Written-off	–	(24,653)	(787,668)	(163,187)	(975,508)
End of financial year	825,688	820,175	–	–	1,645,863
Net book value					
End of financial year	580,593	12,356	–	–	592,949
2015					
Cost					
Beginning of financial year	1,429,727	858,580	840,199	163,191	3,291,697
Disposal	–	–	(52,530)	–	(52,530)
End of financial year	1,429,727	858,580	787,669	163,191	3,239,167
Accumulated depreciation					
Beginning of financial year	720,343	809,066	827,063	163,091	2,519,563
Depreciation charge	123,038	38,738	4,818	96	166,690
Disposal	–	–	(44,213)	–	(44,213)
End of financial year	843,381	847,804	787,668	163,187	2,642,040
Net book value					
End of financial year	586,346	10,776	1	4	597,127

Notes to the Financial Statements

For the financial year ended 31 December 2016

17 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) Assets held under finance lease

The carrying amounts of motor vehicles and forklifts, machinery, tools and equipment held under finance leases amounted to \$615,997 (2015: \$547,547) and \$4,050,190 (2015: \$8,246,181) respectively as at the balance sheet date.

For the purpose of the consolidated statement of cash flows during the financial year, the Group acquired property, plant and equipment with an aggregate cost of \$9,059,249 (2015: \$9,906,826) of which \$439,353 (2015: \$2,381,350) were acquired under finance leases and cash payments of \$8,619,895 (2015: \$7,525,476).

(b) Assets pledged as security

The Group's leasehold building and vessels with carrying amounts of \$29,082,486 (2015: \$23,919,984) and \$56,952,390 (2015: \$59,582,888) respectively, are mortgaged to secure the Group's bank borrowings (Note 20).

(c) Impairment testing

The Group performed impairment assessment for property, plant and equipment during the financial year because of the losses made by certain subsidiary corporations which operate in the Shipping and Infrastructure Engineering segments.

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

Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a fifteen-year period with an estimated growth rate of 5% (2015: 10%) bi-annually. The growth rate did not exceed the long-term average growth rate in which the CGU operates. The pre-tax rate used to discount the forecast cash flows is 8% (2015: 7%) per annum.

The recoverable amount of the Infrastructure Engineering CGU as at 31 December 2016 is measured based on fair value less costs to sell. The fair values of leasehold building, leasehold land and yard development are determined by independent valuers and the fair value of other categories of property, plant and equipment are measured based on quotation from non-related suppliers, therefore, are classified under level 2. The most significant input into valuation approach is the estimated selling prices.

During the financial year, no allowance for impairment is recognised for property, plant and equipment under Shipping and Infrastructure Engineering segments as the recoverable amounts exceed the carrying amounts by \$2,516,699 (2015: \$2,262,279) and \$22,897,986 (2015: \$19,938,640) respectively.

Notes to the Financial Statements

For the financial year ended 31 December 2016

18 TRADE AND OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
	Restated			
Trade payables				
- Subsidiary corporations	–	–	1,391	–
- Related parties	94,455	110,870	–	–
- Non-related parties	13,090,136	16,822,712	17,307	20,222
	13,184,591	16,933,582	18,698	20,222
Construction contracts				
- Due to customers (Note 14)	449,758	863,680	–	–
Non-trade payables				
- Subsidiary corporations	–	–	3,505,148	4,170,693
- Related parties	1,097	1,046	–	–
- Non-related parties	2,381,087	5,943,983	100,127	279,492
	2,382,184	5,945,029	3,605,275	4,450,185
Accruals for operating expenses	2,404,764	3,706,872	2,948,200	2,384,408
Accruals for project expenses	4,831,442	4,430,729	–	–
	7,236,206	8,137,601	2,948,200	2,384,408
	23,252,739	31,879,892	6,572,173	6,854,815

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

19 DEFERRED INCOME

	Group	
	2016	2015
	\$	\$
Current	345,341	768,954
Non-current	505,184	719,470
	850,525	1,488,424
Movement of deferred income is as follows:		
Beginning of financial year	1,488,424	1,342,176
Charter	131,056	554,668
Amortisation	(768,955)	(408,420)
End of financial year	850,525	1,488,424

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

Notes to the Financial Statements

For the financial year ended 31 December 2016

20 BORROWINGS

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
<i>Current</i>				
Bank borrowings	24,962,927	26,320,815	12,348,921	11,756,646
Bank overdrafts (Note 11)	3,384,566	2,923,592	2,753,849	1,826,983
Bills payable	2,037,749	2,949,602	–	–
Finance lease liabilities (Note 22)	1,240,443	1,833,522	15,941	16,250
	31,625,685	34,027,531	15,118,711	13,599,879
<i>Non-current</i>				
Bank borrowings	20,436,679	21,374,793	–	1,254,412
Convertible bonds (Note 21)	4,899,301	4,860,972	4,899,301	4,860,972
Finance lease liabilities (Note 22)	412,246	1,156,770	49,098	–
	25,748,226	27,392,535	4,948,399	6,115,384
Total borrowings	57,373,911	61,420,066	20,067,110	19,715,263

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

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
6 months or less	26,092,994	26,607,986	15,102,770	12,958,609
6 – 12 months	4,070,026	4,832,515	–	625,020
1 – 5 years	17,104,940	19,188,084	–	1,254,412
Over 5 years	3,331,739	1,964,485	–	–
	50,599,699	52,593,070	15,102,770	14,838,041

(a) Security granted

Total borrowings included amounts of \$30,787,055 (2015: \$30,352,878) and \$65,038 (2015: \$16,250) for the Group and the Company respectively which are secured over certain assets of the Group. Bank borrowings of the Group are secured over vessels and certain projects work-in-progress (Note 17(b)). Finance lease liabilities of the Group and the Company are effectively secured over the leased motor vehicles and machineries (Note 17(a)), as the legal title is retained by the lessor and will be transferred to the Group and the Company upon full settlement of the finance lease liabilities.

The bank overdrafts, bills payable and other short-term bank borrowings were supported by corporate guarantees given by the Company (Note 29(b)).

Notes to the Financial Statements

For the financial year ended 31 December 2016

20 BORROWINGS (CONT'D)

(b) Fair value of non-current borrowings

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Bank borrowings	18,844,123	21,009,853	–	1,237,430
Convertible bonds	4,899,301	4,860,972	4,899,301	4,860,972
Finance lease liabilities	402,826	1,142,712	46,707	–

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

	Group		Company	
	2016	2015	2016	2015
	%	%	%	%
Bank borrowings	3.20 – 3.72	3.20 – 3.75	–	3.72
Convertible bonds	8.00	8.00	8.00	8.00
Finance lease liabilities	2.80 – 3.25	2.80 – 3.25	3.25	–

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

21 CONVERTIBLE BONDS

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

The fair value of the liability component, included in non-current borrowings, is calculated using a market interest rate for an equivalent non-convertible bond at the date of issue. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in other reserves (Note 25(b)(ii)), net of deferred income taxes.

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

	Group and Company	
	2016	2015
	\$	\$
Face value of convertible bonds issued on 27 April 2015	5,000,000	5,000,000
Equity conversion component on initial recognition (Note 25(b)(ii))	(163,297)	(163,297)
Liability component on initial recognition	4,836,703	4,836,703
Accumulated amortisation of interest expense	734,380	296,049
Accumulated payment of interests	(671,782)	(271,780)
Liability component at end of financial year (Note 20)	4,899,301	4,860,972

Notes to the Financial Statements

For the financial year ended 31 December 2016

22 FINANCE LEASE LIABILITIES

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

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Minimum lease payment due				
- Not later than one year	1,335,632	1,975,204	18,156	17,472
- Between one and five years	451,457	1,235,116	55,922	–
- Later than five years	2,503	2,557	–	–
	1,789,592	3,212,877	74,078	17,472
Less: Future finance charges	(136,903)	(222,585)	(9,040)	(1,222)
Present value of finance lease liabilities	1,652,689	2,990,292	65,038	16,250

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

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Not later than one year (Note 20)	1,240,443	1,833,522	15,941	16,250
Later than one year (Note 20)				
- Between one and five years	409,743	1,154,213	49,098	–
- Later than five years	2,503	2,557	–	–
	412,246	1,156,770	49,098	–
Total	1,652,689	2,990,292	65,038	16,250

23 DEFERRED INCOME TAX

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

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Deferred income tax assets				
- To be recovered after one year	(1,075,795)	(313,724)	(15,370)	(16,700)
Deferred income tax liabilities				
- To be settled after one year	245,230	354,879	–	–

Notes to the Financial Statements

For the financial year ended 31 December 2016

23 DEFERRED INCOME TAX (CONT'D)

Movement in deferred income tax account is as follows:

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Beginning of financial year	41,155	421,179	(16,700)	(7,920)
Tax (credited)/charged to profit or loss (Note 9)	(871,720)	(380,024)	1,330	(8,780)
End of financial year	(830,565)	41,155	(15,370)	(16,700)

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

Deferred income tax assets

	Accelerated tax depreciation \$	Allowance for impairment \$	Tax losses \$	Total \$
Group				
2016				
Beginning of financial year	–	(78,236)	(8,750)	(86,986)
(Credited)/charged to profit or loss	(1,076,240)	(4,699)	51,480	(1,029,459)
End of financial year	(1,076,240)	(82,935)	42,730	(1,116,445)
2015				
Beginning of financial year	–	(79,043)	(1,093,820)	(1,172,863)
Charged to profit or loss	–	807	1,085,070	1,085,877
End of financial year	–	(78,236)	(8,750)	(86,986)

Deferred income tax liabilities

	Accelerated tax depreciation \$	Allowance for impairment \$	Tax losses \$	Total \$
Group				
2016				
Beginning of financial year	128,141	–	–	128,141
Charged to profit or loss	157,739	–	–	157,739
End of financial year	285,880	–	–	285,880
2015				
Beginning of financial year	1,594,042	–	–	1,594,042
Credited to profit or loss	(1,465,901)	–	–	(1,465,901)
End of financial year	128,141	–	–	128,141

Notes to the Financial Statements

For the financial year ended 31 December 2016

23 DEFERRED INCOME TAX (CONT'D)

Deferred income tax (assets)/ liabilities

	Accelerated tax depreciation \$	Provision \$	Total \$
Company			
2016			
Beginning of financial year	4,360	(21,060)	(16,700)
Charged/(credited) to profit or loss	1,340	(10)	1,330
End of financial year	5,700	(21,070)	(15,370)
2015			
Beginning of financial year	12,120	(20,040)	(7,920)
Credited to profit or loss	(7,760)	(1,020)	(8,780)
End of financial year	4,360	(21,060)	(16,700)

Deferred income tax liabilities of \$478,880 (2015: \$553,456) have not been recognised for the withholding and other taxes that will be payable on the earnings of certain overseas subsidiary corporations when remitted to the holding corporation. These unremitted earnings are permanently reinvested and amount to \$9,577,596 (2015: \$11,069,127) at the balance sheet date.

The Group has unutilised tax losses and unabsorbed capital allowances of approximately \$6,906,696 (2015: \$4,178,555) and \$92,995 (2015: \$2,605) respectively, available for offset against future taxable profits, subject to the agreement of the tax authorities and compliance with certain provision of the Singapore Income Tax Act. The tax losses and capital allowances have no expiry date.

The potential deferred tax assets of approximately \$1,189,947 (2015: \$2,302,818) have not been recognised in the financial statements in accordance with accounting policy stated in Note 2.14.

24 SHARE CAPITAL

	Group and Company	
	No. of shares	Amount \$
2016		
Beginning and end of financial year	135,010,406	49,651,347
2015		
Beginning of financial year	540,041,625	49,651,347
Effect of share consolidation	(405,031,219)	—
End of financial year	135,010,406	49,651,347

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

Notes to the Financial Statements

For the financial year ended 31 December 2016

24 SHARE CAPITAL (CONT'D)

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

On 27 August 2015, the Company has completed a share consolidation exercise to consolidate every four ordinary shares in the capital of the Company held by the shareholders into one consolidated share, so as to comply with the Minimum Trading Price ("MTP") requirement as implemented by the SGX-ST as an additional continuing listing requirement. The issued share capital of the Company as at 31 December 2015 comprises 135,010,406 consolidated shares, after disregarding any fraction of consolidated shares arising from the share consolidation exercise.

25 OTHER RESERVES

(a) Composition:

	Group		Company	
	2016 \$	2015 \$	2016 \$	2015 \$
Currency translation reserve	82,543	(415,076)	–	–
Equity component of convertible bonds	163,297	163,297	163,297	163,297
Premium paid on acquisition of non-controlling interests	(52,267)	(52,267)	–	–
	193,573	(304,046)	163,297	163,297

(b) Movements:

(i) Currency translation reserve

	Group	
	2016 \$	2015 \$
Currency translation reserve		
Beginning of financial year	(415,076)	(350,532)
Net currency translation differences of financial statements of foreign subsidiary corporations	497,619	(64,544)
End of financial year	82,543	(415,076)

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

Notes to the Financial Statements

For the financial year ended 31 December 2016

25 OTHER RESERVES (CONT'D)

(b) Movements: (cont'd)

(ii) Equity component of convertible bonds

	Group and Company	
	2016	2015
	\$	\$
Equity component of convertible bonds		
Beginning of financial year	163,297	–
Initial recognition (Note 21)	–	163,297
End of financial year	163,297	163,297

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

	Group	
	2016	2015
	\$	\$
Beginning of financial year	(52,267)	–
Acquisition of additional equity interest in subsidiary corporations (Note 15)	–	(52,267)
End of financial year	(52,267)	(52,267)

Other reserves are non-distributable.

26 RETAINED PROFITS

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

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

	Company	
	2016	2015
	\$	\$
Beginning of financial year	4,803,735	2,404,427
Net (loss)/profit	(1,060,715)	2,399,308
End of financial year	3,743,020	4,803,735

Notes to the Financial Statements

For the financial year ended 31 December 2016

27 CONTINGENT LIABILITIES

Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of certain subsidiary corporations. These bank borrowings amount to \$30,448,437 (2015: \$33,213,664). The fair values of the corporate guarantees have not been recognised in the financial statements of the Company as the amounts involved are not material to the Company and has no significant impact on the consolidated financial statements of the Group.

28 COMMITMENTS

(a) Capital commitments

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

	Group	
	2016 \$	2015 \$
Property, plant and equipment	816,714	7,164,014

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

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

Operating lease payments recognised in the Group's profit or loss during the financial year amounted to \$1,689,133 (2015: \$1,672,715).

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

	Group		Company	
	2016 \$	2015 \$	2016 \$	2015 \$
Not later than one year	1,649,631	1,549,715	5,520	11,520
Between one and five years	3,737,165	4,974,023	–	–
Later than five years	5,229,766	6,014,826	–	–
	10,616,562	12,538,564	5,520	11,520

Notes to the Financial Statements

For the financial year ended 31 December 2016

28 COMMITMENTS (CONT'D)

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

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

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

	Group	
	2016 \$	2015 \$
Not later than one year	6,303,226	11,389,258
Between one and five years	7,308,650	13,429,878
	13,611,876	24,819,136

29 FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

- (a) Market risk

- (i) Currency risk

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

Notes to the Financial Statements

For the financial year ended 31 December 2016

29 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

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

At 31 December 2016	SGD \$	USD \$	IDR \$	Other \$	Total \$
Financial assets					
Cash and cash equivalents	3,260,073	1,219,588	446,704	58,676	4,985,041
Trade and other receivables	21,721,374	5,554,728	9,010,475	1,245,686	37,532,263
Receivables from subsidiary corporations	99,259,132	1,520,966	3,141,096	78,639	103,999,833
	124,240,579	8,295,282	12,598,275	1,383,001	146,517,137
Financial liabilities					
Borrowings	(47,261,915)	(10,071,894)	–	(40,102)	(57,373,911)
Trade and other payables	(18,107,021)	(1,861,376)	(2,731,431)	(103,153)	(22,802,981)
Payables to subsidiary corporations	(99,259,132)	(1,520,966)	(3,141,096)	(78,639)	(103,999,833)
	(164,628,068)	(13,454,236)	(5,872,527)	(221,894)	(184,176,725)
Net financial (liabilities)/assets	(40,387,489)	(5,158,954)	6,725,748	1,161,107	(37,659,588)
Add: Net non-financial assets	32,830,720	44,719,037	41,872,295	86,098	119,508,150
Currency profile including non-financial liabilities and assets	(7,556,769)	39,560,083	48,598,043	1,247,205	81,848,562
Currency exposure of financial assets net of those denominated in the respective entities' functional currencies	–	3,583,144	2,756,439	1,247,205	7,586,788

Notes to the Financial Statements

For the financial year ended 31 December 2016

29 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

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

At 31 December 2015 (restated)	SGD \$	USD \$	IDR \$	Other \$	Total \$
Financial assets					
Cash and cash equivalents	4,221,263	742,037	526,292	12,555	5,502,147
Trade and other receivables	31,871,883	6,222,523	6,652,032	1,767,774	46,514,212
Receivables from subsidiary corporations	64,454,798	766,035	2,702,095	33,589	67,956,517
	100,547,944	7,730,595	9,880,419	1,813,918	119,972,876
Financial liabilities					
Borrowings	(48,186,646)	(13,166,057)	–	(67,363)	(61,420,066)
Trade and other payables	(23,732,459)	(2,522,074)	(4,622,755)	(138,924)	(31,016,212)
Payables to subsidiary corporations	(64,454,798)	(766,035)	(2,702,095)	(33,589)	(67,956,517)
	(136,373,903)	(16,454,166)	(7,324,850)	(239,876)	(160,392,795)
Net financial (liabilities)/assets	(35,825,959)	(8,723,571)	2,555,569	1,574,042	(40,419,919)
Add: Net non-financial assets	26,616,642	46,203,005	44,832,126	63,858	117,715,631
Currency profile including non-financial assets and liabilities	(9,209,317)	37,479,434	47,387,695	1,637,900	77,295,712
Currency exposure of financial assets net of those denominated in the respective entities' functional currencies	–	4,115,043	1,869,796	1,637,900	7,622,739

Notes to the Financial Statements

For the financial year ended 31 December 2016

29 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

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

	← 2016 →			← 2015 →		
	SGD \$	USD \$	Total \$	SGD \$	USD \$	Total \$
Financial assets						
Cash and cash equivalents	60,714	13,159	73,873	88,131	15,006	103,137
Trade and other receivables	66,987,790	–	66,987,790	69,742,493	–	69,742,493
	67,048,504	13,159	67,061,663	69,830,624	15,006	69,845,630
Financial liabilities						
Borrowings	(20,067,110)	–	(20,067,110)	(19,715,263)	–	(19,715,263)
Trade and other payables	(6,572,175)	–	(6,572,175)	(6,854,815)	–	(6,854,815)
	(26,639,285)	–	(26,639,285)	(26,570,078)	–	(26,570,078)
Net financial assets	40,409,219	13,159	40,422,378	43,260,546	15,006	43,275,552
Add: Net non financial assets	13,135,286	–	13,135,286	11,342,827	–	11,342,827
Currency profile including non-financial assets	53,544,505	13,159	53,557,664	54,603,373	15,006	54,618,379
Currency exposure of financial assets net of those denominated in the Company's functional currencies	–	13,159	13,159	–	15,006	15,006

Notes to the Financial Statements

For the financial year ended 31 December 2016

29 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

If the IDR and USD change against the SGD by approximately 5% (2015: 3%) and approximately 2% (2015: 7%) respectively with all other variable including tax rate is being held constant, the effect arising from the net financial liability/asset position will be as follows:

	Group	
	2016 Profit after tax \$	2015 Loss after tax \$ Restated
IDR against SGD		
- Strengthened	111,060	46,558
- Weakened	(111,060)	(46,558)
USD against SGD		
- Strengthened	68,150	239,084
- Weakened	(68,150)	(239,084)

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

(ii) Interest rate risk

The Group's exposure to interest rate risks relates primarily to interest earning financial assets and interest bearing financial liabilities. Interest rate risk is managed by the Group on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

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

Notes to the Financial Statements

For the financial year ended 31 December 2016

29 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

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

	Within 1 year \$	Within 2 to 5 years \$	More than 5 years \$	Total \$
Group				
2016				
Fixed rate				
Finance lease liabilities	1,240,443	409,743	2,503	1,652,689
Convertible bonds	–	4,899,301	–	4,899,301
Bank borrowings	222,222	–	–	222,222
Floating rate				
Bank borrowings	24,740,705	17,104,940	3,331,739	45,177,384
Bank overdrafts	3,384,566	–	–	3,384,566
Bills payable	2,037,749	–	–	2,037,749
2015				
Fixed rate				
Finance lease liabilities	1,833,522	1,154,213	2,557	2,990,292
Convertible bonds	–	4,860,972	–	4,860,972
Bank borrowings	777,776	222,224	–	1,000,000
Floating rate				
Bank borrowings	25,543,039	19,188,084	1,964,485	46,695,608
Bank overdrafts	2,923,592	–	–	2,923,592
Bills payable	2,949,602	–	–	2,949,602
Company				
2016				
Fixed rate				
Finance lease liabilities	15,941	49,098	–	65,039
Convertible bonds	–	4,899,301	–	4,899,301
Floating rate				
Bank borrowings	12,348,921	–	–	12,348,921
Bank overdrafts	2,753,849	–	–	2,753,849
2015				
Finance lease liabilities	16,250	–	–	16,250
Convertible bonds	–	4,860,972	–	4,860,972
Floating rate				
Bank borrowings	11,756,646	1,254,412	–	13,011,058
Bank overdrafts	1,826,983	–	–	1,826,983

Notes to the Financial Statements

For the financial year ended 31 December 2016

29 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

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

	Group		Company	
	100 bp Increase \$	100 bp Decrease \$	100 bp Increase \$	100 bp Decrease \$
2016				
Floating rate instruments				
Singapore Dollar	373,213	(373,213)	123,489	(123,489)
United States Dollar	100,719	(100,719)	–	–
2015				
Floating rate instruments				
Singapore Dollar	364,792	(364,792)	130,111	(130,111)
United States Dollar	131,661	(131,661)	–	–

(b) Credit risk

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

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

	Company	
	2016 \$	2015 \$
Corporate guarantees provided to banks on subsidiary corporations' bank borrowings (Note 27)	30,488,437	33,213,664

The trade receivables of the Group comprise of 2 debtors (2015: 3 debtors) that individually represented 11 - 25% (2015: 8 - 23%) of the trade receivables.

Notes to the Financial Statements

For the financial year ended 31 December 2016

29 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (cont'd)

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

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
<u>By geographical areas</u>				
- Singapore	13,409,465	17,750,418	524,804	1,162,572
- Indonesia	5,892,619	7,128,155	591,388	591,388
- Australia	1,499,248	1,006,311	–	–
- United Kingdom	226,329	893,001	–	–
- China	–	730,950	–	–
- Switzerland	466,729	–	–	–
- Others	544,974	608,749	–	–
	<u>22,039,364</u>	<u>28,117,584</u>	<u>1,116,192</u>	<u>1,753,960</u>
<u>By types of customers</u>				
- Non-related parties	20,864,034	25,267,475	–	1,810
- Related parties	1,175,330	2,850,109	–	–
- Subsidiary corporations	–	–	1,116,912	1,752,150
	<u>22,039,364</u>	<u>28,117,584</u>	<u>1,116,912</u>	<u>1,753,960</u>

(i) Financial assets that are neither past due nor impaired

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

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2016	2015
	\$	\$
Past due		
- Less than 30 days	3,103,713	3,244,685
- 30 to 60 days	1,912,577	3,353,954
- 61 to 90 days	1,021,076	1,868,935
- More than 90 days	7,112,196	8,980,427
	<u>13,149,562</u>	<u>17,448,001</u>

Notes to the Financial Statements

For the financial year ended 31 December 2016

29 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk (cont'd)

(ii) Financial assets that are past due and/or impaired (cont'd)

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment is as follows:

	Group	
	2016 \$	2015 \$
Past due 1 to 3 months	1,310,073	2,258,376
Past due over 3 months	3,184,717	5,879,393
	4,494,790	8,137,769
Less: Estimated rebates/discount	(575,697)	(2,381,077)
	3,919,093	5,756,692
Less: Allowance for impairment (Note 12)	(1,877,655)	(1,101,282)
	2,041,438	4,655,410
Beginning of financial year	1,101,282	813,075
Acquisition of a subsidiary corporation	–	72,000
Allowance made (Note 5)	839,910	477,951
Allowance utilised	(40,992)	(135,142)
Allowance written back (Note 5)	(22,545)	(126,602)
End of the financial year	1,877,655	1,101,282

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

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and having an adequate amount of committed credit facilities (Note 20) to enable the Group to meet its normal operating commitments. The Group's objective is to maintain a balance through the use of bank borrowings, bank overdrafts and finance lease liabilities. As at balance sheet date, assets held by the Group and the Company for managing liquidity risks included cash and bank balances as disclosed in Note 11.

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

Notes to the Financial Statements

For the financial year ended 31 December 2016

29 FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

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

	Less than 1 year \$	Between 1 to 5 years \$	Over 5 years \$
Group			
At 31 December 2016			
Trade and other payables	23,252,741	–	–
Borrowings	31,625,685	24,153,167	3,512,324
At 31 December 2015			
Trade and other payables	31,879,892	–	–
Borrowings	34,027,531	27,152,226	2,713,412
	Less than 1 year \$	Between 1 to 5 years \$	Over 5 years \$
Company			
At 31 December 2016			
Trade and other payables	6,572,175	–	–
Borrowings	15,118,711	4,955,223	–
Financial guarantee contracts	30,448,437	–	–
At 31 December 2015			
Trade and other payables	6,854,815	–	–
Borrowings	13,599,879	6,359,400	–
Financial guarantee contracts	33,213,664	–	–

Notes to the Financial Statements

For the financial year ended 31 December 2016

29 FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Capital risk

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

Management monitors capital based on a gearing ratio. The Group and the Company are also required by the banks to maintain certain gearing ratio. The Group's and the Company's strategies, which remain unchanged during the financial years ended 31 December 2016 and 31 December 2015, are to maintain a gearing ratio not exceeding 1.5 times of the tangible net worth.

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

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
	Restated			
Net debt				
Interest bearing borrowings	57,373,911	61,420,066	20,067,110	19,715,263
Less: Cash and cash equivalents	(4,985,041)	(5,502,147)	(73,873)	(103,137)
	52,388,870	55,917,919	19,993,237	19,612,126
Tangible net worth				
Shareholders' equity	81,848,562	77,295,712	53,557,664	54,618,379
Less: Intangible assets	(63,837)	(63,837)	–	–
	81,784,725	77,231,875	53,557,664	54,618,379
Gearing ratio	0.64	0.72	0.37	0.36

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2016 and 2015.

(e) Financial instruments by category

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

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Loans and receivables	42,517,304	52,016,359	67,061,663	69,845,630
Financial liabilities at amortised cost	80,176,892	92,436,278	26,639,285	26,570,078

Notes to the Financial Statements

For the financial year ended 31 December 2016

29 FINANCIAL RISK MANAGEMENT (CONT'D)

(f) Offsetting financial assets and financial liabilities

(i) Financial asset

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

	Related amounts set off in the balance sheet			Related amounts not set off in the balance sheet	
	Gross amounts – financial assets (a) \$	Gross amounts – financial liabilities (b) \$	Net amounts – financial assets presented in the balance sheet (c) = (a)-(b) \$	Financial assets (d) \$	Net amount (e) = (c)+(d) \$
As at 31 December 2016					
Trade receivables	1,122,489	(6,029)	1,116,460	58,870	1,175,330
As at 31 December 2015					
Trade receivables	2,898,080	(48,642)	2,849,438	671	2,850,109

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

	Related amounts set off in the balance sheet			Related amounts not set off in the balance sheet	
	Gross amounts – financial assets (a) \$	Gross amounts – financial liabilities (b) \$	Net amounts – financial assets presented in the balance sheet (c) = (a)-(b) \$	Financial assets (d) \$	Net amount (e) = (c)+(d) \$
As at 31 December 2016					
Trade and other receivables	2,737,182	(42,871)	2,694,311	64,226,780	66,921,091
As at 31 December 2015					
Trade and other receivables	3,281,576	(93,984)	3,187,592	66,515,463	69,703,055

Notes to the Financial Statements

For the financial year ended 31 December 2016

29 FINANCIAL RISK MANAGEMENT (CONT'D)

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

(ii) Financial liabilities

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

	Related amounts set off in the balance sheet			Related amounts not set off in the balance sheet	
	Gross amounts – financial liabilities (a) \$	Gross amounts – financial assets (b) \$	Net amounts – financial assets presented in the balance sheet (c) = (a)-(b) \$	Financial assets (d) \$	Net amount (e) = (c)+(d) \$
As at 31 December 2016					
Trade payables	6,029	(6,029)	–	94,455	94,455
As at 31 December 2015					
Trade payables	48,642	(48,642)	–	110,870	110,870

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

	Related amounts set off in the balance sheet			Related amounts not set off in the balance sheet	
	Gross amounts – financial liabilities (a) \$	Gross amounts – financial assets (b) \$	Net amounts – financial assets presented in the balance sheet (c) = (a)-(b) \$	Financial assets (d) \$	Net amount (e) = (c)+(d) \$
As at 31 December 2016					
Trade and other payables	1,348,412	(42,871)	1,305,541	2,200,998	3,506,539
As at 31 December 2015					
Trade and other payables	1,317,776	(93,984)	1,223,792	2,946,901	4,170,693

Notes to the Financial Statements

For the financial year ended 31 December 2016

30 RELATED PARTY TRANSACTIONS

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

- (a) Sale and purchase of goods and services

	Group	
	2016	2015
	\$	\$
Sale of goods and/or services to related parties	5,528,987	6,867,882
Purchase of material and/or services from related parties	562,460	774,505

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

Outstanding balances at 31 December 2016, arising from sale/purchase of goods and services, are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 12 and 18 respectively.

- (b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2016	2015
	\$	\$
Wages and salaries	2,856,734	2,766,812
Employer's contribution to defined contribution plans, including Central Provident Fund	184,526	146,975
	3,041,260	2,913,787
Directors of the Company	1,933,106	1,802,670
Executive officers of the Group	1,108,154	1,111,117
	3,041,260	2,913,787

Notes to the Financial Statements

For the financial year ended 31 December 2016

31 SEGMENT INFORMATION

Business segments

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

(a) Infrastructure Engineering

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

(b) Corrosion Prevention

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

(c) Supply and Distribution

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

(d) Shipping

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

(e) Others

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

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2016

31 SEGMENT INFORMATION (CONT'D)

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

	Infrastructure Engineering \$	Corrosion Prevention \$	Supply and Distribution \$	Shipping \$	Others \$	Total \$
2016						
Total segment sales	46,057,716	27,933,589	11,684,796	11,296,631	–	96,972,732
Inter-segment sales	(10,361,770)	(7,277,468)	(2,317,290)	(382,413)	–	(20,338,941)
Sales to external customers	35,695,946	20,656,121	9,367,506	10,914,218	–	76,633,791
Results:						
Segment results	3,095,061	3,387,802	911,086	(829,719)	(84,394)	6,479,836
Interest expense	(1,067,528)	(726,904)	(140,133)	(1,032,143)	–	(2,966,708)
Interest income	1,655	5,721	–	940	–	8,316
Profit/(loss) from operating segment	2,029,188	2,666,619	770,953	(1,860,922)	(84,394)	3,521,444
Unallocated administrative expenses						(2,875,167)
Profit before income tax						646,277
Income tax benefit						548,934
Net profit						1,195,211
Profit attributable to non-controlling interests						(1,054,805)
						140,406
Net profit includes:						
- Depreciation of property, plant and equipment	3,204,277	1,614,544	67,975	4,786,121	–	9,672,917
Other information						
Segment assets	66,583,430	20,433,082	9,281,665	67,105,583	693,258	164,097,018
Segment assets include:-						
Additions to: Property, plant and equipment	6,510,237	507,914	467,800	1,573,298	–	9,059,249
Segment liabilities	(36,292,925)	(14,908,322)	(4,530,636)	(14,094,697)	(7,917)	(69,834,497)

Notes to the Financial Statements

For the financial year ended 31 December 2016

31 SEGMENT INFORMATION (CONT'D)

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

	Infrastructure Engineering \$	Corrosion Prevention \$	Supply and Distribution \$	Shipping \$	Others \$	Total \$
2015 (Restated)						
Total segment sales	36,814,985	38,507,818	15,412,126	10,561,948	–	101,296,877
Inter-segment sales	(4,284,602)	(10,173,014)	(3,170,690)	(107,000)	–	(17,735,306)
Sales to external customers	32,530,383	28,334,804	12,241,436	10,454,948	–	83,561,571
Results:						
Segment results	(4,184,024)	6,165,246	364,589	325,342	(105,818)	2,565,335
Interest expense	(986,857)	(931,043)	(123,533)	(975,059)	–	(3,016,492)
Interest income	1,074	4,077	1,155	1,371	–	7,677
(Loss)/profit from operating segment	(5,169,807)	5,238,280	242,211	(648,346)	(105,818)	(443,480)
Unallocated administrative expenses						(3,069,941)
Loss before income tax						(3,513,421)
Income tax benefit						234,373
Net loss						(3,279,048)
Profit attributable to non-controlling interests						2,339,861
						(939,187)
Net loss includes:						
- Depreciation of property, plant and equipment	3,225,446	2,178,737	65,202	4,290,387	–	9,759,772
Other information						
Segment assets	59,412,554	31,706,265	11,188,354	70,099,444	788,007	173,194,624
Segment assets include:-						
Additions to: Property, plant and equipment	6,541,522	2,202,843	–	1,162,461	–	9,906,826
Segment liabilities	(35,320,822)	(21,900,919)	(6,754,517)	(21,391,886)	(7,913)	(85,376,057)

Notes to the Financial Statements

For the financial year ended 31 December 2016

31 SEGMENT INFORMATION (CONT'D)

(a) Reconciliations

(i) Segment assets

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

Segment assets are reconciled to total assets as follows:

	2016 \$	2015 \$
Segment assets for reportable segments	163,403,760	172,406,617
Other segment assets	693,258	788,007
	<u>164,097,018</u>	<u>173,194,624</u>

(ii) Segment liabilities

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

Segment liabilities are reconciled to total liabilities as follows:

	2016 \$	2015 \$ Restated
Segment liabilities for reportable segments	69,826,580	85,368,144
Other segment liabilities	7,917	7,913
Unallocated:		
Borrowings	12,413,959	10,522,855
	<u>82,248,456</u>	<u>95,898,912</u>

Notes to the Financial Statements

For the financial year ended 31 December 2016

31 SEGMENT INFORMATION (CONT'D)

(b) Geographical information

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

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

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

	Revenue		Non-current assets	
	2016 \$	2015 \$	2016 \$	2015 \$
Singapore	49,271,607	51,897,989	48,053,544	43,499,020
Indonesia	10,798,655	17,647,488	42,311,660	45,208,160
Others	16,563,529	14,016,094	16,336,939	16,837,903
	76,633,791	83,561,571	106,702,143	105,545,083

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

(c) Revenue from major services and customers

Revenue from external customers are derived from all reportable segments as disclosed in Note 4.

Revenue from a major customer amounted to \$18,264,689 (2015: \$12,056,165), arising from sales by infrastructure engineering segment.

Revenue from another major customer amounted to \$9,043,298 (2015: \$10,861,183), arising from sales by the corrosion prevention segment.

Notes to the Financial Statements

For the financial year ended 31 December 2016

32 BUSINESS COMBINATION

On 1 January 2015, the Group acquired control of International Offshore Equipments Pte. Ltd. ("IOE") through its wholly-owned subsidiary corporation, Asian Sealand Engineering Pte. Ltd. ("ASE"). ASE subscribed for 316,200 new ordinary shares (representing 51% equity interest) in the capital of IOE. The remaining 49% share capital of IOE is owned equally by two individuals who are not related to any of the directors or substantial shareholders of the Company. The principal activities of IOE are that of provision of design, manufacture, and fabricate offshore equipment and ship parts. As a result of the acquisition, the Group is expected to expand its Infrastructure Engineering division's scope of services to customers on provision of value added supply and services on manufacturing of deck equipment and pedestal cranes.

The Group has elected to measure the non-controlling interests at the non-controlling interests' proportionate share of IOE's identifiable net assets.

Details of the consideration paid, the assets acquired and liabilities assumed, the non-controlling interests recognised and the effects on the cash flows of the Group, at the acquisition date, are as follows:

(a) Purchase consideration

The total purchase consideration of \$316,200 is settled in full in the form of 316,200 new ordinary shares (representing 51% equity interest) in the capital of IOE.

(b) Effect on cash flows of the Group

	\$
Cash paid (as above)	–
Less: cash and cash equivalents in subsidiary corporation acquired	(39,417)
Cash inflow on acquisition	(39,417)

(c) Identifiable assets acquired and liabilities assumed

	At fair value \$
Cash and cash equivalents	39,417
Property, plant and equipment (Note 17)	97,610
Trade and other receivables (Note d)	2,449,260
Inventories	84,402
Total assets	2,670,689
Trade and other payables	(1,740,871)
Borrowings	(626,018)
Total liabilities	(2,366,889)
Total identifiable net assets	303,800
Less: Non-controlling interests	(303,800)
Consideration transferred for the business	–

Notes to the Financial Statements

For the financial year ended 31 December 2016

32 BUSINESS COMBINATION (CONT'D)

(d) Acquired receivables

Trade and other receivables acquired comprise of trade receivables, amount due from customers on construction contracts and other debtors with fair values of \$680,300, \$565,141 and \$1,203,819 respectively. The gross contractual amount for trade receivables due is \$1,144,386, of which \$464,086 is expected to be uncollectable. Other debtors relate to amount due from two non-controlling interests arising from pre-acquisition adjustment. The two non-controlling interests have acknowledged all liabilities due to IOE.

(e) Goodwill

No goodwill was recognised as the fair value of the identifiable net assets acquired was equivalent to the purchase consideration.

(f) Revenue and loss contribution

The acquired business contributed revenue of \$7,304,473 and net loss of \$1,532,258 to the Group from the period from 1 January 2015 to 31 December 2015.

33 PRIOR YEAR ADJUSTMENTS

Prior to 1 January 2016, in relation to a contract for the supply of a 250 ton crane by International Offshore Equipments Pte Ltd ("IOE"), a recently acquired subsidiary corporation in 2015, IOE erroneously omitted the recognition of costs amounting to \$1.54 million relating to work done in prior year. IOE also did not recognise costs of about \$464,000 for work done and expenses incurred for another project in prior year. These, in combination, resulted in understatement of costs of sales and net loss in the income statement by \$2.03 million in FY2015.

In accordance with FRS 8 – Accounting Policies, Changes in Accounting Estimates and Error, the Group has accounted for this understatement retrospectively, with accompanying impact of the trade and other payables as at 31 December 2015. Accordingly, certain comparative amounts were restated.

The effects of the understatement on the consolidated financial statements of the Group are as follows:

	As previously reported \$	Adjustments \$	As restated \$
Consolidated statement of comprehensive income for the financial year ended 31 December 2015			
Cost of sales	(67,428,565)	2,026,475	(69,455,040)
Gross profit	16,133,006	(2,026,475)	14,106,531
Net loss	(1,252,573)	2,026,475	(3,279,048)

Notes to the Financial Statements

For the financial year ended 31 December 2016

33 PRIOR YEAR ADJUSTMENTS (CONT'D)

	As previously reported \$	Adjustments \$	As restated \$
Consolidated statement of comprehensive income for the financial year ended 31 December 2015 (cont'd)			
Profit/(loss) attributable to:			
Equity holder of the Company	94,315	(1,033,502)	(939,187)
Non-controlling interests	(1,346,888)	(992,973)	(2,339,861)
	(1,252,573)	(2,026,475)	(3,279,048)
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company	29,771	(1,033,502)	(1,003,731)
Non-controlling interests	(1,287,930)	(992,973)	(2,280,903)
	(1,258,159)	(2,026,475)	(3,284,634)
Loss per share attributable to equity holders of the Company (cents per share)			
- Basic	0.07	(0.77)	(0.70)
- Diluted	0.07	(0.77)	(0.70)
Consolidated balance sheet as at 31 December 2015			
Trade and other payables	29,853,417	2,026,475	31,879,892
Retained profits	28,014,758	(1,033,502)	26,981,256
Non-controlling interests	1,960,128	(992,973)	967,155
Consolidated statement of cash flows for the financial year ended 31 December 2015			
Net cash generated from operating activities	5,581,230	(213,032)	5,368,198
Net cash used in investing activities	(4,571,927)	213,032	(4,358,895)

Notes to the Financial Statements

For the financial year ended 31 December 2016

34 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2017 or later periods and which the Group has not early adopted:

Effective for annual periods beginning on or after 1 January 2017

- Amendments to FRS 7: Disclosure Initiatives
- Amendments to FRS 12: Recognition of Deferred Tax Assets for unrealised losses
- Improvements to FRSs (December 2016)
 - Amendments to FRS 112: Disclosure of Interest in Other Entities

Effective for annual periods beginning on or after 1 January 2018

- FRS 109 Financial Instruments
- FRS 115 Revenue from Contracts and Customers
- Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers
- Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions
- Amendments to FRS 40: Transfer of Investment Property
- INT FRS 122 Foreign Currency Transactions and Advance Consideration
- Improvements to FRSs (December 2016)
 - Amendments to FRS 101: First-time Adoption of Financial Reporting Standards
 - Amendments to FRS 28: Investments in Associates and Joint Ventures

Effective for annual periods beginning on or after 1 January 2019

- FRS 116 Leases Illustrative Examples & Amendments to Guidance on Other Standards

The Group has yet to assess the full impact from adoption of the above standards and intends to apply the relevant standards in the financial years where the standards become effective.

Except for FRS 109, FRS 115 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy adoption of FRS 109, FRS 115 and FRS 116 are described below.

FRS 109 Financial Instruments

The complete version of FRS 109 replaces most of the guidance in FRS 39. FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income ("OCI") and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investment in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, the financial assets of the Group would appear to satisfy the conditions for classification as amortised cost and hence there will be no change to the accounting for these assets.

Notes to the Financial Statements

For the financial year ended 31 December 2016

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

FRS 109 Financial Instruments (cont'd)

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification of its financial assets.

For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designed at fair value through profit or loss. There will be no impact on the Group's accounting for financial liabilities as the Group does not have any such liabilities.

FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. There will be no impact on the Group's accounting as the Group does not have any such hedging instrument.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 Revenue from contracts with customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment on how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

FRS 115 Revenue from Contracts and Customers

This is the converged standard on revenue recognition. It replaces FRS11 Construction contracts, FRS 18 Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Notes to the Financial Statements

For the financial year ended 31 December 2016

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

FRS 115 Revenue from Contracts and Customers (cont'd)

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

- Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers
- Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions
- Amendments to FRS 40: Transfer of Investment Property
- INT FRS 122 Foreign Currency Transactions and Advance Consideration
- Improvements to FRSs (December 2016)
 - Amendments to FRS 101: First-time Adoption of Financial Reporting Standards
 - Amendments to FRS 28: Investments in Associates and Joint Ventures

FRS 116 Leases Illustrative Examples and Amendments to Guidance on Other Standards

FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rental are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of \$10,616,562 (2015: \$12,538,564) (Note 42(b)). However, the Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

35 AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Beng Kuang Marine Limited on 24 March 2017.

Shareholding Statistics

as at 15 March 2017

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

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 15 March 2017, 43.65% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	20	1.07	900	0.00
100 – 1,000	107	5.73	67,300	0.05
1,001 - 10,000	992	53.13	4,896,875	3.63
10,001 - 1,000,000	732	39.21	38,547,975	28.55
1,000,001 and above	16	0.86	91,497,356	67.77
	1,867	100.00	135,010,406	100.00

TOP 20 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1	DDW-PAXOCEAN ASIA PTE LTD	23,368,706	17.31
2	CHAN KWAN BIAN	20,936,875	15.51
3	CHUA BENG KUANG	9,066,875	6.71
4	CHUA MENG HUA	8,829,875	6.54
5	CHUA BENG HOCK	6,329,875	4.69
6	CHUA BENG YONG	6,329,875	4.69
7	YEO CHUNG SUN	3,250,000	2.41
8	MAYBANK KIM ENG SECURITIES PTE LTD	2,564,825	1.90
9	RAFFLES NOMINEES (PTE) LTD	1,613,125	1.19
10	TAY YEW CHONG	1,521,250	1.13
11	PHILLIP SECURITIES PTE LTD	1,467,075	1.09
12	OCBC SECURITIES PRIVATE LTD	1,376,500	1.02
13	SEH KIAN HOON	1,348,700	1.00
14	LIM CHEE SAN	1,275,000	0.94
15	CHUA WUI WUI	1,125,000	0.83
16	DBS NOMINEES PTE LTD	1,093,800	0.81
17	UNITED OVERSEAS BANK NOMINEES (PTE) LTD	882,050	0.65
18	CHANG THIAM HUI	850,000	0.63
19	CIMB SECURITIES (S) PTE LTD	781,850	0.58
20	CHUAH LAM SIANG	700,000	0.52
		94,711,256	70.15

Shareholding Statistics

as at 15 March 2017

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Chua Beng Kuang	9,066,875	6.71	–	–
Chua Meng Hua	8,829,875	6.54	–	–
DDW-PaxOcean Asia Pte. Ltd.	23,368,706	17.31	–	–
PaxOcean Holdings Pte. Ltd. ⁽¹⁾	–	–	23,368,706	17.31
Kuok (Singapore) Limited ⁽²⁾	–	–	23,368,706	17.31
Drydocks World LLC ⁽³⁾	–	–	23,368,706	17.31
Drydocks & Maritime World LLC ⁽⁴⁾	–	–	23,368,706	17.31
Dubai World Holdings Limited ⁽⁵⁾	–	–	23,368,706	17.31
Chan Kwan Bian	20,936,875	15.51	–	–

Notes:

- ⁽¹⁾ PaxOcean Holdings Pte. Ltd. has a 67% stake in DDW-PaxOcean Asia Pte. Ltd.. Therefore, PaxOcean Holdings Pte. Ltd. is deemed to have an interest in the shares held by DDW-PaxOcean Asia Pte. Ltd.
- ⁽²⁾ Kuok (Singapore) Limited is the holding company of PaxOcean Holdings Pte. Ltd. PaxOcean Holdings Pte. Ltd. has a 67% stake in DDW-PaxOcean Asia Pte. Ltd.. Therefore, Kuok (Singapore) Limited is deemed to have an interest in the shares held by DDW-PaxOcean Asia Pte. Ltd.
- ⁽³⁾ Drydocks World LLC has a 33% stake in DDW-PaxOcean Asia Pte. Ltd.. Therefore, Drydocks World LLC is deemed to have an interest in the shares held by DDW-PaxOcean Asia Pte. Ltd.
- ⁽⁴⁾ Drydocks & Maritime World LLC is the shareholder of Drydocks World LLC. Drydocks World LLC has a 33% stake in DDW-PaxOcean Asia Pte. Ltd.. Therefore, Drydocks & Maritime World LLC is deemed to have an interest in the shares held by DDW-PaxOcean Asia Pte. Ltd.
- ⁽⁵⁾ Dubai World Holdings Limited is the shareholder of Drydocks & Maritime World LLC. Drydocks & Maritime World LLC is the shareholder of Drydocks World LLC. Drydocks World LLC has a 33% stake in DDW-PaxOcean Asia Pte. Ltd.. Therefore, Dubai World Holdings Limited is deemed to have an interest in the shares held by DDW-PaxOcean Asia Pte. Ltd.

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Beng Kuang Marine Limited (the “Company”) will be held at 55 Shipyard Road, Singapore 628141 on Wednesday, 26 April 2017 at 11.00 a.m., for the purpose of transacting the following businesses:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements for the financial year ended 31 December 2016 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect Mr Yong Thiam Fook as a Director retiring pursuant to Regulation 107 of the Company’s Constitution. **(Resolution 2)**

[See Explanatory Note 1]
3. To re-elect Dr Wong Chiang Yin as a Director retiring pursuant to Regulation 107 of the Company’s Constitution. **(Resolution 3)**

[See Explanatory Note 2]
4. To re-elect Mr Tan Ling Kwok, Philip as a Director retiring pursuant to Regulation 117 of the Company’s Constitution. **(Resolution 4)**

[See Explanatory Note 3]
5. To approve the payment of Directors’ fees of S\$103,900 (2015: S\$106,900) for the financial year ended 31 December 2016. **(Resolution 5)**
6. To re-appoint Messrs Nexia TS Public Accounting Corporation as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

AS SPECIAL BUSINESS

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

Authority to allot and issue shares up to 50 per centum (50%) of issued share capital (Resolution 7)

“That pursuant to Section 161 of the Companies Act, Cap. 50, and the listing rules of the Singapore Exchange Securities Trading Limited (“SGX-ST”), authority be and is hereby given to the Directors of the Company to allot and issue shares or convertible securities from time to time (whether by way of rights, bonus or otherwise) and upon such terms and conditions and for such purposes and to such person as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares and convertible securities issued pursuant to such authority shall not exceed 50 per centum (50%) of the issued share capital of the Company, of which the aggregate number of shares and convertible securities issued other than on a pro-rata basis to the existing shareholders of the Company shall not exceed 20 per centum (20%) of the issued share capital of the Company

Notice Of Annual General Meeting

(the percentage of issued share capital being based on the issued share capital at the time such authority is given after adjusting for new shares arising from the conversion or exercise of convertible securities or exercise of share options or vesting of awards outstanding or subsisting at the time such authority is given and any subsequent consolidation or subdivision of shares) and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting ("AGM") of the Company or on the date by which the next AGM is required by law to be held, whichever is the earlier."

[See Explanatory Note 4]

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

Authority to grant awards and to allot and issue shares under BKM Performance Share Plan (Resolution 8)

"That approval be and is hereby given to the Directors to grant awards from time to time in accordance with the provisions of Beng Kuang Performance Share Plan ("BKM PSP"), and, pursuant to Section 161 of the Act, to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the vesting of the awards under BKM PSP, provided always that the aggregate number of Shares to be allotted and issued pursuant to BKM PSP, when aggregated together with Shares to be allotted and issued pursuant to any other existing employee share schemes of the Company shall not exceed 15 per cent. of the total number of issued Shares excluding treasury shares from time to time."

[See Explanatory Note 5]

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

Renewal of Shareholders' Mandate for Interested Person Transactions (Resolution 9)

"That:

- (a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of the SGX-ST, for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9 of the Listing Manual), or any of them, to enter into any of the transactions falling within the types of interested person transactions set out in the addendum to this Annual Report dated 10 April 2017 (the "Addendum") with any party who is of the class of interested persons described in Addendum provided that such transactions are on normal commercial terms, not prejudicial to the interests of the Company and its minority Shareholders and in accordance with the review procedures for such interested person transactions (the "Shareholders' Mandate");
- (b) the Shareholders' Mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company, and

Notice Of Annual General Meeting

- (c) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the Shareholders' Mandate and/or this Resolution."

[See Explanatory Note 6]

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

BY ORDER OF THE BOARD

Wee Woon Hong
Srikanth Rayaprolu
Company Secretaries

Singapore

10 April 2017

Explanatory Notes:

1. Mr Yong Thiam Fook will, upon re-election as Director of the Company, remain as the Executive Director of the Company. Further information on Mr Yong Thiam Fook can be found in the Annual Report 2016.
2. Dr Wong Chiang Yin will, upon re-election as a Director, remain as an Independent Director of the Company and the Chairman of the Audit Committee and Remuneration Committee and a member of the Nominating Committee of the Company. He is considered by the Board to be independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. Dr Wong Chiang Yin does not have any relationship including immediate family relationship between himself and the Directors, the Company and its 10% shareholders. Further information on Dr Wong Chiang Yin can be found in the Annual Report 2016.
3. Mr Tan Ling Kwok, Philip will, upon re-election as a Director, remain as the Non-Executive Director of the Company and a member of the Audit Committee, Nominating Committee and Remuneration Committee of the Company. He is considered by the Board to be non-independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. Further information on Mr Tan Ling Kwok, Philip can be found in the Annual Report 2016.
4. The proposed Ordinary Resolution 7, if passed, will authorise the Directors of the Company to issue shares up to 50% of the Company's issued share capital, with an aggregate sub-limit of 20% of the Company's share capital for any issue of shares not made on a pro-rata basis to shareholders of the Company.
5. The proposed Ordinary Resolution 8, if passed, will empower the Directors to offer and grant awards under BKM PSP (as from time to time amended, modified or supplemented), which was approved at the extraordinary general meeting of the Company on 27 April 2009, and to allot and issue shares in the capital of the Company, pursuant to the vesting of the awards under BKM PSP provided that the aggregate number of Shares to be issued under BKM PSP, when aggregated with Shares to be issued under any other existing share schemes of the Company, does not exceed 15 per cent. of the total number of issued Shares excluding treasury shares of the Company for the time being.
6. The proposed Ordinary Resolution 9, if passed, will authorise the interested person transactions as described in the Addendum and recurring in the year and will empower the Directors of the Company, from the date of this Annual General Meeting until the date the next Annual General Meeting is to be held or is required by law to be held, whichever is the earlier, to do all acts necessary to give effect to the Shareholders' Mandate. The rationale for and categories of interested person transactions pursuant to the Shareholders' Mandate are set out in greater detail in the Addendum accompanying this Notice.

Notice Of Annual General Meeting

Notes:

- (i) A member of the Company entitled to attend and vote at the above Meeting may appoint not more than two (2) proxies to attend and vote instead of him.
- (ii) Where a member appoints two (2) proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.
- (iii) Intermediaries such as banks and capital markets services licence holders which provide custodial services and are members of the Company may appoint more than two proxies provided that each proxy is appointed to exercise the rights attached to different shares held by the member. Where such member appoints more than two (2) proxies, the number and class of shares to be represented by each proxy must be stated.
- (iv) If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.
- (v) The instrument appointing a proxy must be deposited at the registered office of the Company at 55 Shipyard Road, Singapore 628141, not less than 48 hours before the time appointed for holding the above Meeting.
- (vi) A depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the above Meeting in order for the Depositor to be entitled to attend and vote at the above Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's and its proxy(ies)'s or representative's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the **"Purposes"**), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior express consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, (iii) undertakes that the member will only use the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iv) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty. Your and your proxy and/or representative's personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the Purposes, and retained for such period as may be necessary for the Company's verification and record purposes.

Addendum

Dated 10 April 2017

This Addendum is circulated to Shareholders of Beng Kuang Marine Limited (the "Company") together with the Company's Annual Report. Its purpose is to explain to Shareholders the rationale and provide information to the Shareholders for proposed renewal of the Shareholders' Mandate for Interested Person Transactions to be tabled at the Annual General Meeting to be held on 26 April 2017 at 11.00 a.m. at 55 Shipyard Road, Singapore 628141. The Notice of Annual General Meeting and a Proxy Form are enclosed with the Annual Report.

If you are in any doubt as to the action you should take, you should consult your bank manager, stockbroker, solicitor, accountant or other professional adviser immediately. If you have sold or transferred all your shares in the capital of the Company, you should immediately forward this Notice of Annual General Meeting and the enclosed Proxy Form to the purchaser or the transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer for onward transmission to the purchaser or the transferee.

The Singapore Exchange Securities Trading Limited takes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Addendum.



BENG KUANG MARINE LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration Number: 199400196M)

ADDENDUM

in relation to

THE PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

DEFINITIONS

In this Addendum, the following definitions apply throughout unless otherwise stated:-

"Act"	: The Companies Act (Chapter 50) of Singapore
"AGM"	: The annual general meeting of the Company
"Board" or "Directors"	: The directors of the Company as at the date of this Addendum
"CDP"	: The Central Depository (Pte) Limited of Singapore
"Company"	: Beng Kuang Marine Limited
"Controlling Shareholder"	: A person who has an interest in the Shares of an aggregate of not less than 15% of the total votes attached to all the Shares, or in fact exercises control over the Company
"DDW-PA"	: DDW-PaxOcean Asia Pte. Ltd. (formerly known as Drydocks World-Southeast Asia Pte. Limited)
"DDW LLC"	: Drydocks World LLC
"DDW LLC Group"	: Drydocks World LLC and its existing subsidiaries and associated companies, together with any of their respective future subsidiaries which may be newly set up or to be acquired by them from time to time
"Group"	: The Company and its subsidiaries
"Hwah Hong"	: Hwah Hong Transportation Pte. Ltd.
"Interested Person"	: A director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder
"Interested Person Transaction"	: Transactions proposed to be entered into between the Group and any interested person
"KSL"	: Kuok (Singapore) Limited
"Latest Practicable Date"	: 16 March 2017, being the latest practicable date prior to the printing of this Addendum
"Listing Manual"	: The listing manual of the SGX-ST
"NTA"	: Net tangible assets
"PaxOcean"	: PaxOcean Holdings Pte. Ltd. (formerly known as PaxOcean Shipbuilding Pte. Ltd.)
"Securities Account"	: Securities account maintained by a Depositor with CDP
"SGX-ST"	: Singapore Exchange Securities Trading Limited
"Shares"	: Ordinary shares in the capital of the Company

"Shareholders"	: Registered holders of Shares, except that where the registered holder is CDP, the term "Shareholders" shall, where the context admits, mean the Depositors whose Securities Accounts are credited with Shares
"Shareholders' Mandate"	: The shareholders' general mandate pursuant to Chapter 9 permitting the Company, its subsidiaries and associated companies or any of them, to enter into certain types of recurrent transactions of a revenue or trading nature necessary for day-to-day operations with specific classes of Interested Persons, which was approved by Shareholders at the extraordinary general meeting held on 7 August 2013 and renewed at the AGM held on 28 April 2016
"Substantial Shareholder"	: A person who owns directly or indirectly 5% or more of the total share capital in the Company or in a company, as the case may be
"S\$" or "\$" and "cents"	: Singapore dollars and cents, respectively
"%" or "per cent"	: Per centum or percentage

The terms "Depositor", "Depository Agent" and "Depository Register" shall have the same meanings ascribed to them respectively in Section 81SF of Securities and Futures Act (Chapter 289) of Singapore or any statutory modification thereof, as the case may be.

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

Any reference in this Addendum to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act, the Listing Manual or any modification thereof and not otherwise defined in this Addendum shall have the same meaning assigned to it under the Act, the Listing Manual or any modification thereof, as the case may be.

Any reference to a time of day in this Addendum is made by reference to Singapore time unless otherwise stated.

BENG KUANG MARINE LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 199400196M)

Directors

Mr Chua Beng Kuang (Executive Chairman)
Mr Chua Meng Hua (Managing Director and Chief Executive Officer)
Mr Yong Thiam Fook (Executive Director)
Dr Wong Chiang Yin (Independent Director)
Mr Goh Chee Wee (Independent Director)
Mr Tan Ling Kwok, Philip (Non-Executive Director)

Registered Office

55 Shipyard Road
Singapore 628141

10 April 2017

To: The Shareholders of Beng Kuang Marine Limited

Dear Sir/Madam

1. INTRODUCTION

Chapter 9 of the Listing Manual applies to transactions which a listed company or any of its unlisted subsidiaries or unlisted associated companies proposes to enter with an interested person of the listed company. An "interested person" is defined as a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder.

Chapter 9 of the Listing Manual allows a listed company to seek a general mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations which may be carried out with the listed company's interested persons, but not the purchase or sale of assets, undertakings or businesses provided such transactions are entered into at arm's length basis and on normal commercial terms and are not prejudicial to the interests of the listed company and its minority shareholders.

The current Shareholders' Mandate, which was last renewed by the Shareholders during the AGM held on 28 April 2016, will continue to be in force until the forthcoming AGM. Accordingly, the Directors propose that the Shareholders' Mandate be renewed at the forthcoming AGM.

The purpose of this Addendum is to provide Shareholders with the relevant information relating to, and to seek Shareholders' approval to renew the Shareholders' Mandate at the forthcoming AGM which is scheduled to be held on 26 April 2017.

General information relating to Chapter 9 of the Listing Manual, including the meanings of terms such as "interested person", "associate", "associated company" and "controlling shareholder", are set out in the annexure of this Addendum.

2. SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

2.1 Categories of Interested Persons

The renewed Shareholders' Mandate will apply to the transactions (as defined below) with:-

- (a) KSL, its existing subsidiaries and associated companies together with any of their respective future subsidiaries and associated companies which may be newly set up or to be acquired by them from time to time (collectively, "Kuok Group");

- (b) DDW LLC, its existing subsidiaries and associated companies, together with any of their respective future subsidiaries which may be newly set up or to be acquired by them from time to time (collectively, "DDW LLC Group"); and
- (c) Hwah Hong.

DDW-PA is the Company's Controlling Shareholder, which holds approximately 17.3% of the issued share capital of the Company as at the Latest Practicable Date.

PaxOcean holds 67% of the shareholding interest of DDW-PA while 33% shareholding interest is held by DDW LLC.

By virtue of PaxOcean's effective interest of 67% in DDW-PA, PaxOcean, together with its holding company, KSL and their respective subsidiaries and associated companies are deemed as Interested Persons of the BKM Group for the purpose of Chapter 9 of the Listing Manual. By virtue of DDW LLC's effective interest of 33% in DDW-PA, DDW LLC Group remained as an Interested Person of the Group for the purpose of Chapter 9 of the Listing Manual.

Mr Chua Beng Hock, who is an Executive Officer of the Group and the brother of Mr Chua Beng Kuang (Executive Chairman), Mr Chua Meng Hua (Managing Director) and Mr Chua Beng Yong (Executive Officer), has an equity interest of approximately 65% in Hwah Hong as at the Latest Practicable Date. Accordingly, Hwah Hong is deemed as an Interested Person of the Company for the purposes of Chapter 9 of the Listing Manual.

Transactions with the Kuok Group, the DDW LLC Group, Hwah Hong or any other Interested Person of the Group that do not fall within the ambit of the Shareholders' Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Manual.

2.2 Categories of Interested Persons Transactions

The interested Person Transactions with the Kuok Group, the DDW LLC Group and/or Hwah Hong which will be covered by the Shareholders' Mandate ("Mandate Transactions") include the following:

- (a) the provision of corrosion prevention services and infrastructure engineering services to the Kuok Group and the DDW LLC Group;
- (b) the engagement of services and sub-contract work from the Kuok Group and the DDW LLC Group to fulfill the contractual commitments relating to the infrastructure engineering projects including but not limited to pipe fabrication services and steel welding services, and the purchase of items necessary from the Kuok Group and the DDW LLC Group to carry out such work including, but not limited to, steel materials, angle bars and electrodes;
- (c) the supply of hardware equipment and tools (such as electrode holders, welding cables, wire brushes) and other consumables (such as electrodes and gloves) to the Kuok Group and the DDW LLC Group;
- (d) the engagement of sea transportation services from the Kuok Group and the DDW LLC Group;
- (e) the engagement of lorry and crane services from Hwah Hong; and
- (f) the hire of heavy lift or specialised marine vessels from the Kuok Group.

The Shareholders' Mandate will not cover any Mandate Transaction that is below S\$100,000 in value as the threshold and aggregation requirements of Chapter 9 of the Listing Manual would not apply to such transactions. Interested Person Transactions entered or to be entered into by the Group that do not fall within the ambit of the Shareholders' Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Manual.

2.3 Rationale for and Benefits of the Shareholders' Mandate

The Mandate Transactions are entered into or are to be entered into by the Group in its ordinary course of business. The Mandate Transactions are recurring transactions which are likely to occur with some degree of frequency and may arise at any time and from time to time. The Directors are of the view that it will be beneficial to the Group to transact with the Kuok Group, the DDW LLC Group and/or Hwah Hong. It is intended that the Mandate Transactions shall continue in the future as long as the Kuok Group, the DDW LLC Group and/or Hwah Hong (as the case may be) are Interested Persons of the Group and so long as the transactions are at arm's length basis and on normal commercial terms and are not prejudicial to the Company and the minority Shareholders.

The Shareholders' Mandate and the renewal of the Shareholders' Mandate on an annual basis will eliminate the need to announce and/or convene separate general meetings on each occasion in order to seek Shareholders' prior approval for the entry by the Group into Mandate Transactions. This will substantially reduce the expenses associated with the convening of such general meetings from time to time, improve administrative efficiency, and allow resources and time of the Group to be focused towards other corporate and business opportunities.

The Shareholders' Mandate is intended to facilitate the Mandate Transactions, provided that they are carried out at arm's length basis and on normal commercial terms and are not prejudicial to the Company and the minority Shareholders.

2.4 Review Procedures for Mandate Transactions

To ensure that Mandate Transactions are undertaken at arm's length basis and on normal commercial terms and are consistent with the Group's usual business practices and policies, which are generally no more favourable to the Kuok Group, the DDW LLC Group and/or Hwah Hong than those extended to unrelated third parties, we will adopt the specific guidelines and procedures as set out below:-

- (i) All Mandate Transactions of which are S\$100,000 and above in value shall not be entered into unless the terms are determined as follows:
 - (a) In relation to the sale of products to the Kuok Group and the DDW LLC Group, the selling price or fee shall not be more favourable to the Kuok Group and the DDW LLC Group than that offered to the Group's unrelated third party customers in recent transactions after taking into consideration non-price factors such as customers' credit standing, volume of transactions, delivery requirements, length of business relationship and potential for future repeated business;
 - (b) In relation to the supply of services to the Kuok Group and the DDW LLC Group, the fee shall not be more favourable to the Kuok Group and the DDW LLC Group than that offered to the Group's unrelated third party customers in recent transactions after taking into consideration non-price factors as mentioned in (a) above and additional factors such as the type of facilities available and material requirements; and
 - (c) In relation to the purchase of items and the engagement of services or hire of marine vessels from the Kuok Group and the DDW LLC Group and/or Hwah Hong, the Group shall obtain two other quotations from non-Interested Persons for comparison. The purchase price or fee shall not be less favourable to the Group than the most competitive price or fee of the other quotations from non-Interested Persons. In determining the most competitive price or fee, non-price factors such as quality, delivery time, credit terms granted and track record will be taken into account.

- (ii) In the event that it is not possible for external quotations to be obtained (for instance, if there is no unrelated third party who is able to provide the same products or perform the same function) or there are no relevant successful sales of products or services to unrelated third party customers for the comparison, the Group will adopt the following procedures to determine whether the prices or fees offered by or to the Kuok Group, the DDW LLC Group and/or Hwah Hong are in accordance with the industry norms, at arm's length basis and on normal commercial terms:-
 - (a) For purchases of products and/or engagement of services from the Kuok Group, the DDW LLC Group and/or Hwah Hong, the purchase price must be no less favourable to the Group than that charged by the Kuok Group, DDW LLC Group and/or Hwah Hong to their other unrelated customers after taking into consideration other non-price factors such as quality, delivery time, track record, and credit terms granted. We will obtain from the Kuok Group, the DDW LLC Group, Hwah Hong and elsewhere, the necessary evidence to satisfy ourselves that the basis set out herein have been adhered to in the purchases from them. We will also consider the cost and benefits of such transactions to the Group; and
 - (b) For sale of products and services to the Kuok Group and the DDW LLC Group, the price charged by the Group shall be determined in accordance with the Group's usual business practices and consistent with the Group's profit margin to be obtained by the Group for the same or substantially the same products and services after taking into consideration non-price factors such as customers' credit standing, volume of transactions, delivery requirements, length of business relationship, type of working facilities and equipment available, scope of supply of materials and potential for future repeat business.
- (iii) In addition, the following review and approval procedures will be implemented by the Group:-
 - (a) Any Mandate Transaction which equals or exceeds more than S\$100,000 but less than or equal to 3% of the Group's latest audited NTA in value will be reviewed and approved by either a Director, the Chief Financial Officer or an Executive Officer of the Group (each of whom shall not be an Interested Person in respect of the particular transaction) prior to entering into the transaction; and
 - (b) Any Mandate Transaction which exceeds 3% of the Group's latest audited NTA in value will be reviewed and approved by the Audit Committee prior to entering into the transaction.
- (iv) The Group has also implemented the following procedures for the identification of Interested Persons and the recording of Interested Person Transactions (including the Mandate Transactions):-
 - (a) The Company will maintain a list of Interested Persons (which is to be updated immediately if there are any changes), and disclose the list to relevant key personnel of each subsidiary to enable identification of Interested Persons. The master list of Interested Persons which is maintained shall be reviewed on at least a quarterly basis; and
 - (b) The Company will maintain a register of transactions carried out with Interested Persons (recording the basis, including the quotations obtained to support such basis, on which they are entered into).
- (v) The Audit Committee will review the Interested Person Transactions on at least a quarterly basis as part of its standard procedures while examining the adequacy of the Group's internal controls including those relating to Interested Person Transactions. The Board will also ensure that all disclosures, approvals and other requirements on Interested Person Transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with.
- (vi) In the event that the Chief Financial Officer, Executive Officer, Director or a member of the Audit Committee (where applicable) is interested in any Interested Person Transaction, he will abstain from reviewing and/or approving that particular transaction. The Board will also ensure that all disclosure requirements on Interested Person Transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with.

- (vii) The Audit Committee shall review from time to time the above guidelines and procedures to determine if they are adequate and/or commercially practicable in ensuring that Mandate Transactions are conducted at arm's length basis and on normal commercial terms and are not prejudicial to the Company and the minority Shareholders. Further, if during these periodic reviews by the Audit Committee, the Audit Committee is of the view that the guidelines and procedures as stated above are inappropriate or are not sufficient to ensure that the Mandate Transactions will be at arm's length basis and on normal commercial terms and will not be prejudicial to the Company and the minority Shareholders, the Company will (pursuant to the Listing Manual) revert to Shareholders for a fresh mandate based on new guidelines and procedures.

2.5 Audit Committee's Statements

- (a) The independent Directors from the Audit Committee have reviewed the terms of the Shareholders' Mandate and are satisfied that the review procedures for the Interested Person Transactions, as well as the reviews to be made periodically by the Audit Committee in relation thereto, are sufficient to ensure that the Interested Person Transactions will be made with the relevant categories of Interested Persons at arm's length basis and on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. The Independent Directors from the Audit Committee confirm that the methods and procedures for determining the transaction prices have not changed since the last Shareholders' approval which took place on 28 April 2016.
- (b) If, during the periodic reviews by the Audit Committee, the Independent Directors from the Audit Committee are of the view that the established guidelines and procedures are not sufficient to ensure that the Interested Person Transactions will be at arm's length basis and on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Company will revert to Shareholders for a fresh mandate based on new guidelines and procedures for transactions with the Interested Persons.

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and Substantial Shareholders in the capital of the Company as at the Latest Practicable Date are as follows:-

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Directors				
Chua Beng Kuang	9,066,875	6.71	–	–
Chua Meng Hua	8,829,875	6.54	–	–
Yong Thiam Fook	64,000	0.05	–	–
Dr Wong Chiang Yin	25,000	0.02	–	–
Goh Chee Wee	–	–	–	–
Tan Ling Kwok, Philip	–	–	–	–
Substantial Shareholders (other than Directors)				
Chan Kwan Bian	20,936,875	15.51	–	–
DDW-PaxOcean Asia Pte. Ltd.	23,368,706	17.31	–	–
PaxOcean Holdings Pte. Ltd ⁽¹⁾	–	–	23,368,706	17.31
Kuok (Singapore) Limited ⁽²⁾	–	–	23,368,706	17.31
Drydocks World LLC ⁽³⁾	–	–	23,368,706	17.31
Drydocks & Maritime World LLC ⁽⁴⁾	–	–	23,368,706	17.31
Dubai World Holdings Limited ⁽⁵⁾	–	–	23,368,706	17.31

Notes:

- ⁽¹⁾ PaxOcean Holdings Pte. Ltd. has a 67% stake in DDW-PaxOcean Asia Pte. Ltd.. Therefore, PaxOcean Holdings Pte. Ltd. is deemed to have an interest in the shares held by DDW-PaxOcean Asia Pte. Ltd.
- ⁽²⁾ Kuok (Singapore) Limited is the holding company of PaxOcean Holdings Pte. Ltd. PaxOcean Holdings Pte. Ltd. has a 67% stake in DDW-PaxOcean Asia Pte. Ltd.. Therefore, Kuok (Singapore) Limited is deemed to have an interest in the shares held by DDW-PaxOcean Asia Pte. Ltd.
- ⁽³⁾ Drydocks World LLC has a 33% stake in DDW-PaxOcean Asia Pte. Ltd. Therefore, Drydocks World LLC is deemed to have an interest in the shares held by DDW-PaxOcean Asia Pte. Ltd.
- ⁽⁴⁾ Drydocks & Maritime World LLC is the shareholder of Drydocks World LLC. Drydocks World LLC has a 33% stake in DDW-PaxOcean Asia Pte. Ltd. Therefore, Drydocks & Maritime World LLC is deemed to have an interest in the shares held by DDW-PaxOcean Asia Pte. Ltd.
- ⁽⁵⁾ Dubai World Holdings Limited is the shareholder of Drydocks & Maritime World LLC. Drydocks & Maritime World LLC is the shareholder of Drydocks World LLC. Drydocks World LLC has a 33% stake in DDW-PaxOcean Asia Pte. Ltd. Therefore, Dubai World Holdings Limited is deemed to have an interest in the shares held by DDW-PaxOcean Asia Pte. Ltd.

In the event that any of the above Directors and Substantial Shareholders is interested in any Interested Person Transaction, he will abstain from reviewing and/or approving that particular transaction.

4. APPROVALS AND RESOLUTIONS

Shareholders' approval for the proposed renewal of the Shareholders' Mandate is sought at the AGM. The resolution relating to the proposed renewal of the Shareholders' Mandate is contained in the Notice of AGM as Ordinary Resolution 9.

As Rule 919 of the Listing Manual requires that interested persons must not vote on any shareholders' resolution approving any mandate in respect of any interested person transactions, each of the interested persons referred to in paragraph 2.1 of this Addendum together with their associates who are shareholders of the Company shall abstain from voting in respect of Ordinary Resolution 9 at the AGM to be held on 26 April 2017.

5. DIRECTORS' RECOMMENDATION

The Directors who are considered independent for the purposes of the proposed renewal of the Shareholders' Mandate are Mr Yong Thiam Fook, Dr Wong Chiang Yin and Mr Goh Chee Wee (the "Independent Directors"). The Independent Directors are of the opinion that the entry into the Interested Person Transactions by the Group in the ordinary course of business will enhance the efficiency of the Group and is in the best interests of the Company. For reasons set out in paragraph 2.3 of this Addendum, the Independent Directors recommend that Shareholders vote in favour of Ordinary Resolution 9, being the resolution relating to the proposed renewal of the Shareholders' Mandate at the forthcoming AGM.

6. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors who collectively and individually accept full responsibility for the accuracy of the information given in this Addendum and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Addendum constitutes full and true disclosure of all material facts about the proposed renewal of Shareholders' Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Addendum misleading. Where information in this Addendum has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Addendum in its proper form and context.

7. INSPECTION OF DOCUMENTS

Copies of the audited financial statements of the Company for the last two financial years ended 31 December 2015 and 31 December 2016 are available for inspection at the registered office of the Company at during normal business hours from the date of the Addendum up to the date of AGM.

Yours faithfully

For and on behalf of the Board of Directors

Chua Beng Kuang
Executive Chairman

GENERAL INFORMATION RELATING TO CHAPTER 9 OF THE LISTING MANUAL

SCOPE

Chapter 9 of the Listing Manual applies to transactions which a listed company or any of its subsidiaries (other than a subsidiary that is listed on an approved stock exchange) or associated companies (other than an associated company that is listed on an approved stock exchange or over which the listed group and/or its interested person(s) has no control) proposes to enter into a counter-party who is an interested person of the listed company.

DEFINITIONS

An "interested person" means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder.

An "associate" means:-

- (a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:-
 - (i) his immediate family;
 - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
 - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more
- (b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or it's a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.

An "associated company" means a company in which at least 20% but not more than 50% of its shares are held by the listed company or the group.

A "controlling shareholder" means a person who holds (directly or indirectly) 15% or more of the nominal amount of all voting shares in the listed company or one who in fact exercises control over its listed company.

GENERAL REQUIREMENTS

Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and are hence excluded from the ambit of Chapter 9 of the Listing Manual, immediate announcement, or, immediate announcement and shareholders' approval would be required in respect of transactions with interested persons if certain thresholds (which are based on the value of the transaction as compared with the listed company's latest audited consolidated NTA), are reached or exceeded. In particular, shareholders' approval is required where:

- (a) the value of such transaction is equal to or exceeds 5% of the latest audited consolidated NTA of the group; or

- (b) the value of such transaction when aggregated with the value of all other transactions previously entered into with the same interested person in the same financial year of the group is equal to or exceeds 5% of the latest audited consolidated NTA of the group. However, a transaction which has been approved by shareholders, or is the subject approved by shareholders, need not be included in any subsequent aggregation.

Immediate announcement of a transaction is required where:

- (a) the value of such transaction is equal to or exceeds 3% of the latest audited consolidated NTA of the group, or
- (b) the value of such transaction when aggregated with the value of all other transactions previously entered into with the same interested person in the same financial year of the group is equal to or exceeds 3% of the latest audited consolidated NTA of the group.

The above requirements for immediate announcement and for shareholders' approval do not apply to any transaction below \$100,000

GENERAL MANDATE

A listed company may seek a general mandate from its shareholders for recurrent transactions with interested persons of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials but not in respect of the purchase or sale of assets, undertakings or businesses. A general mandate is subject to annual renewal.

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

Important:

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

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member is deemed to have accepted and agreed to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 April 2017. "Personal data" in this proxy form has the same meaning as "personal data" in the Personal Data Protection Act 2012 ("PDPA"), which includes your and your proxy's and/or representative's name, address and NRIC/Passport No.

Proxy Form

ANNUAL GENERAL MEETING

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

of _____ (Address)

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

Name	NRIC/Passport Number	Proportion of Shareholdings	
		Number of Shares	%
Address			

and/or *

Name	NRIC/Passport Number	Proportion of Shareholdings	
		Number of Shares	%
Address			

or failing him/her*, the Chairman of the Annual General Meeting ("AGM") of the Company as my/our* proxy/proxies* to attend and to vote for me/us* on my/our* behalf at the AGM of the Company to be held at 55 Shipyard Road, Singapore 628141 on Wednesday, 26 April 2017 at 11.00 a.m., and at any adjournment thereof.

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

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

No.	Resolutions	Number of Votes For**	Number of Votes Against**
1.	Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2016		
2.	Re-election of Mr Yong Thiam Fook as a Director of the Company		
3.	Re-election of Dr Wong Chiang Yin as a Director of the Company		
4.	Re-election of Mr Tan Ling Kwok, Philip as a Director of the Company		
5.	Approval of Directors' Fees for the financial year ended 31 December 2016		
6.	Re-appointment of Messrs Nexia TS Public Accounting Corporation as Auditors and authorise the Directors to fix their remuneration		
7.	Authority to allot and issue of shares		
8.	Authority to grant awards and to allot and issue shares under BKM PSP		
9.	Renewal of Shareholders' Mandate for Interested Person Transactions		

* Delete accordingly

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

Dated this _____ day of _____ 2017.

Total Number of Shares held

Signature(s) of Shareholder(s)/or
Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF



Notes :

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

"relevant intermediary" means:

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



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BENG KUANG GROUP

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