BH GLOBAL CORPORATION LTD

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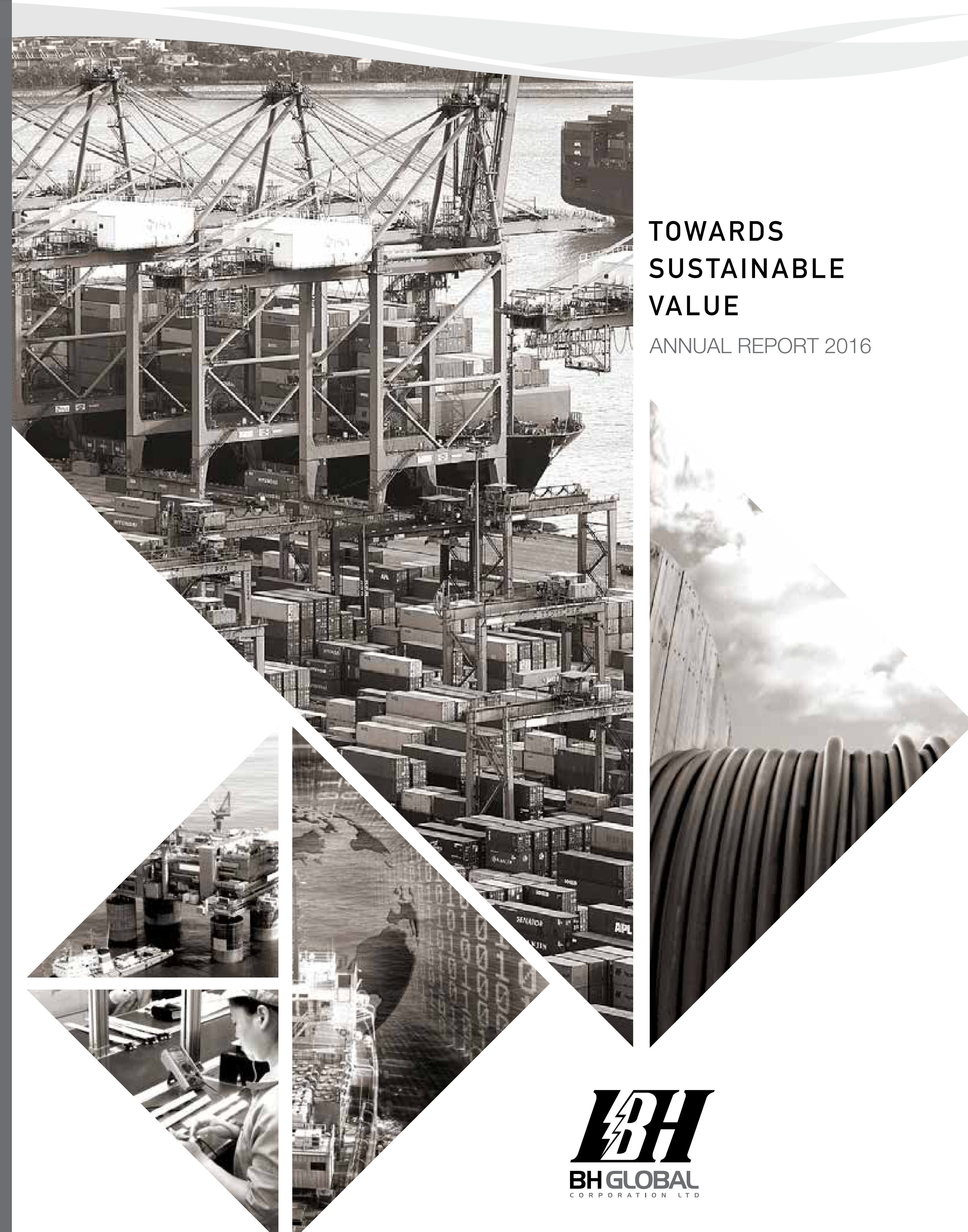
BH GLOBAL CORPORATION LTD ANNUAL REPORT 2016



TOWARDS SUSTAINABLE VALUE

ANNUAL REPORT 2016

BH GLOBAL
CORPORATION LTD

CONTENTS

VISION

We pursue excellence and aim to be the market leader in our fields of expertise.

MISSION

We commit to be a trusted and valued partner, delivering best value to our customers and stakeholders.

VALUES

Integrity and Discipline
We act with complete honesty and transparency, be responsible and accountable in all our dealings.

Teamwork and Performance
We are self-driven, cooperative, passionate and competent in achieving common organisational goals together with open communications.

Client Focused
We deliver total customer satisfaction with quality products, value added services and solutions.

Innovative
We embrace change with innovative ideas and solutions to constantly improve productivity and efficiency in our daily work.

Learning and Development
We continuously learn new skills and knowledge to develop our potential and be the leader in our fields of expertise.

CORPORATE PROFILE

ESTABLISHED IN 1963 AND LISTED ON THE SGX MAINBOARD SINCE SEPTEMBER 2005, BH GLOBAL CORPORATION LTD ("BH GLOBAL" OR COLLECTIVELY KNOWN AS THE "GROUP") HAS TRANSFORMED FROM A PURE SUPPLY CHAIN MANAGEMENT COMPANY SERVICING THE MARINE AND OFFSHORE INDUSTRIES TO AN INTEGRATED GROUP TODAY PROVIDING PRODUCTS IN FOUR MAJOR BUSINESS DIVISIONS:

- Supply Chain Management: Premium cable, lighting and electrical equipment for the Marine, On-and-Offshore, Oil & Gas and Industrial industries
- Manufacturing: Advanced LED Lighting solutions and Galvanized steel wire
- Engineering Solutions: Engineering, procurement and project management services for the oil and gas sector*
- Security: Critical Infra-Structure Protection and Cyber Security Solutions, Enterprise IT Operation Management and Remote Sensing Solutions for both public and private sectors

The Group has the distinction of being the first marine concept stock to be dual-listed on the Taiwan Stock Exchange via the issuance of Taiwan Depository Receipts on 20th October 2010.

Headquartered in Singapore, BH Global has expanded its footprint together with its joint venture partners and distribution channels into various regions including Southeast Asia, East Asia, Middle East, India, Europe and North America. With over 50 years of operating experience, the Group has established itself as a trusted and reliable business partner that carries a premium product portfolio from industry-renowned brand partners and manufacturers.

Leveraging on its extensive business experience and network, BH Global has diversified its products beyond Supply Chain Management to include Manufacturing, Engineering Solutions and Security. Consequently, its customer base grew and it currently has over 1,200 local and international customers including ship owners, operators, management companies, chandlers, repair contractors, shipyards, airports, seaports, and statutory boards.

** Engineering Solutions division is classified under Discontinued Operations in the financial statements.*

The Group was hailed as the first marine concept stock to be dual-listed on the Taiwan Stock Exchange via the issuance of Taiwan Depository Receipts on 20th October 2010.

TRIBUTE

For our fondly remembered late Chairman and my dearest Father- Mr Alvin Lim Hwee Hong

Mr Lim was a deeply respected Chairman of his company, treasured friend by many, and was well-loved Father and Son of his family.

His mental fortitude, endurance, discipline and fighting spirit from being a Sergeant in First Commando Battalion has fuelled him in winning battles of life and the company, bringing the family-grown now listed business to new heights.

He enjoyed the empowerment of knowledge through his likes for reading and constant learning. Being highly motivated to pursue his personal development in this competitive learning environment allowed him to stay on top of the game. He graduated from Tsinghua University in 2013. As a successful businessman, he understood the importance of giving Back to the Society and the positive impacts it brings. His inspiring acts of generosity and kindness can be seen from his charitable efforts and committed support to various organisations and charities. His support to ACC- an international non-governmental organization serving African children was particularly commendable. His strong personal network is attributed to his avid participation in various groups and communities. He was an Active Grassroots Leader, Chairman of Jalan Besar Integration Naturalisation Champion (INC), Patron of Ang Mo Kio and Joo Chiat Group Representation Constituency (GRC), and the Honorary President and Advisor of several Associations.

In 1985, the then only 23-year-old Mr Lim who had been exposed to the trade from a young age, begun running the Marine Electricals trading business with his father. Initially, they faced the challenge from the splitting of the business's partnership which resulted in intense price competition amongst the 3 partners. This was successfully resolved when they evicted the middleman and gave rise to positive outcomes: higher margins, increased customer base, wider array of products. The company also gained added competitive advantage by computerising their processes (computers in this trade was less widely used then)- bringing efficiency and productivity to manual procedures. The community began recognising the BH Brand as trusted and soon it grew to be the market leader. In September 2005, BH Global Corporation Ltd was listed on the Singapore Stock Exchange's Mainboard.

Mr Lim once written of the 6 Factors to Business Growth. Firstly, the Human element: It is vital to recognise your employees as the most important business resource to success. Secondly, one's attitude will determine one's altitude. A positive attitude and thinking will largely generate positive results. Thirdly, to acknowledge that change is imperative. Sustainable businesses might not be the largest or the smartest but one that is highly adaptive and flexible to relevant transformations. Fourthly, Communication is key. Effective communication builds relationships and boosts one's company's culture. It also creates a sense of belonging and loyalty for employees. Fifthly, timely execution of goals-driven tasks is essential to remain competitive. Lastly, businesses need to implement various control mechanisms to ensure proper Enterprise regulations are in place.

Mr Lim recounted his Father's teachings- A single thread cannot make a cord, nor a single tree a forest. He taught us of the importance of working together in harmony as a family.

This is the tribute to my Father who has spent the last 31 years building a successful company. His honesty and sincerity has touched many. His endeavours and achievements were inspirations. His reputation and legacy are worthy of praise and will be succeeded.

Marketing and Business Development Manager of BH Global and Daughter, Jasmin Lim

至我們懷念的
前主席及我最敬愛的爸爸–林輝煌(翰鴻)先生

林輝煌先生是個深受公司員工尊敬的主席，親戚朋友愛戴的好友，家人疼愛的兒子與父親。

突擊隊員出身的他用意志力跨越生命的種種挑戰，并將一個家族企業不斷推向了高峰。

他熱愛學習與閱讀，在繁忙中經常會抽出時間參與課程來提升自己。他提倡活到老學到老，并在2013年從清華大學總裁研修班畢業。他爲人慈愛慷慨，善心捐贈及參與慈善活動，值得一提的是他長期供養一群非洲孩子：飲食，居住，教育。他相信作爲一位成功的企業家，必須取之社會，用之社會，讓這個社會能更溫暖，更有愛心，衹要能力所及，盡力而爲。他參與各種社團，擴展生活圈，是個非常活躍的基層領袖，也是惹蘭必剎 Integration Naturalisation Champion (INC) 的主席，宏茂橋和如切 (GRC) 的贊助人，林氏大宗九龍堂名譽會長，返老還童名譽顧問，密忠氣功協會名譽顧問，怡和軒俱樂部會長等。

林主席從1985年，23歲起就與父親一起努力拼搏，經營海事電器產品買賣。當時他們經歷了和合伙人拆股各自營業，導致“貨比三家”激烈競争的局面。他們構思了直接進貨而不必通過中間人的對策，提高了利潤，擴大顧客群，售賣的產品也快速增加。公司的另一個重大改變就是把操作全部電腦化，快和準確的報價成了他們的競争優勢。他們開始建立起自己的品牌也成功地在2005年9月在新加坡股票交易所主板上市。

林主席曾寫過企業成長的六大因素。第一：以人爲本。一間企業要成功的經營，人是最重要的因素之一。第二：良好的態度是企業成功的一半。當想法正確，所做的事自然會往好的方向去做，不好的習慣也會因正確的想法而改變過來，產生正面影響。第三：改變。能够成功生存的企業不是最强最聰明的企業，而是適應變化而做出改變的企業。第四：溝通。有技巧的溝通能够建立良好的人際關系，讓員工了解公司的文化，制度與運作，以及讓員工增加對公司的歸屬感。第五：執行。一旦設定了目標，建立了一支有效的團隊；領導層要積極尋找人才，通過授權和有效溝通，努力的去執行每一個目標并保持競争優勢。第六：企業管制。企業應該建立機制管制以加强企業的控制能力，要“用人要疑，疑人要用”才對，最後還加上“有效管制”。

林主席述説過他父親的教誨：單絲不成綫，獨木不成林。我們必須要擰成一股繩，以群衆的力量才能讓林家企業發揚光大。雙木能成‘林’，衆木才能成‘森’。

林主席花了31年建立起成功的企業。他不屈不饒的拼搏精神感染與啓發了許多企業家和公司員工，樹立了值得我們學習的榜樣。人和時間就像流水和陽光，生生不息，却力量無窮。林主席就是這樣一直用信念、精神與陽光賽跑，把力量放在心中，如静水而深流。感謝也感激你在生意與生活上給予我們的教誨，你的精神會一直傳承下去。

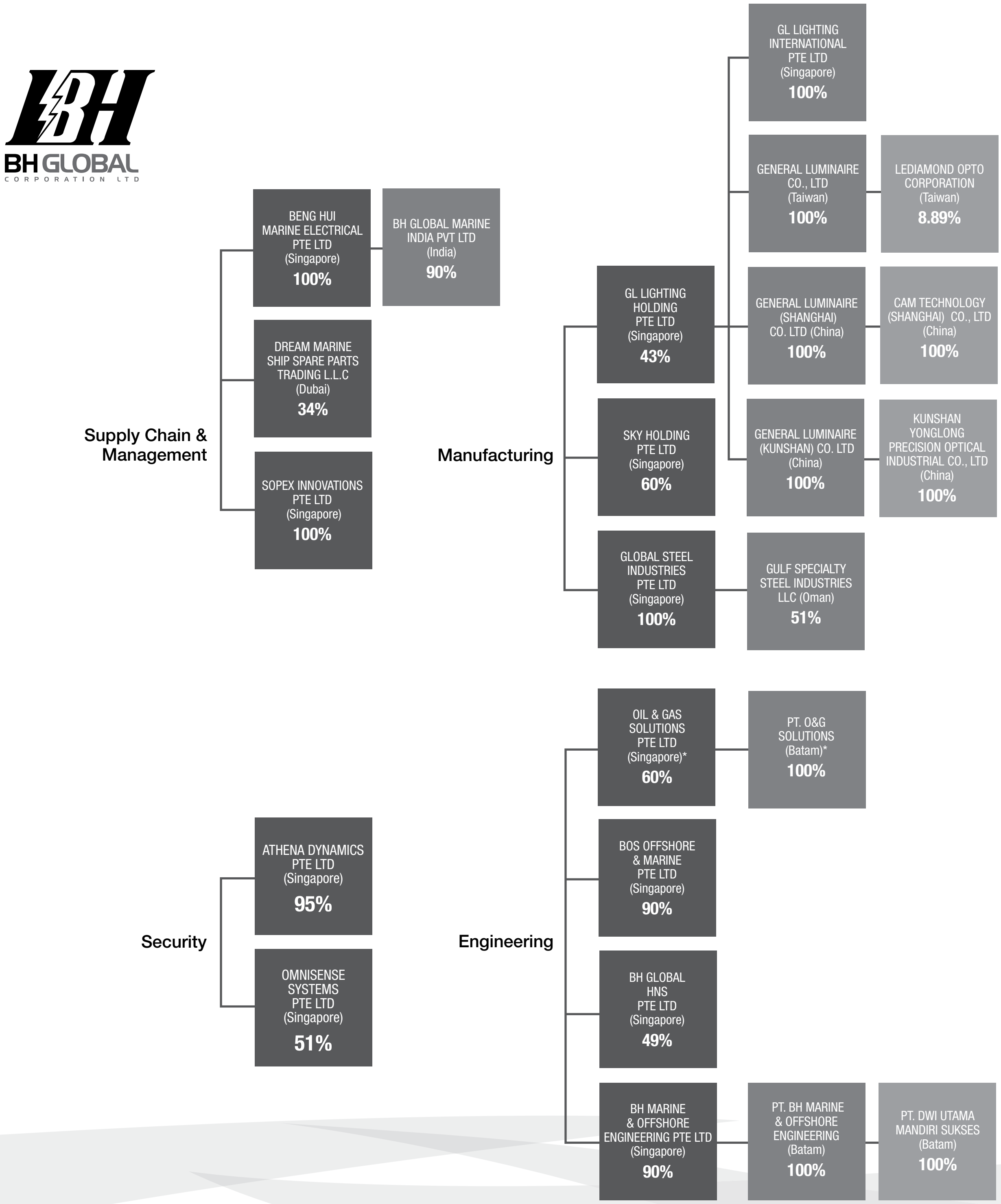
企業營銷和業務發展經理及大女兒 – 林睿理

AT A GLANCE

OUR GEOGRAPHICAL MARKET

Our excellent logistical infrastructure enables us to offer our products and services worldwide. For instance, we are able to service customers in Dubai within one to three days. In FY2016, 69% of our revenue contribution came from Singapore, 15% from South-East Asia, 12% from East Asia, 2% from Middle East, 1% from Europe, while the remaining 1% came from countries spanning all over the globe including Australia, India and United States of America.

CORPORATE STRUCTURE



** Under creditors' voluntary liquidation*

READY TO DELIVER

business profile:

SUPPLY CHAIN MANAGEMENT

BH Global is a one stop marine and offshore electrical supplier to the Marine, On-and-Offshore, Oil & Gas and Industrial industries worldwide.

BH Global carries approximately S$27 million worth of inventory, consisting of more than 15,000 product line items of technically certified electrical products from international brand partners/manufacturers . The comprehensive range of marine electrical products including marine, offshore, industrial and telecommunication cables, conventional and LED lighting systems and electrical consumables not only meet product quality and safety specifications, they are also certified to industry standards.

This premium product portfolio enables the Group to support ship chandlers, ship owners, ship-management companies, system integrators, shipyards and fabrication contractors in their new-build, repair and retrofitting projects worldwide with us being the preferred vendor of many established clienteles.

Headquartered in Singapore, BH Global's operations are strategically located in close proximity to its customers. Occupying over 200,000 square feet, its main operations include a warehouse equipped with material handling equipment, cable cutting & reeling machines, manufacturing and testing facilities, computerized offices and apt storage facilities. BH Global owns its fleet of delivery vehicles and has developed a strong partnership with international freight forwarders to provide timely deliveries worldwide.

BH Global differentiates itself from other distributors with its capabilities in providing both on- and off-site support; dedicated sales and technical teams are available to respond to customer needs. The Group also has an inventory management program whereby interim storage and just-in-time deliveries are provided to support customers' ongoing projects. The benefit of progressive billing also lowers their inventory costs and capital outlay significantly.

As part of our e-commerce strategy, BH eStore is a platform originated by the need to better serve our partners in terms of efficiency, productivity and transparency. With the availability of Price, Online RFQ, Order and Payment Process and its comprehensive databases of Technical Information: Catalogues, Specifications, Certifications, 3D Drawings and Videos, customers are provided with a one-stop engagement portal for their Marine & Offshore Electrical needs. This initiative has served as an excellent guide for the Technical stores and added features of the eStore are in good progress. With the success of our initial launch, we look forward to collaborations with even more channel partners.

Comprehensive inventory, vast distribution network, strong infrastructure, superior inventory management capabilities and keen adaptation of technology have made BH Global a trusted and reliable partner to its customers.

The vast distribution network, strong infrastructure and superior inventory management capabilities have made BH Global a trusted and reliable partner to its customers.

business profile:
MANUFACTURING

The Manufacturing division comprises two main businesses – LED lighting and galvanized steel wire.

BH Global entered into a strategic partnership in 2011 to form GL Lighting Holding Pte Ltd ("GL Holding") to enhance its portfolio of LED lighting. GL Holding's two wholly-owned subsidiaries, General Luminaire (Shanghai) Co Ltd ("GL Shanghai") and General Luminaire Co Ltd (Taiwan) ("GL Taiwan"), collectively have more than 20 years of experience in LED lighting business and an established track record in LED modules, controls, electronic, power management, optical and luminaire design.

Besides GL Shanghai and GL Taiwan, GL Holding owns the following subsidiaries: CAM Technology (Shanghai) Ltd ("CAM Shanghai"), General Luminaire (Kunshan) Co Ltd ("GL Kunshan"), and Yeong Long (Kunshan) Co Ltd ("YL Kunshan"). Through GL Taiwan, GL Holding also has a minority investment in LeDiamond Opto Corporation ("LeDiamond"). The primary functions of GL Kunshan and YL Kunshan are the manufacturing of electrical parts and mechanical parts respectively. LeDiamond is a provider of key components internally, while CAM Shanghai is for trading purposes where it purchases from YL Kunshan and sells to GL Taiwan.

GL Shanghai houses a strong research and development team equipped with technical knowledge in optic design, thermal management, electronic and luminaire development capabilities. They place emphasis in the design and development of innovative and effective LED solutions for commercial, industrial, marine and offshore lighting industries. By incorporating scheduled management, status feedback and temperature management, these LED light control systems help to reduce energy consumption which can generate significant cost savings. The Group's LED products comply with stringent EMC requirements and are subjected to 100% ICT, burn-in, IP, hi-pot and vibration tests before delivery to customers.

The Group expanded into the Sultanate of Oman in a joint venture called Gulf Specialty Steel Industries LLC ("GSSI"). GSSI was formed between BH Global and our Omani partner Takamul Investment Company SAOC, a subsidiary of Oman Oil Company, to manufacture galvanized steel wire for use in armouring cables. The modern manufacturing plant is located in the Sultanate of Oman to serve the growing demand of cable factories in the MENA region, and it was completed and inaugurated in 2013 with a designed annual capacity of 60,000 tonnes per year of galvanized steel wire.

The Manufacturing division comprises two main businesses – LED lighting and galvanized steel wire.

business profile:

ENGINEERING SOLUTIONS*

Engineering Solutions was started in 2010 to provide turnkey installation services for fire and gas, safety and security systems and other marine sub-contracting businesses targeted at new build, repair and retrofitting projects. This division specializes in engineering, procurement and construction management (EPCM) and front end engineering design (FEED) for electrical, instrumentation and telecommunications (EIT) systems for onshore and offshore facilities.

This business is synergistic and complementary in nature to the BH Global's other businesses like Supply Chain Management. It enhances the Group's capabilities in cross-selling within its various business divisions and provides strategic support to customers on the most efficient solutions package.

The Group's design engineering solutions include:

- **Electrical, instrument and control system HVAC / structure engineering design**
- **Engineering and fabrication of marine, oil and gas equipment / systems**
- **Multi-disciplinary topside facilities, shipside and value engineering**
- **Floating production storage offloading (FPSO)**
- **Offshore and onshore oil and gas platforms**
- **Refineries and petrochemical gas plants**
- **Industrial Power plants**

** The Engineering Solutions division is classified under Discontinued Operations in the financial statements.*

This business is synergistic and complementary in nature to the BH Global's other businesses like Supply Chain Management.

business profile:

SECURITY

The security division includes 2 businesses – Cyber security and security systems.

Established in 2014, Athena Dynamics Pte Ltd ("Athena") sources and bridges proven technologies to Singapore and the Asia Pacific region. Since its inception, coupled with its strong credentials and experience, Athena has achieved strong traction in key areas of critical and stringent network protection. Athena focuses on Cyber Security and Enterprise IT Operation Management products which have already done well in their countries of origin but have yet to gain sufficient traction and branding overseas. This is achieved via its local offices in the countries of sourcing. Athena conducts a stringent due diligence process on these technologies prior to representing them as the exclusive distributor and developing the channel structures for them in Singapore and the region.

Athena focuses on ICS/SCADA and Cyber security solutions that do not depend on traditional "detect and eliminate" paradigm which is no longer effective. Athena also provides expert-level ICS/SCADA vulnerability assessment, penetration testing (VAPT), compromised assessment and training services.

Omnisense Systems Pte Ltd ("Omnisense") was acquired by BH Global in June 2016. Based in Singapore and established since 2006, Omnisense develops, manufactures and markets advanced night vision, remote sensing and motion control systems targeting industrial, commercial and law enforcement applications. Core technology focuses on real-time operating systems (RTOS), custom IP cores and digital signal processing.

Omnisense has built up significant capabilities in the area of highly integrated digital system design and development which includes, but not limited to hardware, software, industrial and mechanical design. Over the years, Omnisense has also built up a capable manufacturing and maintenance capabilities. Its highly automated infrared temperature calibration lab is probably the most advanced privately owned setup in the region. It has also developed adaptive infrared temperature measurement technology that has been refined and proven in the field since 2009.

CORPORATE MILESTONES

1988
- Founded Beng Hui Electrical Trading Pte Ltd, which was subsequently renamed as BH Global Marine Limited, with late Mr. Alvin Lim Hwee Hong (Chairman), Mr. Vincent Lim Hui Eng (CEO) and Ms. Eileen Lim Chye Hoon (Director)

2005
- Successfully listed on SGX-Mainboard on 12 September 2005

2006
- Clinched first offshore project awarded by Labroy Marine Ltd to supply cables for jack-up drilling rig

2007
- Proposed Bonus Issue of 140 million new ordinary shares on the basis of 1 bonus share for every 2 ordinary shares to increase trading liquidity

2008
- Expanded warehousing facilities with newly acquired land area of approximately 124,934 square feet at 10 Penjuru Lane
- The only marine company to win the Promising Brand Award Category under Singapore Prestigious Brand Awards

2009
- Achieved record turnover of S$101.6 million, crossing the S$100 million mark for the first time in corporate history
- Invested in Z-Power Automation Pte Ltd and Sky Holding Pte Ltd to acquire manufacturing capability

2010
- First Marine Concept stock to be dual-listed on Taiwan Stock Exchange via the issuance of Taiwan Depository Receipts
- Initiated new business segment in Engineering Services to provide turnkey installation services for fire and gas, safety and security systems and other marine subcontracting businesses targeted at new build, repair and retrofitting projects
- Expanded geographical footprint into Vietnam, China, India and the Middle East

2011
- Invested in LED lighting business with the objective of developing LED lighting for use in marine and offshore industry
- Established presence in the Middle East through a joint venture agreement to manufacture galvanised steel wire in the Sultanate of Oman

2012
- Set up BH Global Marine India Pte Ltd and Z-Power Automation Co. Ltd (Vietnam) to establish our presence in India and Vietnam respectively

2013
- Rebranding exercise to BH Global Corporation Ltd
- Inaugurated the Gulf Specialty Steel Industries Plant for the manufacture of galvanized steel wire in Oman

2014
- Set up joint venture company BH Global HNS Pte Ltd to carry out high nitrogen steel product business
- Set up joint venture company Athena Dynamics Pte Ltd to carry out Cyber Security product and solution business

2015
- Divested Z-Power Automation Pte Ltd
- Entered into a Distribution and Representation Agreement and Prepayment Agreement with cable supplier SEC Group

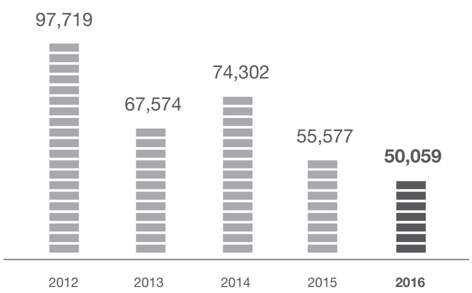
2016
- Completion of share consolidation of every 4 existing and paid-up ordinary shares into 1 ordinary share of BH Global
- Acquisition of remaining 51% shares of Athena Dynamics Pte Ltd from a joint venture partner
- Increase in investment in GL Lighting Holding Pte Ltd to 43%
- Acquire 51% stake in Omnisense Systems Pte Ltd

FINANCIAL HIGHLIGHTS

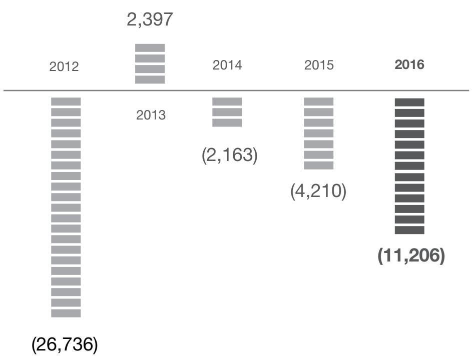
GEOGRAPHICAL SEGMENT ($'000) (REVENUE)

	2016	2015	2014	2013	2012
SINGAPORE	34,847	33,322	38,213	43,018	61,679
SOUTH-EAST ASIA	7,621	8,467	5,321	9,704	13,394
EUROPE	482	731	1,192	6,091	16,298
EAST ASIA	5,905	8,851	9,073	2,492	4,537
MIDDLE EAST	997	1,350	17,871	4,536	1,554
OTHER	207	2,856	2,632	1,733	257
TOTAL	50,059	55,577	74,302	67,574	97,719

REVENUE ($'000)



NET (LOSS) / PROFIT# ($'000)

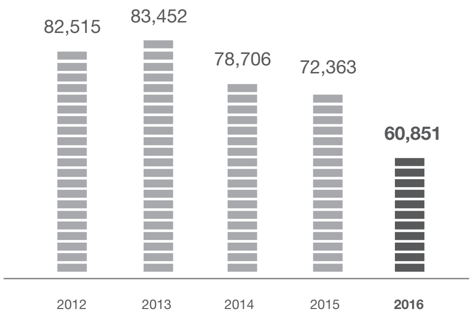


Attributable to equity holders of the Company.

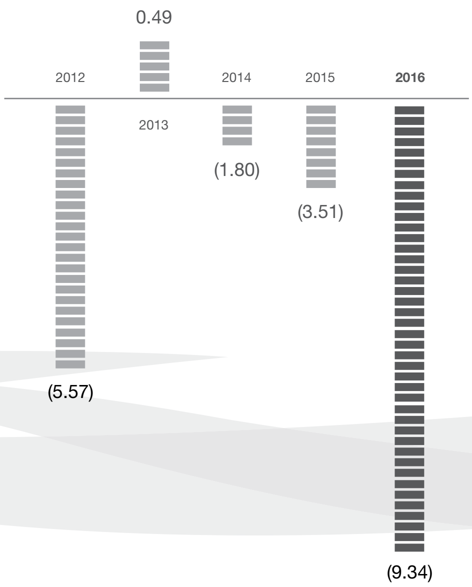
REVENUE BREAKDOWN BY PRODUCTS ($'000)

	2016	2015	2014	2013	2012
SUPPLY CHAIN MANAGEMENT	49,085	53,953	55,733	54,751	63,434
MANUFACTURING	-	1,624	18,569	5,568	19,278
ENGINEERING SERVICES	-	-	-	7,255	15,007
SECURITY	974	-	-	-	-
TOTAL	50,059	55,577	74,302	67,574	97,719

SHAREHOLDER'S EQUITY# ($'000)



EARNINGS / (LOSS) PER SHARE*



Attributable to owners of the parent.
* EPS for 2014, 2015 and 2016 have been calculated based on 119,999,995 ordinary shares in the capital of the company after a share consolidation of 4 to 1 shares effective from 29 February 2016.

CHAIRMAN STATEMENT

On behalf of the Board of Directors, I would like to present to you the annual report of BH Global Corporation Limited ("BH Global" or the "Group") for the financial year ended 31 December 2016 ("FY2016").

Dear Shareholders,

YEAR IN REVIEW

2016 was indeed filled with challenges in light of the bleak market conditions. The marine and offshore industries remained muted, plagued with oversupply, overcapacity issues and low oil prices. Issues in the operating environments have not been alleviated and substantial budget cuts by companies persist. Consolidations remain prevalent as many companies struggle to solve cash flow and financing issues, leaving outlook in these industries unclear. As the Group operates under these conditions, it was not immune to the challenges. However, the Group's core business remained profitable and resilient.

SUPPLY CHAIN MANAGEMENT ("SCM") DIVISION

The SCM division remains our core business. Amidst the adversities, the SCM division stayed buoyant, remaining profitable and providing a buffer from the negative impact of the downturn on the Group's overall results.

In 2016, we continued to fortify our relationships with our customers and suppliers. Agreements such as the Distribution and Representation Agreement with our key cable supplier, Seoul Electric Cables Group ("SEC"), continued to provide us fortitude in these tough times. The agreement signed in June 2015 appointed the Group as the exclusive selling representative and distributor of SEC's cables in territories of Southeast Asia, India, Middle East and East Asia.

Similarly, during the year we embarked on various initiatives to improve the performance of the core SCM division. We continued our work towards providing customers better services and solutions. To do this, we explored means to enhance our logistics and inventory management and looked towards projects such as RFID tracking, new warehousing management system, and better fleet management for deliveries. These initiatives were aimed at improving overall productivity, reducing administrative inefficiencies and providing better stock management control. Simultaneously, we incorporated a cost management plan alongside these initiatives to achieve cost savings in areas such as procurement, manpower and utilities.

We continue to examine areas that have strong growth potential and foreseeable returns. We launched our online store for the SCM division (www.bh-estore.com) in 2015 and developed several marketing initiatives in 2016 to complement it. With the ability to readily showcase our comprehensive range of products and provide ease of access to customers, our online store allows us to reach out to new sales channels that could broaden our customer base. We have also continued our marketing efforts by taking part in various trade exhibitions such as Sea Asia, INMEX-Vietnam and CM Beijing in 2016.

MANUFACTURING DIVISION

The Manufacturing division comprises two main businesses, the galvanized steel wire business in Oman, Gulf Specialty Steel Industries LLC ("GSSI"), and LED lighting solutions business operating primarily in the People's Republic of China, GL Lighting Holding Pte Ltd ("GLH").

The Group's galvanized steel wire plant in Oman faced headwinds due to difficult trading conditions and a rise in operating costs. The business continues to perform below expectations and short of the targeted breakeven production and sales volumes. A turnaround in this business remains challenging and the Group is currently working closely with our Omani joint venture partner, Takamul Investment Company SAOC, to explore various options to move forward.

Similarly, during the year we embarked on various initiatives to improve the performance of the core SCM division. We continued our work towards providing customers better services and solutions.

As for the Group's LED lighting solutions business, its performance continues to be affected by factors arising from the relocation of the factory from Shanghai to Kunshan, and supplier delays. Nonetheless, the Group remains positive on the long-term sustainability of this business as more companies and consumers are drawn to higher energy efficiency products and recognise the cost savings LED lighting provides. The Group looks forward to stabilising operations with the new factory expecting completion by end 2017. The new factory will provide the much needed space, boost manufacturing capacity and ultimately allow the Group to regain its footing with respect to this business.

ENGINEERING SERVICES DIVISION

In 2016, the creditors' voluntary liquidation of Oil & Gas Solutions Pte Ltd ("OGS") remains ongoing. The activities of the division continue to be carried out by our subsidiary, BOS Offshore & Marine Pte Ltd ("BOS"). BOS has since taken over the major engineering and procurement project for Kawasaki Heavy Industries. In retrospect, the Group has learned from its experience in this division and BOS has moved away from the construction management of projects. Instead, BOS will focus on the engineering, procurement and project management. The Group is closely monitoring the progress of projects to strive for timely completion and avoid cost overruns.

As for the Group's engineering operations in Batam, it remains our intention to dispose of the remaining shipyard.

SECURITY DIVISION

At the rate of technological globalisation, reliance on technology continues to grow and security threats from a technological standpoint have become more prevalent. Furthermore, technology itself is playing a more critical role in identifying threats of all nature.

The Group's new Security division was started to target these threats and is represented by two subsidiaries, Athena Dynamics Pte Ltd ("ADL") and Omnisense Systems Pte Ltd ("OMS"). ADL focuses on cyber security and Enterprise IT Operation Management, as well as Critical Infrastructure OT protection products that have done well in their countries of origin but have yet to establish a foothold in Singapore and neighbouring countries.

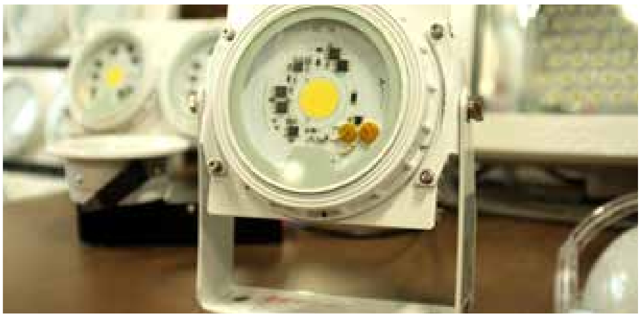
OMS is a newly acquired sensing security company which produces global leading technologies in infra-red health screening and night vision security. The Group currently owns 51% shareholding interest in OMS.

The Security division continues to outdo expectations and show promising results. Together the two subsidiaries have achieved an impressive customer base ranging from airports, hospitals, schools to banks in Singapore and we are hopeful that their influence will continue to expand in 2017.

A WORD OF THANKS

2016 was a year filled with obstacles in several of the markets the Group operates in. That being said, the resilience of our Group, our core business and our dedicated employees have helped us strive through these adversities. It is said that "with experience comes great wisdom" and we continue to build on our experience to gain a strong foothold for when the market recovers. We would like to express our heartfelt gratitude to our customers, suppliers, bankers, employees, Board of Directors and shareholders who have shown unwavering support in these dark times. We shall keep our chins up and together, we look ahead to a more fruitful 2017.

Vincent Lim Hui Eng
Executive Chairman and Chief Executive Officer



OPERATIONAL AND FINANCIAL REVIEW

The Group's revenue decreased by 10% from S$55.6 million in FY2015 to S$50.1 million in FY2016. This was largely due to severe slowdown in marine and offshore activities as a result of depressed oil prices and weak global shipping markets.

In FY2016, the Supply Chain Management division contributed 98% of the Group's turnover, while the Security division contributed the remaining 2%. The Group's gross profit decreased by 13% from S$19.5 million in FY2015 to S$16.8 million in FY2016, while the gross profit margin decreased marginally from 35% to 34% respectively, due mainly to higher revenue from marine cables and accessories which command a lower gross margin. The gross profit figures in 2016 reflect significantly on the core business, the Supply Chain Management division.

The Group's operating expenses comprise selling & distribution and administrative expenses. Selling & distribution expenses increased by 24% to S$10.1 million in FY2016, due mainly to the consolidation of a new subsidiary and higher provision for doubtful debts. Administrative expenses increased by 46% to S$16.4 million as a result of higher provision for losses in Gulf Specialty Steel Industries LLC ("GSSI') and provision for impairment in investment in GL Lighting Holding Pte. Ltd. ("GLH"). Excluding these provisions, administrative expenses would have remained comparably unchanged. Although, the Group made some headway in managing expenses in areas such as manpower, purchases from suppliers, utilities and discretionary spending, it was affected by our provisions for trade receivables, provisions for losses and impairments in a joint venture and associated company and consolidation of a new subsidiary. The Group will continue its efforts to reduce these provisions through better regulation of customer credit and inventory going forward.

The Group concluded FY2016 with a net loss from continuing operations of S$12.3 million and profit from discontinued operations of S$1.1 million. Overall net loss attributable to equity holders of the Company was S$11.2 million compared to net loss of S$4.2 million in the previous year.

SEGMENTAL OVERVIEW

SUPPLY CHAIN MANAGEMENT ("SCM") DIVISION

The SCM division continues to be the Group's key revenue driver and contributed 98% of the Group's overall revenue. Revenue from this division decreased by 10% to S$49.1 million in FY2016 due to the slowdown in activities in the marine and offshore sectors as a result of weak shipping markets and the low oil price environment. A revenue breakdown by product categories saw marine cables continue as the main contributor at 72%, marine lighting contributing 16% and others contributing 12%. Sales from all product categories decreased in FY2016. Despite the difficult market conditions in FY2016, the SCM division remained profitable.

MANUFACTURING DIVISION

The Manufacturing division consists of the galvanized steel wire business in Oman, Gulf Specialty Steel Industries ("GSSI"), and LED lighting solutions business in the People's Republic of China, GL Lighting Holding Pte Ltd ("GLH"). GLH remains classified as an associate of the Group.

The businesses in the Manufacturing division reported a loss in FY2016. For GSSI, due to the difficult trading conditions, there was no significant improvement in production and sales volumes of the Oman plant in 2016 compared to 2015 and production remains below breakeven levels. The Group is working on improving the performance of the Oman operations, but has kept its options open on the future of this business.

Operations for GLH continue to face headwinds due to issues arising from supplier delays and the shifting of the factory. However, GLH remains the original equipment and design manufacturer for several dominant players in the market. Moreover, the Group looks forward to stabilising operations with the new Kunshan factory's completion expected in end 2017.

SECURITY DIVISION

The Security division was established in 2016 and focuses on cyber security, enterprise IT operation management and sensing security products for both public and private sectors in Singapore and the region. The sensing security business, Omnisense Systems Pte Ltd, was acquired in June 2016 and provides global leading technologies in infra-red health screening and night vision security. The sensing equipment has been implemented in locations such as airports, hospitals, schools and banks.

The division accounted for 2% of the Group's revenue in FY2016, contributing approximately S$1.0 million in revenue. The Group is enthusiastic on the prospects for this division and will strive to help it gain traction in the local market.

The Security division was established in 2016 and focuses on cyber security, enterprise IT operation management and sensing security products for both public and private sectors in Singapore and the region.

DISCONTINUED OPERATIONS

The Group's discontinued operations comprise four companies: 1) PT. BH Marine & Offshore Engineering, 2) PT. Dwi Utama Mandiri Sukses, 3) BH Marine & Offshore Engineering Pte Ltd, 4) BOS Offshore & Marine Pte Ltd. In FY2016, due to better project management, discontinued operations reported a gross profit of S$1.1 million. Other operating income was S$0.5 million, while selling & distribution and administrative expenses were S$0.1 million and S$0.3 million respectively. The net profit from discontinued operations was S$1.1 million in FY2016, compared to a loss of S$4.5 million in the previous year.

FINANCIAL POSITION

As at 31 December 2016, the Group's total assets stood at S$95.7 million, an increase from S$91.7 million as at 31 December 2015. Non-current assets increased to S$40.9 million as at 31 December 2016 from S$37.1 million as at 31 December 2015. The increase in non-current assets is due mainly to an increase in intangible assets arising from goodwill and fair value of the acquisition of Omnisense Systems Pte Ltd., offset partially by a decrease in property, plant and equipment and purchase deposit to supplier. Current assets increased to S$54.9 million as at 31 December 2016 from S$54.6 million as at 31 December 2015. The increase in current assets is mainly due to an increase in other receivables and cash and cash equivalents, partially offset by the decrease in trade receivables and inventories.

As at 31 December 2016, the Group's total liabilities were S$38.1 million, an increase from S$24.4 million from the previous year. Non-current liabilities were S$2.4 million as at 31 December 2016, up from S$1.3 million as at 31 December 2015. The increase in non-current liabilities is due mainly to the increase in deferred tax liability and non-current payables. Current liabilities were S$35.6 million as at 31 December 2016, an increase from S$23.1 million as at 31 December 2015. The increase in current liabilities is due mainly to increase in amount due to customers on construction contracts, other payables, provisions and bank borrowings, partially offset by lower trade and tax payables.

Shareholders' equity attributable to equity holders of the Company as of 31 December 2016 was S$60.9 million, compared to S$72.4 million the previous year. The lower shareholders' equity is a result of the Group's losses in FY2016.

CONCLUSION

The Group's result in FY2016 depicts the tough macroeconomic environment and challenges faced by certain business divisions. It is encouraging to see that the Group's core business remains resilient and continues to be profitable. The management is appreciative of the support of the shareholders and will continue to endeavour to strengthen the core business, enhance cost efficiencies and improve underperforming operations.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Vincent Lim Hui Eng
Executive Director, Executive Chairman and Chief Executive Officer

Patrick Lim Hui Peng
Executive Director and Chief Operating Officer

Loh Weng Whye
Lead Independent Director

David Chia Tian Bin
Independent Director

Winston Kwek Choon Lin
Independent Director

COMPANY SECRETARY

Pan Mi Keay
Toon Choi Fan

AUDIT COMMITTEE

David Chia Tian Bin *Chairman*
Loh Weng Whye
Winston Kwek Choon Lin

NOMINATING COMMITTEE

Winston Kwek Choon Lin *Chairman*
Loh Weng Whye
Vincent Lim Hui Eng

REMUNERATION COMMITTEE

Loh Weng Whye *Chairman*
David Chia Tian Bin
Winston Kwek Choon Lin

RISK MANAGEMENT COMMITTEE

Vincent Lim Hui Eng *Chairman*
Patrick Lim Hui Peng
Keegan Chua Tze Wee

GROUP SUSTAINABILITY COMMITTEE

Vincent Lim Hui Eng Chairman
Patrick Lim Hui Peng
Keegan Chua Tze Wee

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)
80 Robinson Road #02-00
Singapore 068898

INDEPENDENT AUDITOR

Baker Tilly TFW LLP Chartered Accountants of Singapore
600 North Bridge Road #05-01 Parkview Square
Singapore 188778
Partner-in-charge: Ng Hock Lee
(a member of Institute of Singapore Chartered Accountants)
*Appointed in financial year 2015

REGISTERED OFFICE

8 Penjuru Lane
Singapore 609189
Registration Number: 200404900H

FORGING AHEAD

BOARD OF DIRECTORS

Mr Vincent Lim Hui Eng
Executive Chairman and Chief Executive Officer

Vincent Lim Hui Eng is our Chief Executive Officer and has been a Director of the Company since April 2004. He was appointed as the Acting Executive Chairman on 8 July 2016. Subsequently he was re-designated and appointed as the Executive Chairman from Acting Executive Chairman on 14 September 2016. Following his re-designation and appointment, he is both the Executive Chairman and Chief Executive Officer of the Company. He is responsible for our Group's strategic business planning and development. Vincent Lim Hui Eng is also overseeing the sales and procurement functions within our Group. He has almost 30 years of working experience, all of which has been in the supply chain management of marine electrical industry. Prior to joining our Company, he was an executive director of BHET from 1987 to 2003. Since 1994, he has been an executive director of SOPEX Innovations Pte Ltd ("SOPEX").

MR PATRICK LIM HUI PENG
Chief Operating Officer

Patrick Lim Hui Peng graduated from Ngee Ann Polytechnic with a Diploma in Electrical and Electronic Engineering in the year 1986. Prior to joining the marine business in 1992, he served in the Navy as chief technician for Underwater Systems from 1986 to 1992. He has over 20 years of experience in electrical business for the Marine & Offshore industries. He is the Chief Operating Officer of BH Global Corporation Ltd since 2008, and serves on the board of BH Global Corporation Ltd since 2005. He is in-charge of the Group's strategic operations and planning for the growth of the Group's businesses in various divisions – Supply Chain Management, Manufacturing and Engineering Services and the latest addition of Security division. Together, the four divisions synergized for growth by leveraging on collective expertise and market networks. This helps to create a platform for BH Global to be the market leader against competitions.

MR LOH WENG WHYE
Lead Independent Director

Loh Weng Whye was appointed as an Independent Director of our Group on August 3 2005 and further appointed as the Lead Independent Director in February 2007. He is a veteran in energy/power industry and infrastructure development in Singapore and the region, with over 40 years of experience in senior appointments with the civil service, government-linked companies and the private sector. While with the Public Utilities Board, he headed Generation Projects responsible for the development, management and commissioning of power projects worth more than S$3 billion. He was also the founding General Manager (Projects) of Tuas Power Ltd.

Mr Loh was formerly President/CEO of ST Energy Pte Ltd and SembCorp Energy Pte Ltd. He was appointed Advisor to Green Dot Capital, an investment and holding company under Temasek Holdings. He was directors of China New Town Development Ltd, Leeden Ltd, United Envirotech Ltd, XinRen Aluminum Holdings Ltd and MPC Power Holdings Ltd (HK) etc, and Senior Advisor to YTL Power International (Malaysia). He also served on the Mechanical and Production Engineering Advisory/Consultative Panels of NUS and NTU for many years.

Currently, Mr Loh sits on the boards of several Singapore and overseas corporations, including SGX-listed companies, BH Global Corporation Ltd and Hatten Land Ltd. He also holds advisory appointments in external councils and charity organizations. Holding MSc(Ind. Engg.) and BEng(Mechanical) degrees, he is a Professional Engineer (Singapore), Fellow of the Institution of Engineers, Singapore, Member of the Singapore Institute of Directors, and Fellow of the Chartered Management Institute, UK .

MR DAVID CHIA TIAN BIN
Independent Director

David Chia Tian Bin was appointed as an Independent Director of our Group on 3 August 2005. He is a director of AXIA Equity Pte. Ltd. which provides corporate and business advisory services to companies in Singapore and the region. Prior to this, he was actively involved in the private equity and venture capital industry in Asia as a director engaged in direct investments in the region. David Chia Tian Bin has over 30 years of financial, corporate and advisory experience and has served as a director on the boards of private and listed companies in Singapore. He holds a Bachelor of Accountancy (Honours) from the National University of Singapore. He is a Fellow Chartered Accountant of Singapore and a member of the Singapore Institute of Directors.

MR WINSTON KWEK CHOON LIN
Independent Director

Winston Kwek Choon Lin was appointed as an Independent Director of our Group on 3 August 2005. He is currently a partner in the law firm of Rajah & Tann LLP. Specialising in admiralty and shipping law, Winston Kwek Choon Lin is experienced in maritime issues. Since 2000, he has been nominated by various established legal publications as one of the leading lawyers in the region, especially in areas of shipping and maritime law. Winston Kwek Choon Lin graduated with a Bachelor of Law (Honours) from the National University of Singapore in 1990 and was called to the Singapore Bar in March 1991. Since 2003, he is also Adjunct Associate Professor in the Faculty of Law at the National University of Singapore.

KEY MANAGEMENT

MR JOHNNY LIM HUAY HUA
Director, Logistics & Global Mobility - Import & Export Division

Johnny Lim Huay Hua is our Director of Operations since April 2004. He is responsible for managing the logistics and distribution functions within our Group. Johnny Lim Huay Hua has about 25 years of working experience, of which about 18 years is related to the marine electrical supply industry. Prior to joining our Company, he has been an executive director of Beng Hui Electric Trading Pte Ltd ("BHET") from 1993 to 2003. Since 1994, he was an executive director of SOPEX. In 1991, he was an employee of BHET in-charge of logistics.

MS EILEEN LIM CHYE HOON
Director, Corporate Administration & Human Resource

Eileen Lim Chye Hoon is our Director of Human Resource and Administration since April 2004. She is responsible for overseeing human resource and administration matters. Eileen Lim Chye Hoon has more than 35 years of working experience and has been in-charge of finance, personnel and administrative functions. Prior to joining our Company, she was an executive director of BHET from 1998 to 2003. From 1988 to 1998, she was an employee of BHET in-charge of accounting matters. She held the position of an accounts clerk of Guan Hup Electrical & Hardware Pte Ltd from 1982 to 1988.

MR KEEGAN CHUA TZE WEE
Chief Financial Officer

Keegan Chua Tze Wee is our Chief Financial Officer and is responsible for all aspects of financial planning, financial budgeting and control matters. Keegan Chua has more than 20 years of experience in accountancy, audit and finance. Prior to joining our Group in December 2006, he had assumed auditing, finance and accounting positions in various accounting firms and an SGX mainboard-listed company. Keegan Chua obtained his Bachelor of Accountancy (Honours) degree from The Nanyang Technological University in 1994 and is a member of the Institute of Singapore Chartered Accountants. In 2011, he was awarded the Best Chief Financial Officer of the year (companies with less than $300 million in market capitalization) at the Singapore Corporate Awards.

MR KEN SOH LEE MENG
Chief Information Officer

Ken Soh Lee Meng is our Chief Information Officer and was appointed on 3 March 2014. Ken Soh is responsible for the group info-communication and technology (ICT) practices and technology based business development initiatives. He has more than 26 years of working experiences in the ICT industry. Prior to joining BH Global, he held various senior positions including Chief Information Officer and Chief Data Officer of Temasek Polytechnic with enterprise-wide master planning and implementation responsibilities, Business Department Head and Director of Business Development in the Singapore Computer Systems Ltd and NCS Pte Ltd with P&L and operational responsibilities, Head of Corporate e-Banking Product Development (IT) in the Bank of Tokyo-Mitsubishi (Singapore), Project Lead and Consultant in IBM Singapore Pte Ltd. Ken Soh holds a Master of Science in Computer Studies from the University of Essex, and a Master of Business Administration from the Nanyang Business School (a Nanyang Technological University and University of California, Berkeley joint program)

BRYAN KOH TONG SENG
Managing Director for BOS Offshore & Marine Pte Ltd ("BOS")

Bryan Koh Tong Seng is the Managing Director for BOS Offshore & Marine Pte Ltd ("BOS"). He has more than 22 years of working experiences in the Engineering industry ranging from Front End Semi-conductor, wafer fabrication, precision engineering, chemical and parts recycling, as well as Oil and Gas Electrical, Instrumentation and Telecommunication System integration. Bryan Koh holds a Bachelor of Electrical Engineering degree from Ryerson University in Toronto Canada. Over the years, he has built in depth management experience in supervising equipment, process, design, procurement and project engineering. He is also passionate about training and developing good and effective engineering practices. Bryan Koh also brings to the board his supply chain experience in running cost effective operation in fulfilling a mission oriented and highly efficient business costing requirement in addressing today's challenging market environment. BOS, under the parent company of BH Global, is a Project management and engineering company who supports both Offshore and Onshore Oil & Gas, Energy and Critical infrastructure markets.

LEONARD LIM SIANG SOON
CEO for Omnisense Systems Pte Ltd ("OMS")

Leonard Lim Liang Soon is the founder and Chief Executive Officer of OMS since 2006. Before founding OMS, Leonard Lim specialises in international sales and marketing, represented leading local and international corporations in the global marketplace. Over the past 14 years, he was deeply involved in the commercialization and development of night vision and thermography products. Leonard is passionate about product development work and offers a unique market perspective that heavily influences OMS's product design. As the CEO of OMS, Leonard Lim believes in capability building. He has in the past ten years, developed significant technical capabilities within the company. These efforts enable OMS to develop technically advance products that are competitive in the global marketplace.

PURSUING NEW BOUNDARIES

INVESTOR RELATIONS

Since its listing in 2005, BH Global is committed to good corporate governance and constantly strives to improve on its communications with shareholders and the investment community. The Group won the Best Investor Relations Awards at the Singapore Corporate Awards for four consecutive years from 2007 to 2010, which is a strong endorsement of the Group's commitment towards good corporate disclosure and communication.

BH Global announces its quarterly financial results within the regulatory timelines. The Group also makes timely announcements on the Singapore Exchange to keep its shareholders and other important stakeholders updated on material corporate activities and developments.

The Group organises semi-annual result briefings with analysts, fund managers and retail investors to inform them on its business model and operations, investment merits, financial highlights and business outlook. Over the past year, semi-annual results briefings were conducted which also included timely updates about the Group's activities and developments.

To enable interested investors to have a better understanding of the Group's businesses, BH Global arranges regular plant visits to its facilities at Penjuru Lane, giving visitors a full tour of the showroom, warehouse and facilities.

The management also participates in relevant media supplements and engages the investment community by speaking to the financial media. BH Global and its various companies have been featured in both the mainstream media and other online media and trade publications. Going forward, the Board of Directors reaffirm their commitment to maintaining a high level of transparency and accountability to shareholders and the investment community.

Since its listing in 2005, BH Global is committed to good corporate governance and constantly strives to improve on its communications with shareholders and the investment community.

EMPLOYEES & ORGANISATION

At BH Global, we believe that developing a strong talent pool and retaining them is one of the key factors to our success. To achieve this, the Group has invested resources in relevant programs in training and development, and welfare and teambuilding. These programs have reaped positive benefits for both employees and the Group.

TRAINING AND DEVELOPMENT: During the year, we arranged customized training and development programs for all levels of staff which are targeted to both employee and business needs. These programs are aimed at broadening employees' knowledge and skill sets in various areas such as finance, accounting, marketing, information technology (IT), technical and operational fields. Potential future leaders of the Group also went through programs such as talent management workshops and leadership training to prepare them for management and leadership roles.

WELFARE AND TEAMBUILDING: The Group holds regular welfare and teambuilding events to foster team spirit, promote camaraderie and improve communication among employees and management. In 2016, we organized quarterly Happy Hour events and Festive Celebrations where employees played games and enjoyed good food and drinks at the company premises, Family Day and Back to School CSR event- collaboration with few local community centres to assist students from lower-income families purchase items for the coming school year.

We also held a special Shanghai Fusion-themed Dinner & Dance event at The Chevrons in May 2016. The event which started off with a March-in by the Management to the song "上海灘" drew loud cheers. The night gave all staff a chance to let their hair down and enjoy the interesting program and sumptuous food. Long service awards were also given to entitled employees as an appreciation for their valuable contributions to the Group over the years.

At BH Global, we believe that developing a strong talent pool and retaining them is one of the key factors to our success.

CORPORATE SOCIAL RESPONSIBILITY

CONTRIBUTIONS TO COMMUNITY

BH Global strongly believes in Corporate Social Responsibility ("CSR") as we recognize the importance of building strong relationships with our stakeholders and supporting the communities that we operate in.

Our commitment to being a good corporate citizen is a collective effort by employees of all levels. We strongly encourage our staff to participate in our CSR initiatives by incorporating participation in these meaningful causes as part of our corporate culture. BH Global commits itself to making a positive difference to the wider community, focusing our CSR efforts in the areas of education and community development through staff volunteerism and monetary donations.

In 2016, BH Global continued its tradition of organizing and participating in the "Back-to-School" event, in collaboration with Kampong Kapor, Woodlands, Taman Jurong and Tanjong Pagar community centres. "Back-to-School" is an annual event organised by non-profit organisations to assist students from lower-income families to purchase needed items such as stationery and assessment books in preparation for their new school term. 2016 marks the seventh year that BH Global has participated in this event. Our participation in this event allows employees to bond with fellow colleagues, and yet play their part in giving back to the society. It was truly a collaborative effort as the Group worked with local community centres to sponsor Popular Bookstore cash vouchers, snacks, entertainment activities and transportation for the event. Over 50 employees were actively involved in helping more than 300 students with their purchases, bringing wide smiles to the faces of these underprivileged children.

The Group pledges to continue contributing to the community through such meaningful initiatives in the future.

Our commitment to being a good corporate citizen is a collective effort by employees of all levels.

CORPORATE GOVERNANCE REPORT

The Group is committed to achieving and maintaining high standards of corporate governance. The Group has substantively complied with the recommendations of the revised Code of Corporate Governance 2012 ("Code"), issued on 2 May 2012, through effective self-regulatory corporate practices to protect and enhance the interests of its shareholders. This report describes the Group's corporate governance processes and activities in conjunction with the Singapore Exchange Securities Trading Limited's requirements that issuers describe its corporate governance practices with specific reference to the Code in its annual reports.

Principle 1: The Board's conduct of Affairs

The Board's principal functions are:

Guideline 1.1 of the Code: The Board's role

1. Approving the Group's strategic plans, key operational initiatives, major investments and divestments and funding requirements;

2. Reviewing the performance of the business and approving the release of the financial results announcement of the Group to shareholders;

3. Providing guidance in the overall management of the business and affairs of the Group;

4. Overseeing the processes for internal control, risk management, financial reporting and statutory compliance;

5. Approving the recommended framework of remuneration for the Board and key executives as may be recommended by the Remuneration Committee; and

6. Considering sustainability issues such as environmental and social factors.

Guideline 1.3 of the Code: Disclosure on delegation of authority by Board to Board Committees

The Board has delegated certain specific responsibilities to five (5) board committees, namely, the Audit Committee ("AC"), Nomination Committee ("NC"), Remuneration Committee ("RC"), Risk Management Committee ("RMC") and Group Sustainability Committee ("GSC"). More information on these committees is set out below. The Board accepts that while these board committees have the authority to examine particular issues and will report to the Board their decisions and recommendations, the ultimate responsibility for the final decision on all matters lies with the entire Board.

Guideline 1.4 of the Code: Board to meet regularly

The Board meets at least four (4) times in a year. The frequency of meetings and the attendance of each Director at every board and board committee meeting are disclosed on page 51 in this Report. Informal meetings are regularly held to discuss and update on corporate and commercial matters. Article 110 of the Company's Constitution allows for participation in board meetings by means of telephone conference or any other similar communications equipment. Matters which are specifically reserved for decision by the Board include those involving business plans, material acquisitions and disposals of assets, corporate or financial structuring, corporate strategy, share issuances, dividends, communications with regulatory authorities and shareholder matters.

Guideline 1.5 of the Code: Matters requiring Board approval

Matters which are specifically reserved for decision by the Board include those involving business plans, material acquisitions and disposals of assets, corporate or financial structuring, corporate strategy, share issuances, dividends, communications with regulatory authorities and shareholder matters.

Guideline 1.6 of the Code: Directors to receive appropriate training

All Directors are regularly updated by Management and the Corporate Secretary on the industry, business, operations and corporate governance practices of the Group. The Company will, from time to time, invite Directors to attend seminars and briefing sessions to keep pace with financial, corporate governance, regulatory and other changes. All Directors are members of the Singapore Institute of Directors ("SID"), and eligible to receive updates and training from SID. Directors and Senior Management are encouraged to attend relevant courses and subscribe for journal updates on matters of topical interest.

CORPORATE GOVERNANCE REPORT (cont'd)

A formal letter is provided to each Executive Director upon his appointment, setting out the Director's duties and obligations. No formal letters are issued to non-executive Directors as their duties and obligations are governed by prevailing law, codes and regulations.

Guideline 1.7 of the Code: Formal letter to be provided to directors setting out duties and obligations

Principle 2: Board Composition and Guidance

The Board currently comprises five (5) Directors of whom three (3) are non-executive and independent Directors. The Board is supported by various board committees, namely, the NC, AC, RC, RMC and GSC whose functions are described below. The non-executive directors have been able to exercise objective judgement independently from Management and substantial shareholders and no individual or small group of individuals dominate the decisions of the Board. When the Chairman and the Chief Executive Officer is the same person, the independent directors should make up at least half of the Board. The Company is in compliance with the relevant guideline as the non-executive and independent Directors comprise more than half of the number of directors on the Board.

Guideline 2.1 and 2.2 of the Code: At least half of directors to be independent where the Chairman and CEO are immediate family members

The Board considers an independent director as one that has no significant relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Company. Under this definition, more than half of the Board is considered independent.

Guideline 2.3 of the Code: Definition of independent director

From 3 August 2014, all three non-executive Directors have served on the Board beyond nine years from the date of their first appointment. The Board, having reviewed the independence of these Directors and further taking into account the deliberations of the NC, is of the view that all three non-executive Directors are able to exercise independent and objective judgement considering also that there are no relationships or circumstances which may affect their judgement and ability to discharge their duties and responsibilities as independent directors.

Guideline 2.4 of the Code: Any director who has served more than 9 years should be subject to rigorous review

The Board is of the opinion that, given the scope and nature of the Group's operations, the present size of the Board is appropriate for effective decision making. The Board is made up of Directors who are qualified and experienced in various fields including business and management, accounting and finance, engineering and industry as well as law. The profiles of each of the Directors are provided in pages 28 and 29 of this Annual Report. Accordingly, the current Board comprises persons who as a group, have core competencies necessary to lead and oversee the Company.

Guideline 2.5 and 2.6 of the Code: Board to determine its appropriate size and comprise directors with core competencies

The current Board composition provides a diversity of knowledge and experience to the Company as follows:-

Balance and Diversity of the Board		
Core Competencies	**Number of Directors**	**Proportion of Board**
Accounting or finance	2	40%
Business management	3	60%
Legal or corporate governance	3	60%
Relevant industry knowledge or experience	3	60%
Strategic planning experience	3	60%
Customer based experience or knowledge	2	40%
Gender		
Male	5	100%
Female	0	-

The non-executive Directors are also involved in reviewing the corporate strategies, business operations and practices of the Group, as well as reviewing and monitoring the performance of Management in achieving agreed goals and objectives. The non-executive Directors do confer with the external auditors at least once a year and whenever necessary to discuss issues without the presence of Management.

Guideline 2.7 and 2.8 of the Code: Role of NEDs and regular meetings of NEDs.

As at 31 December 2016, the Board comprises the following members:

Name of Director	Position held on the Board	Date of first appointment to the Board	Date of last re-election as Director	Nature of appointment
Vincent Lim Hui Eng	Chairman	23.04.2004	15.04.2014	Executive/Non-independent
Patrick Lim Hui Peng	Director	23.04.2004	15.04.2015	Executive/Non-independent
Loh Weng Whye	Lead Independent Independent	03.08.2005	15.04.2015	Non-executive/ Independent
David Chia Tian Bin	Director	03.08.2005	18.04.2016	Non-executive/ Independent
Winston Kwek Choon Lin	Director	03.08.2005	15.04.2014	Non-executive/ Independent

Principle 3: Chairman and Chief Executive Officer

Following the demise of the Company's late Executive Chairman, Mr Alvin Lim Hwee Hong, Mr Vincent Lim Hui Eng, the Chief Executive Officer of the Company, had been appointed Acting Executive Chairman on 8 July 2016. Subsequently, Mr Vincent Lim was re-designated and appointed as the Executive Chairman from Acting Executive Chairman on 14 September 2016. Following the re-designation, Mr Vincent Lim is both the Executive Chairman and Chief Executive Officer of the Company. Although the roles of Executive Chairman and Chief Executive Officer are not separate, the Board is of the view that there are sufficient independent elements and adequate safeguards in place against an uneven concentration of power and authority in a single individual.

Guideline 3.1 of the Code: Chairman and CEO should be separate persons

The Executive Chairman and Chief Executive Officer will, amongst other responsibilities, lead the Board, ensure effective communication with shareholders, encourage constructive relationship between the Board and Management, as well as between Board members, and promote high standards of corporate governance as well as managing day-to-day business operations of the Group and implementing the Board's decisions.

Guideline 3.2 of the Code: Chairman's role

The Board has, since February 2007, appointed Mr Loh Weng Whye as the Lead Independent Director ("LID"). Non-executive and independent Directors comprise more than half of the number of directors on the Board.

Guideline 3.3 of the Code: Appointment of LID where Chairman and CEO is the same person

CORPORATE GOVERNANCE REPORT (cont'd)

Principle 4: Board Membership
Principle 5: Board Performance

The NC comprises the following Directors:-

Guideline 4.1 of the Code: NC to comprise at least three directors, majority of whom are independent, including the Chairman. The lead independent director should be a member

Mr Winston Kwek Choon Lin (Chairman)
Mr Loh Weng Whye (Member)
Mr Vincent Lim Hui Eng (Member)

Save for Mr Vincent Lim Hui Eng, the other members of the NC are non-executive and independent Directors.

The NC's key terms of reference, describing its responsibilities, include:-

Guideline 4.2 of the Code: NC to make recommendations to the Board

(a) Reviewing and recommending the appointment and re-appointment of the Directors having regard to the Director's contribution and performance, including attendance, preparedness and participation;

(b) Determining on an annual basis whether or not a Director is independent in accordance to the Code;

(c) Reviewing the training and professional development programs for the Board;

(d) Reviewing a Director's multiple board representations on various companies and deciding whether or not such Director is able to and has been adequately carrying out his duties as Director; and

(e) Deciding on how the Board's performance is to be evaluated and proposing objective performance criteria, subject to the approval by the Board.

The independence of each Director has been reviewed annually by the NC based on the Code's definition of what constitutes an independent director. Based on this review, the NC has confirmed the independence of the Directors concerned.

Guideline 4.3 of the Code: NC to determine directors' independence annually

The NC is of the view that the Directors are able to and have adequately carried out their duties as Directors of the Company. As Board meetings are planned and scheduled well in advance of the meeting dates, Directors have been able to attend all of the Board and Committee meetings. The NC is also of the view that Directors with multiple board representations and other substantive commitments, have ensured that sufficient time and attention are given to the affairs of the Group. As a director's ability to commit time to the Group's affair is essential for his contribution and performance, the NC has determined that the maximum number of listed company board representations which each of the Director of the Company may hold is five (5) and all Directors have complied with the set limit.

Guideline 4.4 of the Code: NC to decide if a director is able to and has been adequately carrying out his duties as a director.

The Board does not encourage approving the appointment of alternate directors except in exceptional cases. If an alternate director is appointed, the alternate director should be familiar with the Group's affairs and be appropriately qualified.

Guideline 4.5 of the Code: Appointment of alternate directors

Pursuant to the Constitution of the Company:

(a) one third of the Directors shall retire from office at the Annual General Meeting or if the number is not a multiple of three, the number nearest to but not greater than one-third shall retire from office by rotation;

(b) Directors appointed during the course of the year will submit themselves for re-election at the next Annual General Meeting of the Company; and

(c) the Chief Executive Officer shall be subjected to retirement and re-election by shareholders.

The NC selects and recommends the appointment and re-appointment of new directors to the Board after assessing the candidates' qualifications, attributes and past experience. The candidates' independence, expertise, background and skills will also be considered before the NC interviews the shortlisted candidates and makes its recommendations to the Board. This is to ensure a balanced board and to improve its overall effectiveness.

Guideline 4.6 of the Code: Process for selection, appointment and re-appointment of new directors

Key information of each director is set out on pages 28 to 29.

Guideline 4.7 of the Code: Key information regarding directors

The NC has adopted guidelines for annual assessment of the effectiveness of the Board as a whole and its Board Committees and of the contribution of each individual director to the effectiveness of the Board and has performed the necessary assessment for the financial year.

Guideline 5.1 of the Code: Assessment of the Board and its board committees

Principle 6: Access to Information

With few exceptions, the Board is provided with adequate and timely information prior to Board meetings and on an on-going basis and Board papers are distributed in advance of each meeting to Directors. The Company circulates copies of the minutes of the meetings of all board committees to all members of the Board to keep them informed of on-going developments within the Group.

Guideline 6.1 and 6.2 of the Code: Management obliged to provide Board with adequate and timely information and include board papers and related materials, background and explanatory information

The Directors have separate and independent access to the Company's Senior Management and the Company Secretary at all times. Should the Directors, whether as a group or individually, require independent professional advice, such professionals (who will be selected with the approval of the Board Chairman or the Chairman of the Committee requiring such advice) will be appointed at the Company's expense.

Guideline 6.3 and 6.5 of the Code: Directors to have access to Company Secretary; role of Company Secretary to be clearly defined and procedure for Board to take independent professional advice at company's expense.

The Company Secretary attends the Company's Board, AC, RC and NC meetings and is responsible for ensuring that Board procedures are followed. The Company Secretary's role is also to advise the Board on governance matters and to assist the Board and Senior Management in ensuring that the Company complies with rules and regulations which are applicable to the Company.

CORPORATE GOVERNANCE REPORT (cont'd)

BOARD COMMITTEES

Principle 7: Remuneration Matters / Procedures for Developing Remuneration Policies

Guidelines 7.1, 7.2 and 7.3 of the Code: RC to consist entirely of NEDs; majority of whom, including RC Chairman, must be independent & RC to recommend remuneration of directors and CEO, and to review remuneration of key management personnel and to seek expert advice, if necessary

The RC comprises entirely of non-executive Directors, all of whom, including the Chairman, are independent:

Mr Loh Weng Whye (Chairman)
Mr David Chia Tian Bin (Member)
Mr Winston Kwek Choon Lin (Member)

The RC's key terms of reference, describing its responsibilities, include:-

(a) To recommend to the Board all matters relating to remuneration, including but not limited to directors' fees, salaries, allowances, bonuses and benefits-in-kind, of the Directors and key management personnel;

(b) To review and ensure that the level and structure of remuneration of the Directors and key management personnel should be aligned with the long-term interest and risk policies of the Company;

(c) To structure a significant and appropriate proportion of executive directors' and key management personnel's remuneration so as to link rewards to corporate and individual performances. Such remuneration should also be aligned with the interests of shareholders and promote the long-term success of the Company; and

(d) To review and ensure that the remuneration of non-executive directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent and responsibilities of the directors and they should not be over-compensated to the extent that their independence may be compromised.

The RC is responsible for ensuring a formal and transparent procedure for developing an appropriate executive remuneration policy and a competitive framework. The RC has recommended to the Board a framework of remuneration which covers various aspects of remuneration, including but not limited to, directors' fees, salaries, allowances, bonuses, and benefits-in-kind, and the specific remuneration packages for each executive director in order to retain and motivate each of them to run the business and operations successfully. External consultants' advice will be sought, where necessary, when a major remuneration review is conducted.

Principle 8: Level and Mix of Remuneration

In recommending a remuneration framework, the RC takes into account the performance of the Group as well as the directors and key executives, aligning their interests with those of shareholders and linking rewards to corporate and individual performance as well as industry benchmarks. The review of remuneration packages takes into consideration the longer term interests of the Group. It covers various aspects of remuneration including salaries, fees, allowances, bonuses, perks and benefits-in-kind. The Committee's recommendations are based on Management's reports and recommendations, made in consultation with the Chairman of the Board and submitted for endorsement to the entire Board.

Guideline 8.1 of the Code: Align remuneration with corporate and individual performance and interests of shareholders and promote long term success of the Company

The payment of directors' fees is subject to the approval of shareholders. Factors such as level of contribution, effort and time spent, and responsibilities of the non-executive Directors are considered when determining the level of their fees.

Guideline 8.3 of the Code: Remuneration of NEDs should be appropriate, taking into account their contribution, effort, time spent and responsibilities

The RC is of the view that the variable components of remuneration (including bonus and profit sharing) of the Executive Directors and the key management personnel were commensurate with performance in FY2016. In addition, the Company is entitled to reclaim, in full or in part, any profit-sharing paid to the Executive Directors under circumstances of misstatement of financial statements or misconduct of the Executive Directors, directly or indirectly, resulting in financial losses to the Company, as may be determined by the Board.

Guideline 8.4 of the Code: Contractual provision to reclaim back incentives from executive directors and key management in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company

New service contracts for the Executive Chairman, Chief Executive Officer and Chief Operating Officer for a fixed period of two years were established after a major review conducted in late 2008 by the RC with consultation from external consultants on the original executive Directors' service contracts disclosed in the IPO Prospectus. The new service agreements were put into effect from 1 January 2009. The Board extended their service contracts until 31 December 2011 while a review was being conducted by the RC. Subsequently, on 1 January 2012, after completion of the review, the Company entered into new 2-year service contracts with the Executive Chairman, Chief Executive Officer and Chief Operating Officer. The contracts have expired since 31 December 2013 and on 1 January 2014, new 2-year service contracts were entered into which expired on 31 December 2015. Subsequently, the RC, after due deliberation, entered into the current 2-year service contracts with the Executive Chairman, Chief Executive Officer and Chief Operating Officer on 1 January 2016. As stipulated in the current service contracts, the RC is responsible for reviewing the compensation commitments in the event of an early termination.

Management has briefed the RC regarding its annual assessments on the performance of members of senior management and their remuneration packages as proposed, and having reviewed the matter, the RC has recommended these to the Board for approval.

RC also reviewed the proposed bonus/incentives for the executive Directors and members of senior management. Bonuses, if any, for the executive Directors are calculated based on profit performance as stipulated in their respective service contracts.

CORPORATE GOVERNANCE REPORT (cont'd)

Principle 9: Disclosure on Remuneration

Guideline 9.1, 9.2, 9.3 and 9.4 of the Code: Disclosure of directors' remuneration, top 5 executives of the Company in bands of $250,000 and immediate family members of a director or the CEO whose remuneration exceed $50,000 per annum

The remuneration of the Directors for the financial year 31 December 2016 are as follows:

Name of Directors	Salary	Bonus / Profit-Sharing	Fees
Below S$250,000			
Mr Loh Weng Whye	-	-	100%
Mr David Chia Tian Bin	-	-	100%
Mr Winston Kwek Choon Lin	-	-	100%
S$250,000 to S$499,999			
*Mr Alvin Lim Hwee Hong	87%	-	13%
Mr Vincent Lim Hui Eng	87%	-	13%
Mr Patrick Lim Hui Peng	87%	-	13%

* Deceased on 8 July 2016

The Board has considered the guideline to fully disclose the remuneration of each individual director and the CEO on a named basis. In its deliberation, the executive Directors and CEO are concerned that such full disclosure may have probable adverse impact on existing relationships with senior management, directors of Group companies and certain suppliers. There is also concern that competitors may choose to misuse the information. For these reasons, the Company is only disclosing the bands of remuneration for each Director.

The remuneration of the Top Seven (7) Key Executives for the financial year 31 December 2016 are as follows:

Name of Executives	Salary	Bonus / Profit-Sharing	Fees
Below S$250,000			
Mr Keegan Chua Tze Wee	94%	6%	-
Mr Ken Soh Lee Meng	98%	2%	-
Mr Bryan Koh	73%	27%	-
Mr Leonard Lim Siang Soon*	100%	-	-
S$250,000 to S$499,999			
Mr Johnny Lim Huay Hua#	83%	6%	11%
Ms Eileen Lim Chye Hoon#	83%	6%	11%
Mr Kevin Mansell**	100%	-	-

\# Mr Johnny Lim Huay Hua and Ms Eileen Lim Chye Hoon are the siblings of Mr Vincent Lim Hui Eng and Mr Patrick Lim Hui Peng. Apart from Mr Johnny Lim and Ms Eileen Lim, there were no other immediate family members of the Executive Directors, except Mr Ken Hing Kah Wah who is the spouse of Ms Eileen Lim Chye Hoon and Ms Jasmin Lim Rui Li who is the daughter of the late Mr Alvin Lim Hwee Hong, employed by the Group whose respective remuneration exceed $50,000 per annum during the year.

* Mr Leonard Lim is the Chief Executive Officer of Omnisense Systems Pte Ltd. A subsidiary acquired by the Company on 13 June 2016.

** Mr Kevin Mansell stepped down as CEO of Gulf Specialty Steel Industries LLC on 31 January 2017.

The aggregate amount of the total remuneration paid to the Key Executives (who are not Directors or CEO) is $1,577,776 in FY 2016.

The Company has adopted a remuneration policy for staff comprising a fixed (basic salary) and variable (bonus) components. The variable component is linked to the performance of the Company and individual.

Guideline 9.6 of the Code: Disclosure on link between remuneration and performance

Principle 10: Accountability of the Board and Audit

The Board is responsible for providing a balanced and understandable assessment of the Company's performance, position and prospects, including interim and other price sensitive reports.

Guideline 10.1, 10.2 & 10.3 of the Code: Board's responsibility to provide balanced, understandable assessment of Company's performance and position on interim basis and management accounts.

The Board ensures by confirming with Management and the external auditors that the financial statements are prepared according to applicable accounting policies and accounting standards as well as comply with other legislative and regulatory requirements.

Principle 11: Risk Management and Internal controls

The Audit Committee (AC) and Risk Management Committee (RMC) assist the Board in the oversight of risk management responsibilities, internal controls and governance processes.

The AC, with the assistance of the Internal Auditor ("IA"), periodically reviews the effectiveness of the Group's internal controls relating to finance, operational, compliance and information technology controls.

Risk Management

The Board has set up the RMC in 2010 which comprises:

Mr. Vincent Lim Hui Eng	(Executive Chairman and Chief Executive Officer)
Mr. Patrick Lim Hui Peng	(Chief Operating Officer)
Mr. Keegan Chua Tze Wee	(Chief Financial Officer)

The RMC is chaired by the Executive Chairman and Chief Executive Officer Mr Vincent Lim Hui Eng.

CORPORATE GOVERNANCE REPORT (cont'd)

Guideline 11.1 and 11.2 of the Code: Board to review adequacy of financial, operational and compliance controls and risk management policies and Board to comment on the adequacy of the internal controls

The main objective of the RMC is to assist the Board and AC to review and implement best corporate governance practices, with reference to compliance, enterprise risk management and internal controls. The primary responsibilities of the RMC include:

- Identifying, assessing, and managing the Group's risk including managing the Group's enterprise risk programme;
- Reviewing the effectiveness of internal controls and to implement changes where required;
- Ensuring compliance with statutory, regulatory requirements and the Group's policies and procedures; and
- Promoting awareness of the importance of risk management within the Group

The Group has implemented an Enterprise Risk Management System. An Enterprise Risk Assessment (ERA) has been carried out to form a "Risk Map" of the high priority business risks. Based on the Risk Map, measures were taken to address and monitor the top business risks.

Based on the Enterprise Risk Assessment, the Board is satisfied with the risk management process in place, and in its opinion, that the effectiveness and adequacy of the controls have been appropriately reviewed through the management and independent assurance provided by the Group's internal and external auditors.

Internal Controls

During the year, IA (refer to Principle 13) worked closely with Management to align its related companies to the Group's internal control environment and compliance standards in order to strengthen the internal checks and balances.

The IA conducted periodic audits of its related companies and to review their key operations and business practices to ensure compliance with the Group's system of internal controls. Significant control issues were highlighted with recommendations provided by IA and remedial action were taken by Management. A Control Self-Assessment review was conducted to assist the Board and Management obtain assurance on the adequacy and effectiveness of the system of internal controls during the year.

Based on the results of the Enterprise Risk Assessment and findings on the risks and system of internal controls made by both external and internal auditors as well as the Control Self-Assessment review, the Board, with the concurrence of the AC, is generally satisfied that the risk management and system of internal controls and procedures are adequate and effective in achieving its objectives and addressing financial, operational and compliance and information technology control risks.

The Board has received assurance from the Chief Executive Officer and Chief Financial Officer:-

Guideline 11.3 of the Code: Board to receive assurance from CEO and CFO

(a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

(b) the Group's risk management and internal control systems were adequate and operating effectively.

Principle 12: Audit Committee

The AC comprises:

Mr David Chia Tian Bin (Chairman)
Mr Loh Weng Whye (Member)
Mr Winston Kwek Choon Lin (Member)

The AC members are all non-executive and independent Directors capable of discharging their responsibilities appropriately. The members collectively have many years of experience in accounting and audit, business and financial management, law and engineering. The Board considers that the members of the AC are appropriately qualified to discharge the responsibilities of the AC.

Guideline 12.1 and 12.2 of the Code: AC should comprise at least three directors, all non-executives and the majority of whom, including the chairman, are independent and Board to ensure AC members are qualified

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

Guideline 12.3 of the Code: AC to have explicit authority to investigate and have full access to management and reasonable resources

The AC's scope of work is governed by written terms of reference. Specifically, the AC meets on a periodic basis to perform the following functions:

Guideline 12.4 of the Code: Duties of AC

(a) Assist the Board of Directors in the identification and monitoring of areas of significant business risks with the help of internal and external auditors;

(b) Review the effectiveness of the financial and accounting control systems and management of financial and business risks;

(c) Review compliance with the Listing Manual and the Code of Corporate Governance;

(d) Review with the external and internal auditors their respective audit plans, reports and their evaluation of the Group's system of risk management and internal controls;

(e) Recommend the appointment of auditors and to review the level of audit fees;

(f) Review the independence of the Company's auditors on an annual basis;

(g) Review the adequacy of the internal audit function;

(h) Review the Group's quarterly and annual reports and announcements before they are submitted to the Board for approval;

(i) Review interested person transactions.

CORPORATE GOVERNANCE REPORT (cont'd)

Guideline 12.5 of the Code: AC to meet internal and external auditors, without presence of management, annually

The AC has reviewed and is satisfied with the level of co-operation rendered by Management to the external auditors. The AC is also of the view that the scope of audit, experience levels of staff and quality of the audits are adequate. The AC also convened a meeting with the external auditors without the presence of Management to discuss matters relating to the audits.

The AC has considered and concurred with the selection of the three KAMs presented in the Independent Auditor's Report on the Financial Statements as representing those audit and accounting matters during the year which required significant judgement and use of subjective assumptions, as well as a major transaction which required extensive audit.

During the course of the year, the AC was regularly briefed and updated on the progress and development of matters and issues arising from the Group's investments in Gulf Specialty Steel Industries LLC ("GSSI"), GL Lighting Holding Pte Ltd ("GLH") and Omnisense Systems Private Limited ("OMS"). Besides the strategic, business and commercial aspects, these discussions with Management also included matters relating to accounting, auditing and internal controls. In the investment involving OMS, the AC and Management jointly assessed the need to engage experts to assist Management in the Purchase Price Allocation exercise. A substantial portion of the updates and confirmations sought by the AC were provided by the CFO, COO and CEO of the Group. Based on these discussions, the AC was able to form a clearer understanding of the businesses and financial performances as well as a better appreciation of the risks and accounting implications.

The AC and the Group's Auditor have conferred on several occasions, and once without the presence of Management, to consider the accounting aspects and issues arising from the KAMs. The AC was provided with a detailed understanding of the nature and scope of audit to be performed by the Auditor in respect of the KAMs. In particular and in the KAMs involving GSSI and GLH, the AC considered the key assumptions employed in the DCF models such as the revenue growth rates, terminal values, WACC rates, capacity utilization and outstanding sales orders. Other key business variables that could significantly impact the DCF models were also considered. The results of the audit work and the accounting outcomes thereof were closely monitored and considered by the AC.

Based on the above, the AC was generally satisfied that the KAMs were adequately addressed by Management and the Auditor. The AC also concurs with the respective accounting treatments and effects adopted by Management and agreed to by the Auditor.

Guideline 12.6 of the Code: AC to review independence of external auditors annually

The AC, having reviewed all non-audit services provided by the external auditors, are satisfied that the nature and extent of such services would not affect the independence and objectivity of the external auditors.

Both the AC and Board have reviewed the appointment of different auditors for its subsidiaries and/or significant associated and joint venture companies and are satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Company and the Group.

Accordingly, the Company has complied with Rules 712 and 716 of the Listing Rules of the Singapore Exchange Securities Trading Limited.

Management has put in place a whistle-blowing policy duly endorsed by the AC and approved by the Board where employees of the Group can access an external service provider to raise concerns about possible improprieties in matters of financial management and reporting or other matters. The policy encourages employees to identify themselves because appropriate follow-up enquiry or investigation may not be possible unless the source of information is identified. Concerns expressed anonymously will nevertheless be investigated, with due consideration given to:

Guideline 12.7 of the Code: AC to review arrangements for staff to raise possible improprieties to AC

(a) The seriousness of the issue raised;
(b) The credibility of the concern; and
(c) The likelihood of verification against known sources.

The AC members take measures to keep abreast of changes of accounting standards and issues which have a direct impact on financial statements through attending training and seminars as well as receiving updates from the Group's external auditors.

Guideline 12.8 of the Code: AC to keep abreast of changes to accounting standards and issues

Principle 13: Internal audit

The Group outsourced its internal audit function to JF Virtus Pte Ltd, an independent assurance service provider ("IA") which specialises in risk management and internal auditing. The IA reports directly to the AC Chairman on audit matters, and to the Executive Chairman or Chief Executive Officer on administrative matters. The AC is satisfied that the appointed IA meets and has carried out its function according to the standards set by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

Guideline 13.1, 13.2,13.3 and 13.4 of the Code: IA to report to AC chairman, and CEO administratively and is adequately resourced and staffed with persons with relevant qualifications and experience. The IA should carry out its function according to the standards set by nationally or internationally recognised professional bodies

The primary objective of the internal audit is to assure the AC and the Board that sound risk management processes and controls are in place and operating effectively.

The AC is satisfied that the internal audit function is adequately resourced and comprehensively covers the major activities within the Group.

Principle 14 and 15: Shareholder Rights and Responsibilities

(a) Shareholder rights

It is the Group's intention to ensure that all shareholders are treated fairly and equitably to ensure their ownership rights are met. Timely and transparent disclosure are made to ensure all shareholders are informed of any changes in the Group or its business which would be likely to materially affect the price or value of the Company's shares.

Guideline 14.1 of the Code: All shareholders are treated fairly and equitably

Shareholders are given the opportunity to attend and vote at general meetings. The rules, including voting procedures that govern general meetings of shareholders are also clearly communicated.

Guideline 14.2 of the Code: Shareholders have opportunity to participate and vote at general meetings

CORPORATE GOVERNANCE REPORT (cont'd)

(b) Communications with Shareholders

The Company has appointed an investor relation consultant, Financial PR Pte Ltd, to support the Group in facilitating communication with shareholders and the investment community. The Company also ensures that timely and adequate disclosure of information on matters of material impact or significance relating to the Group are made to shareholders of the Company through SGXNET and other information channels, in compliance with the requirements set out in the Listing Manual of the Singapore Exchange Securities Trading Limited, with particular reference to the Corporate Disclosure Policy set out therein.

Guideline 15.1, 15.2, 15.3 and 15.4 of the Code: Company to regularly convey pertinent information on a timely basis

All quarterly and full year results announcements, annual reports, dividend declaration and notice of book closure are announced via SGXNET or issued within the prescribed period under Listing Manual.

The Group does not presently have a prescribed dividend policy.

No dividend was declared and paid for the financial year ended 31 December 2016 as the Group was loss-making.

Guideline 15.5 of the Code: Company to have a dividends payment policy. Where dividends are not paid, Company should disclose its reasons.

Principle 16 : Conduct of Shareholder Meetings

At general meetings, shareholders of the Company will be given the opportunity to present their views and to put questions regarding the Group to Directors and Management. The Directors and Management will be present at these meetings to address any questions that shareholders may have. The external auditors will also be present to assist the Board in addressing queries by shareholders.

Guideline 16.1 and 16.3 of the Code: Shareholders have the opportunity to participate and vote at general meetings. Committee chairman and external auditors to be present at AGMs

Currently, the Constitution of the Company allows a member of the Company to appoint up to two proxies to attend and vote at general meetings. Pursuant to Section 181 of the Companies Act, Chapter 50 (the "Companies Act"), a member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote in his stead. "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.

Guideline 16.4 and 16.5 of the Code: Companies encouraged to amend Constitution to avoid imposing limit on number of proxies for nominee companies

Separate resolutions on each distinct issue are tabled at general meetings and voting on each resolution by poll is carried out systematically with proper recording of votes cast and the resolution passed.

ATTENDANCE AT BOARD & COMMITTEE MEETINGS

The number of Directors' and board committees' meetings and the record of attendance of each Director during the financial year ended 31 December 2016 is set out below:

Types of Meetings	Board		Audit Committee		Nominating Committee		Remuneration Committee	
Names of Directors	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Alvin Lim Hwee Hong *	2	2	-	-	-	-	-	-
Vincent Lim Hui Eng	4	4	-	-	2	2	-	-
Patrick Lim Hui Peng	4	4	-	-	-	-	-	-
Winston Kwek Choon Lin	4	4	4	4	2	2	2	2
Loh Weng Whye	4	4	4	4	2	2	2	2
David Chia Tian Bin	4	4	4	4	-	-	2	2

* Deceased on 8 July 2016

ADDITIONAL INFORMATION

Group Sustainability Committee ("GSC")

The GSC comprises:

Mr Vincent Lim Hui Eng (Chairman)
Mr Patrick Lim Hui Peng (Member)
Mr Keegan Chua Tze Wee (Member)

The GSC was formed in 2016 and headed by the Executive Chairman and Chief Executive Officer Mr Vincent Lim Hui Eng. The GSC's responsibilities, as set out in its written terms of reference approved by the Board, are in the area of the Group's environmental, social and governance policies in line with SGX's guidelines and regulations. An update of the progress of the GSC will be included in the next annual report.

Dealings in Securities

The Company has procedures in place in line with Rule 1207(19) in relation to dealings in the Company's securities by its officers. The Company has informed its officers not to deal in the Company's shares whilst they are in possession of unpublished material price sensitive information and during the period commencing two weeks before quarterly announcement and one month before the full year announcement, as the case may be, and ending on the date of announcement of such financial results. The Officers of the Company are discouraged from dealing in the Company's securities on a short-term basis.

CORPORATE GOVERNANCE REPORT (cont'd)

Interested Person Transactions

The Company has set out the procedures for review and approval of the Company's interested person transactions.

Disclosure according to Rule 907 of the SGX-ST Listing Manual in respect of interested person transactions for the financial year ended 31 December 2016 are stated in the table below:

Name of Interested Persons	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual)	Aggregate value of person transactions conducted under a shareholders'mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
Global Eduhub Pte Ltd ("GEH")[(1)] Rental of office premises	$113,893-[(2)]	-

(1) Subsidiary, which was disposed during the year, of the controlling shareholder of the Company, Beng Hui Holding (S) Pte Ltd, in which the Directors, Vincent Lim Hui Eng and Patrick Lim Hui Peng together with their family members hold an aggregate interest of 100%. The spouse of Vincent Lim Hui Eng remains as a director of GEH.

(2) The rental agreement is for 3 years and commenced in 2013. A new rental agreement for 2 years was entered in 2016. The total new contract amount is $212,932 and $113,893 had been charged during FY2016.

The Audit Committee and the Board of Directors have reviewed the transaction and were satisfied that the terms were fair and reasonable and were not prejudicial to the interests of the Company and its minority shareholders.

Material Contracts

Save for the service contracts entered into between the executive Directors and the Company and the rental agreement with Global Eduhub Pte Ltd as disclosed in this report, there were no other material contracts entered into by the Company or its subsidiaries, involving the interests of the CEO or any director or controlling shareholder either 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.

FINANCIAL CONTENTS

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of BH Global Corporation Limited (the "Company") and its subsidiary corporations (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2016.

In the opinion of the directors:

(i) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 64 to 136 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended in accordance with the provisions of the Companies Act, Chapter 50 and Financial Reporting Standards in Singapore; 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 in office at the date of this statement are:

Vincent Lim Hui Eng	(Executive Chairman and Chief Executive Officer)
Patrick Lim Hui Peng	(Executive Director and Chief Operating Officer)
Loh Weng Whye	(Lead Independent Non-executive)
David Chia Tian Bin	(Independent Non-executive)
Winston Kwek Choon Lin	(Independent Non-executive)

Arrangement to enable directors to acquire benefits

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

Directors' interest in shares or debentures

The directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50, except as follows:

	Number of ordinary shares			
	Shareholdings registered in their own names		Shareholdings in which a director is deemed to have an interest	
	At 1.1.2016	At 31.12.2016	At 1.1.2016	At 31.12.2016
The Company				
Vincent Lim Hui Eng	3,828,690	957,172#	286,675,600	71,668,900#
Patrick Lim Hui Peng	3,828,690	957,172#	286,675,600	71,668,900#
Loh Weng Whye	215,000	53,750#	–	–

The number of shares is stated after the completion of a share consolidation exercise during 2016.

Immediate and Ultimate Holding Company				
<u>Beng Hui Holding (S) Pte Ltd</u>				
Vincent Lim Hui Eng	420,000	420,000	–	–
Patrick Lim Hui Peng	420,000	420,000	–	–
Subsidiary corporations				
<u>Sky Holding Pte. Ltd.</u>				
Vincent Lim Hui Eng	–	–	405,000	405,000
Patrick Lim Hui Peng	–	–	405,000	405,000
<u>BH Marine & Offshore Engineering Pte Ltd</u>				
Vincent Lim Hui Eng	–	–	300,000	300,000
Patrick Lim Hui Peng	–	–	300,000	300,000
<u>Oil & Gas Solutions Pte. Ltd.</u> (In the process of liquidation)				
Vincent Lim Hui Eng	–	–	750,000	750,000
Patrick Lim Hui Peng	–	–	750,000	750,000
<u>PT. O & G Solutions</u> (In the process of liquidation)				
Vincent Lim Hui Eng	–	–	2,000	2,000
Patrick Lim Hui Peng	–	–	2,000	2,000
<u>PT. BH Marine & Offshore Engineering</u>				
Vincent Lim Hui Eng	–	–	2,000	2,000
Patrick Lim Hui Peng	–	–	2,000	2,000

Directors' interest in shares or debentures (cont'd)

	Number of ordinary shares			
	Shareholdings registered in their own names		Shareholdings in which a director is deemed to have an interest	
	At 1.1.2016	At 31.12.2016	At 1.1.2016	At 31.12.2016
PT. Dwi Utama Mandiri Sukses				
Vincent Lim Hui Eng	–	–	250,000	250,000
Patrick Lim Hui Peng	–	–	250,000	250,000
Gulf Specialty Steel Industries LLC				
Vincent Lim Hui Eng	–	–	2,437,800	2,437,800
Patrick Lim Hui Peng	–	–	2,437,800	2,437,800
Dalian Nautical Offshore & Marine Technologies Co., Ltd (In the process of liquidation)				
Vincent Lim Hui Eng	–	–	525,000*	525,000*
Patrick Lim Hui Peng	–	–	525,000*	525,000*

* Represents capital injected in RMB.

BH Global Marine India Private Limited				
Vincent Lim Hui Eng	–	–	50,000	50,000
Patrick Lim Hui Peng	–	–	50,000	50,000
BOS Offshore & Marine Pte Ltd				
Vincent Lim Hui Eng	–	–	450,000	450,000
Patrick Lim Hui Peng	–	–	450,000	450,000
Athena Dynamics Pte. Ltd.				
Vincent Lim Hui Eng	–	–	98,000	450,000
Patrick Lim Hui Peng	–	–	98,000	450,000
Omnisense Systems Private Limited				
Vincent Lim Hui Eng	–	–	–	91,451
Patrick Lim Hui Peng	–	–	–	91,451

The deemed interests of Vincent Lim Hui Eng and Patrick Lim Hui Peng in the shares of the Company are by virtue of their shareholdings in Beng Hui Holding (S) Pte Ltd. At 31 December 2016, Beng Hui Holding (S) Pte Ltd holds 71,668,900 shares in the Company.

By virtue of Section 7 of the Companies Act, the directors, Vincent Lim Hui Eng and Patrick Lim Hui Peng are deemed to have an interest in the shares held by the Company in its wholly-owned subsidiary corporations.

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

Share options

No option to take up unissued shares of the Company or its subsidiary corporations was granted during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations whether granted before or during the financial year.

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 during the financial year and at the date of this report are:

David Chia Tian Bin	(Chairman)
Loh Weng Whye	(Member)
Winston Kwek Choon Lin	(Member)

The Audit Committee carried out its functions specified in Section 201B(5) of the Companies Act. Their functions are detailed in the Report on Corporate Governance.

The Audit Committee is satisfied with the independence and objectivity of the independent auditor and has nominated Baker Tilly TFW LLP for re-appointment as independent auditor of the Company at the forthcoming Annual General Meeting.

Independent auditor

The independent auditor, Baker Tilly TFW LLP has expressed its willingness to accept re-appointment.

On behalf of the directors

Vincent Lim Hui Eng	Patrick Lim Hui Peng
Director	Director

30 March 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BH GLOBAL CORPORATION LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of BH Global Corporation Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 64 to 136, which comprise the statements of financial position of the Group and 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 and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity 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 financial position of the Group and the financial position 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 and of the changes in equity of the Company for the year ended on that date.

Basis for opinion

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

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BH GLOBAL CORPORATION LIMITED (cont'd)

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

Provision for liabilities

Refer to Note 27(a) to the consolidated financial statements.

The key audit matter:

The provision for liability in relation to the corporate guarantee ("Guarantee") provided by the Company for banking facilities taken by a Joint Venture, Gulf Specialty Steel Industries LLC ("GSSI") is considered to be a matter of most significance as it requires the application of judgement and use of subjective assumptions by management. The Group and the Company have recorded a provision of $11,690,000 (2015: $3,500,000) based on the difference between the Company's estimated obligations under the Guarantee and the recoverable amount of investment in GSSI. The recoverable amount of investment in GSSI is determined based on the value-in-use of GSSI using the discounted cash flow ("DCF") method.

The use of the DCF method involves significant judgement in the forecasting and projection of sales and free cash flows for the next five years. The DCF model also include assumptions on terminal growth rate and weighted average cost of capital ("WACC"). A small change in the assumptions can have a significant impact to the derived recoverable amount of the investment in GSSI.

How the matter was addressed in our audit:

Our audit procedures include understanding the business and operating environment of GSSI. We discussed with the Chief Operating Officer ("COO") and Chief Financial Officer ("CFO") of the Group to understand the basis of cash flows forecasted and factors that lead to the assessment of plant utilisation rate and manufacturing costs as compared to previous year. We have performed a look-backward analysis to compare the 2016 forecast presented in prior year to the actual 2016 results to assess management's ability to perform accurate forecast. We have also evaluated the management's forecast based on existing order book status and general market condition in the Middle East where GSSI operates.

Our audit procedures include critical evaluation of the components used by the management to estimate the WACC rate that includes cost of equity, cost of debt and debt/equity ratio. In our evaluation, we take into consideration market participants' benchmark rates. We have considered a valuation report issued by a professional firm in 2015 that contains similar variables in determining the WACC rate then for estimating GSSI's enterprise value. We have also enlisted our firm's internal valuation team to evaluate the reasonableness of the WACC rate used. In addition, we also considered the adequacy of disclosure made in the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BH GLOBAL CORPORATION LIMITED (cont'd)

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

Assessment of recoverable amount of investment in an associated company

Refer to Note 14 to the consolidated financial statements.

The key audit matter:

The assessment of recoverable amount of the Group's investment in an associated company, GL Lighting Holding Pte Ltd ("GLH"), which is recorded at a carrying value of $11.982 million (2015: $12.149 million), is considered to be significant to our audit as it requires the application of judgement and use of subjective assumptions by management. The carrying value is represented by share of net assets and goodwill of $4.319 million (2015: $3.701 million) and $9.663 million (2015: $8.448 million) respectively, net of impairment charge on investment of $2 million (2015: $nil). The Group has recorded an impairment charge of $2 million (2015: $nil) based on its proportionate share of the shortfall of recoverable amount of investment in GLH as compared to the carrying amount of investment in GLH recorded by the Group. The Group has assessed the recoverable amount of its investment in GLH based on the value-in-use of GLH using the discounted cash flow ("DCF") method.

The use of the DCF involves significant judgement in the forecasting and projection of sales and operating cash flows for the next five years. The DCF model also include assumptions on terminal growth rate and weighted average cost of capital ("WACC"). A small change in the assumptions can have a significant impact to the derived recoverable amount of investment in GLH.

How the matter was addressed in our audit:

Our audit procedures include understanding the business and operating environment of GLH. The engagement team has visited the plant operated by GLH and discussed with the local management of GLH to understand the basis of improved cash flows forecasted as compared to previous year. The engagement team has evaluated the management's basis of including cash flows from increased plant capacity based on expansion plans already approved and committed by the management. Such cash flows include future capital expenditures already committed by the management as well as increased cash inflows brought about by the additional capital expenditures. The engagement team has visited the new plant under construction and spoke to the project manager to understand the progress of the construction and benchmark against management's budget. We have performed a look-backward analysis to compare the 2016 forecast made by the management to the actual year-to-date 2016 results to assess management's ability to perform accurate forecast. We have also evaluated the management's forecast based on existing order book status, plant capacity and general market condition in the market where GLH sells to.

Our audit procedures also include critical evaluation of the various inputs used by the management to estimate the WACC rate that includes cost of equity, cost of debt and debt/equity ratio. In our evaluation, we take into consideration market participants' benchmark rates. We have also enlisted our firm's internal valuation team to evaluate the reasonableness of the WACC rate used. In addition, we also considered the adequacy of disclosure made in the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BH GLOBAL CORPORATION LIMITED (cont'd)

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

Acquisition of Omnisense Systems Private Limited

Refer to Notes 12(c) to the consolidated financial statements.

The key audit matter:

In June 2016, the Company acquired 51% equity shares in Omnisense Systems Private Limited ("OMS") for a total purchase consideration of $3.317 million. Management has assessed that the acquisition of OMS qualifies as a business combination by applying the definition of FRS 103 *Business Combinations*.

Management has determined the fair value of total identifiable assets of OMS at the date of acquisition to be $4.080 million, including $3.532 million that relates to identifiable intangible assets acquired as part of the business combination. The valuation of the intangible assets was performed as part of a purchase price allocation exercise undertaken by the management and the intangible assets have been determined in accordance with FRS 103.

We have determined that valuation of intangible assets arising from the business combination as an area that requires significant judgement. The valuation methodology, as well as the inputs and assumptions used in the valuation model will affect the fair value of the intangible assets.

How the matter was addressed in our audit:

We have assessed the Group's processes for the review and the determination of the accounting for business combination. We have also examined the legal and contractual documents to determine the acquisition is a business combination and assessed the appropriateness of management's classification of the acquisition as a subsidiary.

We studied the Purchase Price Allocation report prepared by the management's expert, including the basis used to search for identifiable assets, and checked the computations to allocate the purchase price to the various assets and liabilities acquired. We have enlisted our internal valuation team to review the valuation methodologies and key assumptions used in deriving the fair values of intangible assets. The valuation team compared them to generally accepted market practices and data, and we tested the integrity of the inputs used in the valuation. We also considered the adequacy of disclosure made in the financial statements.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2016 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BH GLOBAL CORPORATION LIMITED (cont'd)

Report on the Audit of the Financial Statements (cont'd)

Other information (cont'd)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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 FRS, 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 auditors' 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BH GLOBAL CORPORATION LIMITED (cont'd)

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 skepticism 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.

- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BH GLOBAL CORPORATION LIMITED (cont'd)

Report on the Audit of the Financial Statements (cont'd)

Auditor's Responsibilities for the audit of the financial statements (cont'd)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described 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.

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Ng Hock Lee.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

30 March 2017

CONSOLIDATED INCOME STATEMENT
For the financial year ended 31 December 2016

	Note	**Group 2016 $'000**	Group 2015 $'000
Continuing operations			
Revenue	4	**50,059**	55,577
Cost of sales		**(33,229)**	(36,121)
Gross profit		**16,830**	19,456
Other operating income		**733**	1,860
Selling and distribution expenses		**(10,051)**	(8,128)
Administrative expenses		**(16,433)**	(11,242)
Finance costs	5	**(452)**	(330)
Share of results of joint ventures		**(2,116)**	(2,125)
Share of results of associated companies		**(798)**	(524)
Loss before tax		**(12,287)**	(1,033)
Tax expense	6	**(61)**	(650)
Loss from continuing operations, net of tax		**(12,348)**	(1,683)
Discontinued operations			
Profit/(loss) from discontinued operations, net of tax	7	**1,074**	(4,541)
Loss for the financial year	8	**(11,274)**	(6,224)
Loss attributable to:			
Equity holders of the Company		**(11,206)**	(4,210)
Non-controlling interests		**(68)**	(2,014)
		(11,274)	(6,224)
(Loss)/earnings per share ***(expressed in cents per share)***	10		
From continuing and discontinued operations			
Basic		**(9.34)**	(3.51)
Diluted		**(9.34)**	(3.51)
From continuing operations			
Basic		**(10.14)**	(1.31)
Diluted		**(10.14)**	(1.31)
From discontinued operations			
Basic		**0.80**	(2.20)
Diluted		**0.80**	(2.20)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the financial year ended 31 December 2016

	Group	
	2016	2015
	$'000	$'000
Loss for the financial year	**(11,274)**	(6,224)
Other comprehensive (loss)/income:		
Items that are or may be reclassified subsequently to profit or loss:		
Currency translation differences arising on consolidation	**(276)**	(184)
Currency translation difference on loss of control reclassified to profit or loss	**–**	145
Share of other comprehensive (loss)/income of associated companies	**(112)**	265
Share of other comprehensive income of joint ventures	**60**	40
Other comprehensive (loss)/income for the financial year, net of tax	**(328)**	266
Total comprehensive loss for the financial year	**(11,602)**	(5,958)
Total comprehensive loss attributable to:		
Equity holders of the Company	**(11,512)**	(3,943)
Non-controlling interests	**(90)**	(2,015)
	(11,602)	(5,958)

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

STATEMENTS OF FINANCIAL POSITION
At 31 December 2016

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Non-current assets					
Property, plant and equipment	11	**15,827**	16,499	**–**	2
Investment in subsidiaries	12	**–**	–	**14,654**	10,384
Investment in joint ventures	13	**2,705**	2,416	**912**	1,006
Investment in associated companies	14	**11,982**	12,149	**12,748**	12,005
Deferred tax assets	15	**11**	44	**–**	–
Intangible assets	16	**5,254**	49	**49**	49
Purchase deposit to a supplier	17	**5,077**	5,756	**–**	–
Non-current receivable	18	**–**	162	**–**	162
Total non-current assets		**40,856**	37,075	**28,363**	23,608
Current assets					
Inventories	19	**27,179**	30,123	**–**	–
Due from customers on construction contracts	20	**8**	129	**–**	–
Trade receivables	21	**14,222**	16,223	**–**	–
Other receivables	22	**5,044**	2,427	**5,126**	13,133
Cash and cash equivalents	24	**8,409**	5,718	**180**	153
Total current assets		**54,862**	54,620	**5,306**	13,286
Total assets		**95,718**	91,695	**33,669**	36,894
Non-current liabilities					
Deferred tax liabilities	15	**1,463**	915	**–**	–
Other payable	25	**765**	–	**765**	–
Finance lease liabilities	26	**207**	354	**–**	–
Total non-current liabilities		**2,435**	1,269	**765**	–
Current liabilities					
Due to customers on construction contracts	20	**3,645**	–	**–**	–
Trade payables		**2,504**	5,873	**–**	–
Other payables	25	**2,351**	1,746	**1,300**	1,074
Provisions	27	**12,351**	4,845	**12,351**	4,161
Bank borrowings	28	**14,090**	9,310	**–**	–
Finance lease liabilities	26	**147**	166	**–**	–
Tax payable		**495**	1,197	**51**	51
Total current liabilities		**35,583**	23,137	**13,702**	5,286
Total liabilities		**38,018**	24,406	**14,467**	5,286
Net assets		**57,700**	67,289	**19,202**	31,608

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

STATEMENTS OF FINANCIAL POSITION (cont'd)
At 31 December 2016

		Group		Company	
		2016	2015	**2016**	2015
	Note	**$'000**	$'000	**$'000**	$'000
Equity					
Share capital	29	**43,461**	43,461	**43,461**	43,461
Currency translation reserve		**602**	908	**–**	–
Retained earnings/(accumulated losses)		**16,788**	27,994	**(24,259)**	(11,853)
Equity attributable to equity holders of the Company, total		**60,851**	72,363	**19,202**	31,608
Non-controlling interests		**(3,151)**	(5,074)	**–**	–
Total equity		**57,700**	67,289	**19,202**	31,608

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

STATEMENTS OF CHANGES IN EQUITY
For the financial year ended 31 December 2016

	Note	Share capital $'000	Currency translation reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
		← Attributable to equity holders of the Company			→		
Group							
At 1 January 2015		43,461	641	34,604	78,706	(7,499)	71,207
Loss for the financial year		–	–	(4,210)	(4,210)	(2,014)	(6,224)
Other comprehensive (loss)/income							
Currency translation differences arising on consolidation		–	(183)	–	(183)	(1)	(184)
Currency translation difference on deconsolidation of subsidiaries reclassified to profit or loss		–	145	–	145	–	145
Share of other comprehensive income of associated companies		–	265	–	265	–	265
Share of other comprehensive income of joint ventures		–	40	–	40	–	40
Other comprehensive income/(loss) for the financial year, net of tax		–	267	–	267	(1)	266
Total comprehensive income/(loss) for the financial year		–	267	(4,210)	(3,943)	(2,015)	(5,958)
Distribution to equity holders of the Company							
Dividends	30	–	–	(2,400)	(2,400)	–	(2,400)
Changes in ownership interest in subsidiaries							
Contribution from a non-controlling interest		–	–	–	–	50	50
Disposal of a subsidiary		–	–	–	–	(3,401)	(3,401)
Deconsolidation of subsidiaries		–	–	–	–	7,791	7,791
Total changes in ownership interest in subsidiaries		–	–	–	–	4,440	4,440
Total transactions with equity holders of the Company		–	–	(2,400)	(2,400)	4,440	2,040
At 31 December 2015		43,461	908	27,994	72,363	(5,074)	67,289

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

STATEMENTS OF CHANGES IN EQUITY (cont'd)
For the financial year ended 31 December 2016

	Note	Share capital $'000	Currency translation reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
		Attributable to equity holders of the Company					
Group							
At 1 January 2016		43,461	908	27,994	72,363	(5,074)	67,289
Loss for the financial year		–	–	(11,206)	(11,206)	(68)	(11,274)
Other comprehensive (loss)/income							
Currency translation differences arising on consolidation		–	(254)	–	(254)	(22)	(276)
Share of other comprehensive loss of associated companies		–	(112)	–	(112)	–	(112)
Share of other comprehensive income of joint ventures		–	60	–	60	–	60
Other comprehensive loss for the financial year, net of tax		–	(306)	–	(306)	(22)	(328)
Total comprehensive loss for for the financial year		–	(306)	(11,206)	(11,512)	(90)	(11,602)
Changes in ownership interest in subsidiaries							
Acquisition of a subsidiary	12(c)	–	–	–	–	1,999	1,999
Disposal of a subsidiary	12(e)	–	–	–	–	(11)	(11)
Contribution from a non-controlling interest	12(f)	–	–	–	–	25	25
Total changes in ownership interest in subsidiaries		–	–	–	–	2,013	2,013
At 31 December 2016		**43,461**	**602**	**16,788**	**60,851**	**(3,151)**	**57,700**

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

STATEMENTS OF CHANGES IN EQUITY (cont'd)
For the financial year ended 31 December 2016

	Note	Share capital $'000	Accumulated losses $'000	Total $'000
Company				
At 1 January 2015		43,461	(10,139)	33,322
Distribution to equity holders of the Company				
Dividends	30	–	(2,400)	(2,400)
Profit and total comprehensive income for the financial year		–	686	686
At 31 December 2015		43,461	(11,853)	31,608
Loss and total comprehensive loss for the financial year		–	(12,406)	(12,406)
At 31 December 2016		**43,461**	**(24,259)**	**19,202**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2016

	2016 $'000	2015 $'000
Cash flows from operating activities		
Loss before tax from continuing operations	**(12,287)**	(1,033)
Profit/(loss) before tax from discontinued operations	**1,138**	(4,490)
Loss before tax, total	**(11,149)**	(5,523)
Adjustments for:		
Amortisation of intangible assets	**286**	–
Exchange difference	**(16)**	–
Depreciation of property, plant and equipment	**1,449**	1,653
Gain on disposal of a subsidiary	**–**	(4,321)
Gain on disposal of property held for sale	**–**	(1,073)
Impairment loss on equity loan to a joint venture	**–**	184
Impairment loss on investment in an associated company	**2,000**	–
Impairment loss on property, plant and equipment	**–**	249
Interest expense	**452**	365
Interest income	**(210)**	(134)
Loss on deconsolidation of subsidiaries	**–**	1,050
Loss on disposal of property, plant and equipment, net	**132**	425
Provisions, net	**7,506**	4,862
Share of results of associated companies	**798**	530
Share of results of joint ventures	**2,116**	2,125
Operating cash flows before working capital changes	**3,364**	392
Inventories	**3,421**	1,624
Due to/(from) customers on construction contracts, net	**3,766**	(645)
Receivables	**461**	3,568
Payables	**(3,389)**	1,633
Currency translation adjustments	**(341)**	(252)
Cash generated from operations	**7,282**	6,320
Interest paid	**(452)**	(365)
Income tax paid, net	**(790)**	(755)
Net cash from operating activities	**6,040**	5,200

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

CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)
For the financial year ended 31 December 2016

	Note	2016 $'000	2015 $'000
Cash flows from investing activities			
Contribution from a non-controlling interest	12(f)	**25**	50
Decrease in restricted cash		**–**	681
Dividend received from a joint venture		**385**	267
Interest received		**210**	134
Additional investment in an associated company		**(2,743)**	(1,323)
Additional investment in a joint venture		**(2,749)**	(2,780)
Net cash outflow on acquisition of subsidiaries	12(c) & (d)	**(2,651)**	–
Net cash (outflow)/inflow on disposal of a subsidiary	12(e)	**(13)**	7,192
Net cash outflow on deconsolidation of subsidiaries		**–**	(666)
Purchase deposit to a supplier		**–**	(6,772)
Repayment of purchase deposit from a supplier		**696**	339
Proceed from disposal of property held for sale		**–**	2,600
Proceeds from disposal of property, plant and equipment		**21**	619
Purchase of property, plant and equipment		**(602)**	(501)
Purchase of intangible asset		**(538)**	–
Net cash used in investing activities		**(7,959)**	(160)
Cash flows from financing activities			
Net drawdown/(repayment) of short term borrowings		**3,233**	(930)
Drawdown of bank borrowings		**2,700**	4,300
Repayment of bank borrowings		**(1,153)**	(6,700)
Repayment of finance lease liabilities		**(171)**	(172)
Dividends paid to shareholders of the Company	30	**–**	(2,400)
Net cash from/(used in) financing activities		**4,609**	(5,902)
Net increase/(decrease) in cash and cash equivalents		**2,690**	(862)
Cash and cash equivalents at beginning of financial year		**4,349**	5,160
Effects of exchange rate changes on cash and cash equivalents		**1**	51
Cash and cash equivalents at end of financial year	24	**7,040**	4,349

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 Corporate information

The Company (Co. Reg. No. 200404900H), is incorporated and domiciled in Singapore. The address of its registered office is at 8 Penjuru Lane, Singapore 609189.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are disclosed in Note 12 to the financial statements.

The Company's immediate and ultimate holding company is Beng Hui Holding (S) Pte Ltd, incorporated in Singapore. Related companies are subsidiaries of Beng Hui Holding (S) Pte Ltd.

2 Summary of significant accounting policies

a) Basis of preparation

The financial statements are presented in Singapore dollar ($), which is the Company's functional currency and all financial information presented in Singapore dollar are rounded to the nearest thousand ($'000) except when otherwise indicated. The financial statements have been prepared in accordance with the provisions of the Companies Act, Chapter 50 and Financial Reporting Standards in Singapore ("FRS"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgement in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial year are disclosed in Note 2(cc) to the financial statements.

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

2 Summary of significant accounting policies (cont'd)

a) Basis of preparation (cont'd)

In the current financial year, the Group has adopted all the new and revised FRS and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for the current 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 and revised FRS and INT FRS did not have any material effect on the financial results or position of the Group and the Company.

New standards, amendments to standards and interpretations that have been issued at the end of the reporting period but are not yet effective for the financial year ended 31 December 2016 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company except as disclosed in Note 3.

Convergence with International Financial Reporting Standards (IFRS)

The Accounting Standards Council ("ASC") announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange ("SGX") will be required to apply a new financial reporting framework identical to the International Financial Reporting Standards (full IFRS convergence) in 2018. The Group will adopt the new financial reporting framework on 1 January 2018.

b) Revenue recognition

Revenue comprises the fair value for the consideration received or receivable for the sale of goods and rendering of services, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the entity, and the amount of revenue and related cost can be reliably measured.

Revenue from sale of goods is recognised when a Group entity has delivered the products to the customer and significant risks and rewards of ownership of the goods have been passed to the customer.

Revenue from services is recognised during the financial year in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be performed.

The accounting policy for revenue from construction contracts is disclosed in Note 2(k).

Interest income is recognised on a time proportion basis using the effective interest method.

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

Rental income from operating leases are recognised on a straight-line basis over the lease term.

2 Summary of significant accounting policies (cont'd)

c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's statement of financial position, investment in subsidiaries are accounted for at cost less accumulated impairment losses, if any. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full.

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill is accounted for in accordance with the accounting policy for goodwill stated in note 2(f). In instances where the latter amount exceeds the former and the measurement of all amounts has been reviewed, the excess is recognised as gain from bargain purchase in profit or loss on the date of acquisition.

Contingent consideration transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration (other than measurement period adjustment) are recognised in profit or loss.

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

2 Summary of significant accounting policies (cont'd)

d) Basis of consolidation (cont'd)

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and any corresponding gain or loss, if any, is recognised in profit or loss.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (ie transactions with owners in their capacity as owners). The carrying amount of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributable to owners of the Company.

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill, non-controlling interest and other components of equity related to the subsidiary are derecognised. Amounts 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 FRS.

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

e) Associated companies and joint ventures

An associated company is an entity over which the Group has significant influence but not control or joint control, over the financial and operating policies of the entity. Significant influence is presumed to exist generally when the Group holds 20% or more but not exceeding 50% of the voting power of another entity.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associated companies and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting, less impairment losses, if any.

Investments in associated companies and joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Subsequent to initial recognition, the Group's share of its associated companies' and joint ventures' post-acquisition profits or losses is recognised in the profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from associated companies and joint ventures are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company and joint venture equals or exceeds its interest in the associated company and joint venture, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company and joint venture.

2 Summary of significant accounting policies (cont'd)

e) Associated companies and joint ventures (cont'd)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associated company or joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately as income in the Group's profit or loss.

Where a group entity transacts with an associate or joint venture of the Group, unrealised gains are eliminated to the extent of the Group's interest in the relevant associate or joint venture. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred.

In the Company's financial statements, investments in associated companies and joint ventures are carried at cost less accumulated impairment loss, if any. On disposal of investment in associated companies or joint ventures, the difference between the disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

f) Goodwill

Goodwill is initially measured at cost and is subsequently measured at cost less any accumulated impairment losses.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of a subsidiary, associated company or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of associate and joint venture is described in note 2(e).

g) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and any impairment in value.

The cost 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.

Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised.

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

g) Property, plant and equipment (cont'd)

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss.

Depreciation is calculated on a straight-line basis to allocate the depreciable amount of property, plant and equipment over their expected useful lives. The estimated useful lives are as follows:

	Number of years
Extension, addition and alteration works	10-50
Yard facilities	10
Motor vehicles	5
Warehouse equipment and fittings	5
Computer and office equipment	3
Furniture, fittings and renovation	5
Plant and machinery	5

The leasehold properties are depreciated based on the shorter of 50 years or lease period.

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

Fully depreciated assets are retained in the financial statements until they are no longer in use.

h) Intangible assets

Club membership

Club membership is stated at cost less impairment losses, if any. Club membership with indefinite useful live is tested for impairment annually, or more frequently if the events or circumstances indicate that the carrying value may be impaired.

Research and development costs

Research and development costs are expensed as incurred, except for development costs which relate to the design and testing of new or improved materials, products or processes which are recognised as an asset to the extent that it is expected that such assets will generate future economic benefits.

Deferred development costs are amortised from the date of commercial production of the product or from the date the process is put into use. Such costs are currently being amortised on a straight-line basis over their useful lives, not exceeding 10 years.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill. Such intangible assets are recorded at their fair values at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are carried at cost less accumulated amortisation and accumulated impairment losses. The estimated useful lives are as follows:

Technology	10 years
Maintenance contracts	1 to 3 years

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

2 Summary of significant accounting policies (cont'd)

i) Impairment of non-financial assets excluding goodwill

At each reporting date, the Group assesses the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A previously recognised impairment loss for an asset other than goodwill is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is recognised immediately in profit or loss.

j) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises costs of purchases and those costs that have been incurred in bringing the inventories to their present condition and location.

Cost is determined on the following basis:

Marine electrical equipment, steel products consumables and others	- first-in first-out
Armouring steel	- weighted average

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

k) 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 end of the reporting period ("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.

The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date relative 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 the 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 statement of financial position 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. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

2 Summary of significant accounting policies (cont'd)

k) Construction contracts (cont'd)

At the end of the reporting date, the cumulative costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where the cumulative costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as due from customers on construction contracts. 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.

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

l) Leases

Finance leases

Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Each lease payment is allocated between reduction of the outstanding liability and finance charges. The corresponding lease liabilities, net of finance charges, are included in borrowings. The finance charge is taken to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The asset acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases

Leases where a significant portion of the risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to profit or loss on a straight-line basis over the period of the lease. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

m) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity in which the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity respectively).

Current tax is the expected tax payable or recoverable on the taxable income for the current year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable or recoverable in respect of previous years.

Deferred income tax is provided using the liability method, on all temporary differences at the balance sheet date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where 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 at the time of the transaction, affects neither the accounting nor taxable profit or loss.

2 Summary of significant accounting policies (cont'd)

m) Income taxes (cont'd)

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on currently enacted or substantively enacted tax rates at the balance sheet date.

n) Financial assets

i) Classification

The Group's only financial assets are loans and receivables. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those maturing later than 12 months after the end of the reporting period which are classified as non-current assets. Loans and receivables are classified within "trade and other receivables" (excluding prepayments and advance payment to suppliers) and "cash and cash equivalents" on the statement of financial position.

ii) Recognition and derecognition

Regular 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 net sale proceeds and its carrying amount is recognised in profit or loss.

iii) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

iv) Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method, less impairment.

Interest income on financial assets are recognised separately in profit or loss.

v) Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

2 Summary of significant accounting policies (cont'd)

n) Financial assets (cont'd)

v) Impairment (cont'd)

The carrying amount of these assets is reduced through the use of an impairment allowance account, and the amount of the loss is recognised in profit or loss. The allowance amount is the difference between the asset's 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.

If in subsequent periods, the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

o) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and excludes pledged deposits.

p) Financial liabilities

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

All financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than fair value through profit or loss, directly attributable transaction costs.

Subsequent to initial recognition, financial liabilities not at fair value through profit or loss and other than financial guarantee are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. A financial liability is derecognised when the obligation under the liability is extinguished.

q) Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at their fair values plus transaction costs. Financial guarantees are classified as financial liabilities.

Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the expected amount payable to the holder. Financial guarantees contracts are amortised in profit or loss over the period of the guarantee.

r) Share capital

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

2 Summary of significant accounting policies (cont'd)

s) Provisions for other liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic resources will be required to settle that obligation and the amount can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting date. Where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the obligation.

When discounting is used, the increase in the provision due to passage of time is recognised as a finance cost in profit or loss.

t) Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the statements of financial position of the Group and the Company, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

u) Borrowing costs

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are recognised in the profit or loss using the effective interest method.

v) Employee benefits

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund, and will have no legal or constructive obligation to pay further contributions once the contributions have been paid. Contributions to defined contribution plans are recognised as an expense in the period in which the related service is performed.

2 Summary of significant accounting policies (cont'd)

v) Employee benefits (cont'd)

Employee 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 end of the reporting period.

w) Foreign currencies

Functional and presentation currency

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

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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

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 Group's presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing rates at the end of the reporting period;

(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 exchange differences are recognised in the currency translation reserve within equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header Currency Translation Reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

On disposal of a foreign group entity, the cumulative amount of the currency translation reserve relating to that particular foreign entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

2 Summary of significant accounting policies (cont'd)

x) Dividends

Interim dividends are recorded during the financial year in which they are declared payable.

Final dividends are recorded in the Group's financial statements in the period in which they are approved by the Company's shareholders.

y) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

z) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing performance of the operating segments.

aa) Related parties

A related party is an entity or person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common or joint control with, the entity in governing the financial and operating policies, or that has an interest in the entity that gives it significant influence over the entity in financial and operating decisions. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence by or for which significant voting power in such entity resides with, directly or indirectly, any such individual.

bb) Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale and

(a) represents a separate major line of business or geographical area of operations; or
(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
(c) is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

2 Summary of significant accounting policies (cont'd)

cc) Critical accounting judgements and key sources of estimation uncertainty

Critical judgement in applying the entity's accounting policies

In the process of applying the Group's accounting policies, management has made the following judgement that has the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt in the subsequent paragraphs).

Joint control over Dream Marine Ship Spare Parts LLC ("DMS")

As described in Note 13, the Company's equity interest held in DMS is 34%. However, the Company is entitled to 70% of the net profit of DMS based on the shareholders' agreement between the Company and other joint venturers.

The Company has joint control over this investee as under the contractual arrangement, unanimous consent is required from all parties to the agreements for all relevant activities.

Management considered that the joint arrangement is structured as a limited company and provides the Company and the parties to the agreement with rights to the net assets of the limited company under the arrangement. Accordingly, this arrangement is classified as a joint venture.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Provision for liabilities

The Company has provided corporate guarantee of $18,057,000 (OMR4,800,000) (2015: $15,717,000 (OMR4,290,000)) ("Guarantee") to a joint venture, Gulf Specialty Steel Industries LLC ("GSSI") for banking facilities taken by GSSI. As at the end of the reporting period, total bank borrowings drawndown by GSSI was $38,822,000 (2015: $35,234,000).

The Company has also undertaken to provide continuing financial support to GSSI so as to enable it to meet its liabilities as and when they fall due.

The management estimates the provision for liabilities based on the difference between the Company's estimated obligations under the Guarantee and the recoverable amount of investment in GSSI. The recoverable amount of investment in GSSI is determined based on the value-in-use of GSSI using the discounted cash flow ("DCF") method.

The provision for liabilities and key assumptions used in the DCF calculations are disclosed in Note 27(a).

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill are tested for impairment annually and at other times when such indicators exist. Other non-financial assets (including investment in subsidiaries, joint ventures and associated companies) are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or the cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use.

When value-in-use calculations are undertaken, management is required to estimate the expected future cash flows from the asset or cash-generating unit and a suitable discount rate, in order to determine the present value of those cash flows. Further details of the key assumptions applied in the impairment assessment for investment in associated companies and goodwill and their carrying amounts are described in Notes 14 and 16 respectively.

2 Summary of significant accounting policies (cont'd)

cc) Critical accounting judgements and key sources of estimation uncertainty (cont'd)

Key sources of estimation uncertainty (cont'd)

Acquisition of Omnisense Systems Private Limited ("OMS")

As disclosed in note 12(c), the Group acquired 51% equity shares in OMS during the financial year for a total purchase consideration of $3.317 million. Significant estimations are required to determine the fair value of the total purchase consideration and the fair value of total identifiable assets acquired.

The management has determined the fair value of the purchase consideration (including the contingent consideration and put options granted to non-controlling interests) using certain valuation methodologies, as disclosed in note 12(c).

The determination of total identifiable assets acquired required significant estimations, amongst others, the valuation of identifiable intangible assets acquired. The management has recognised acquired technology and maintenance contracts of $2,920,000 and $141,000 respectively, arising from the business combination. The valuation methodologies used to determine the fair value of acquired technology and maintenance contracts were relief from royalty method and multi-period excess earnings method, by applying a pre-tax discount rate of 17.8% and 16.8% respectively.

If the management's estimated pre-tax discount rate applied to the discounted cash flows of OMS had been higher/lower by 1%, the fair value of the acquired technology would be lower/higher by $110,000. Any reasonably possible change in discount rate would not have material impact to the fair value of maintenance contracts recognised.

Impairment of trade and other receivables

The Group and the Company assess at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's and the Company's trade and other receivables at the end of the reporting period are disclosed in Notes 21 and 22 to the financial statements. If the present value of estimated future cash flows differ from management's estimates, the Group's and the Company's allowance for impairment for trade and other receivables and the trade and other receivables balance at the end of the reporting period will be affected accordingly.

Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, the amount and timing of future taxable income and deductibility of certain expenditure. Accordingly, there are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on reasonable estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payable, deferred tax assets and liabilities at 31 December 2016 were $495,000, $11,000 and $1,463,000 (2015: $1,197,000, $44,000 and $915,000) respectively.

3 New or revised FRS and INT FRS issued at balance sheet date but not yet effective

FRS 115 Revenue from Contracts with Customers

FRS 115 replaces FRS 18 'Revenue', FRS 11 'Construction contracts' and other revenue-related interpretations. It applies to all contracts with customers, except for leases, financial instruments, insurance contracts and certain guarantee contracts and non-monetary exchange contracts. FRS 115 provides a single, principle-based model to be applied to all contracts with customers. An entity recognises revenue in accordance with the core principle in FRS 115 by applying a 5-step approach.

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. FRS 115 includes disclosure requirements that will result in disclosure of comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Management is currently assessing the impact of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

(a) *Variable consideration*

The Group currently recognises revenue from sale of goods at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. If revenue cannot be estimated reliably, the Group defers revenue recognition until the uncertainty is resolved. Such provisions for returns, trade discounts and volume rebates in the Group's contracts with customers give rise to variable considerations under FRS 115 which will be required to be estimated at contract inception. Revenue is only recognised to the extent that it is highly probable that there will be no significant reversal when the uncertainty is resolved.

(b) *Construction contracts*

In respect of the Group's revenue from construction contracts, the management has identified that the areas that are likely to have an impact to the Group include identifying performance obligations, accounting for contract modifications, evaluating significant financing components and disclosure requirements.

The Group plans to adopt the standard when it becomes effective in financial year ending 31 December 2018. The Group is currently performing a detailed assessment of the impact and quantifying the transition adjustments on its financial statements.

FRS 109 Financial Instruments

FRS 109 which replaces FRS 39, includes guidance on (i) the classification and measurement of financial assets and financial liabilities; (ii) impairment requirements for financial assets; and (iii) general hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace FRS 39 incurred loss model.

(a) *Classification and measurement*

While the Group has yet to undertake a detailed assessment of the classification and measurement of its financial assets, the Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109. Loans and receivables that are currently accounted for at amortised cost will continue to be accounted using amortised cost model under FRS 109.

3 New or revised FRS and INT FRS issued at balance sheet date but not yet effective (cont'd)

FRS 109 Financial Instruments (cont'd)

(b) *Impairment*

FRS 109 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables.

The Group has not undertaken a detailed assessment of the impact of the impairment provisions under FRS 109 but the Group expects that the new expected loss model may result in an earlier recognition of credit losses.

The Group plans to adopt the standard when it becomes effective in financial year ending 31 December 2018.

FRS 116 Leases

FRS 116 replaces the existing FRS 17: *Leases*. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their balance sheets to reflect their rights to use leased assets (a "right-of-use" asset) and the associated obligations for lease payments (a lease liability), with limited exemptions for short term leases (less than 12 months) and leases of low value items. The accounting for lessors will not change significantly.

The standard is effective for annual periods beginning on or after 1 January 2019. 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 $10,100,000 (Note 32). The Group anticipates that the adoption of FRS 116 in the future may have a material impact on the amounts reported and disclosures made in the financial statements. But, it is not practicable to provide a reasonable estimate of the impact of FRS 116 until the Group performs a detailed assessment. The Group will perform a detailed assessment of the impact and plans to adopt the standard on the required effective date.

4 Revenue

	Group	
	2016	2015
	$'000	$'000
Sales of goods	**49,425**	55,577
Service income	**273**	–
Contract revenue	**361**	–
	50,059	55,577

5 Finance costs

	Group	
	2016	2015
	$'000	$'000
Interests on borrowings		
- finance leases	**23**	23
- loans	**301**	224
- overdraft	**–**	4
- trust receipts	**128**	79
	452	330

6 Tax expense

Tax expense attributable to losses is made up of:

	Group	
	2016	2015
	$'000	$'000
From continuing operations		
- Current income tax	**259**	910
- Deferred tax (Note 15)	**(26)**	201
	233	1,111
Over provision of income tax in prior year	**(172)**	(461)
	61	650
From discontinued operations (Note 7)		
- Income tax	**–**	81
- Deferred tax (Note 15)	**64**	(30)
	64	51
	125	701

The income tax expense on the results of the financial year differs from the amount of income tax determined by applying the Singapore standard rate of income tax due to the following factors:

	Group	
	2016	2015
	$'000	$'000
(Loss)/profit before tax from:		
- Continuing operations	**(12,287)**	(1,033)
- Discontinued operations	**1,138**	(4,490)
	(11,149)	(5,523)
Tax calculated at a tax rate of 17% (2015: 17%)	**(1,895)**	(939)
Singapore statutory stepped income exemption	**(44)**	(26)
Income not subject to tax	**(227)**	(914)
Over provision of taxes in prior year	**(172)**	(461)
Expenses not deductible for tax purposes	**2,021**	844
Effect of different tax rates in other countries	**–**	(378)
Deferred tax assets not recognised	**64**	2,119
Tax incentive	**(203)**	(142)
Utilisation of deferred tax benefits not previously recognised	**(3)**	(19)
Tax effect of share of results of associated companies and joint ventures	**603**	616
Others	**(19)**	1
	125	701

7 Discontinued operations

The Group has discontinued the following operations since the previous financial years:

(a) In 2012, the Group discontinued the operations of a subsidiary group in Batam which were previously reported under the Engineering Services Segment. The subsidiary group consists of BH Marine & Offshore Engineering Pte Ltd, PT. BH Marine & Offshore Engineering and PT. Dwi Utama Mandiri Sukses (collectively “the Batam Subsidiary Group”).

Despite ongoing negotiations with potential buyers, the Group has not been able to conclude the sale of the property, plant and equipment of the Batam Subsidiary Group. Accordingly, these assets are classified as property, plant and equipment in the Group’s financial statements.

Nevertheless, all income and expenses relating to the Batam Subsidiary Group are accounted for as Discontinued Operations in view that Batam Subsidiary Group has completely ceased business operations.

(b) In November 2014, the Company entered into a sale and purchase agreement to dispose the Group’s entire 60% equity interest in a subsidiary, Z-Power Automation Pte Ltd (“ZPA”). The disposal was completed in March 2015 and the gain on disposal of ZPA of $4.32 million had been recognised in 2015. As ZPA represented an operating segment of the Group (i.e. marine switchboards within Manufacturing segment), the post-tax results of ZPA were presented under discontinued operations in the consolidated income statement.

(c) In September 2015, a subsidiary of the Group, Oil & Gas Solutions Pte Ltd (“OGS”) initiated creditors’ voluntary liquidation and liquidators were appointed. In accordance with FRS 110, the Group has assessed that it has lost control of OGS upon the appointment of the liquidators. Accordingly, OGS and its subsidiaries (“OGS Group”) were deconsolidated with effect from September 2015.

OGS has novated its remaining project to a fellow subsidiary, BOS Offshore and Marine Pte Ltd (“BOS”) prior to September 2015. It is the management’s intention to complete the project. The management does not expect to continue this business segment after the completion of the project.

As OGS was an operating segment of the Group (i.e. engineering and installation services within Engineering Services Segment), the post-tax results of OGS Group and BOS were presented under discontinued operations (collectively, Engineering and Installation services) in the consolidated income statement.

7 **Discontinued operations and Disposal group classified as held for sale (cont'd)**

(c) An analysis of the results of discontinued operations, and the results recognised on the remeasurement of disposal group is as follows: (cont'd)

	Batam Subsidiary Group		**ZPA**		**Engineering and installation services**		**Total**	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Revenue	–	1,524	–	3,754	**1,928**	1,582	**1,928**	6,860
Cost of sales	–	(2,140)	–	(2,631)	**(870)**	(4,935)	**(870)**	(9,706)
Gross (loss)/profit	–	(616)	–	1,123	**1,058**	(3,353)	**1,058**	(2,846)
Other operating income/(expenses)	**389**	(81)	–	4,285	**129**	(1,149)	**518**	3,055
Selling and distribution expense	**(54)**	(2,085)	–	(400)	**(65)**	(379)	**(119)**	(2,864)
Administrative expense	**(281)**	(425)	–	(167)	**(38)**	(1,202)	**(319)**	(1,794)
Finance costs	–	(9)	–	(1)	–	(25)	–	(35)
Share of results of associated company	–	–	–	(6)	–	–	–	(6)
Profit/(loss) before tax	**54**	(3,216)	–	4,834	**1,084**	(6,108)	**1,138**	(4,490)
Tax (expense)/credit (Note 6)	**(64)**	30	–	(81)	–	–	**(64)**	(51)
Total (loss)/profit from discontinued operations	**(10)**	(3,186)	–	4,753	**1,084**	(6,108)	**1,074**	(4,541)

(d) The impact of the discontinued operations on the cash flows of the Group are as follows:

	Batam Subsidiary Group		**ZPA**		**Engineering and installation services**		**Total**	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Operating cash flows	**(401)**	(1,716)	–	(342)	**1,744**	1,363	**1,343**	(695)
Investing cash flows	–	–	–	(34)	**(2)**	(18)	**(2)**	(52)
Financing cash flows	–	(2,117)	–	(5)	–	(1,786)	–	(3,908)
Net cash (outflow)/inflow	**(401)**	(3,833)	–	(381)	**1,742**	(441)	**1,341**	(4,655)

8 Loss for the financial year

	Group					
	Continuing operations		Discontinued operations		Total	
	2016	2015	**2016**	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Loss for the year is arrived at after charging:						
Allowance for impairment of trade receivables (Note 21)	**1,281**	73	**–**	2,382	**1,281**	2,455
Audit fees paid to:						
- auditors of the Company	**194**	146	**14**	42	**208**	188
- other auditors	**–**	–	**2**	14	**2**	14
Non-audit fees paid to:						
- auditors of the Company	**36**	16	**–**	11	**36**	27
- other auditors*	**66**	209	**–**	35	**66**	244
Cost of inventories included in cost of sales	**32,736**	36,950	**755**	6,137	**33,491**	43,087
Depreciation of property, plant and equipment (Note 11)	**1,442**	1,501	**7**	152	**1,449**	1,653
Foreign exchange loss	**–**	–	**–**	258	**–**	258
Inventories written down	**350**	445	**–**	–	**350**	445
Impairment loss on equity loan to a joint venture	**–**	184	**–**	–	**–**	184
Impairment loss on investment in an associated company (Note 14)	**2,000**	–	**–**	–	**2,000**	–
Impairment loss on property, plant and equipment	**–**	249	**–**	–	**–**	249
Loss on disposal of property, plant and equipment	**132**	425	**–**	–	**132**	425
Loss on deconsolidation of subsidiaries	**–**	–	**–**	1,050	**–**	1,050
Provision for liabilities (Note 27(a))	**8,190**	4,073	**–**	–	**8,190**	4,073
Provision for warranty	**–**	–	**–**	13	**–**	13
Provision for foreseeable loss on project (Note 27)	**–**	–	**–**	684	**–**	684
Rental expenses						
- Land and warehouse	**640**	670	**7**	–	**647**	670
- Other	**22**	24	**4**	97	**26**	121
Staff costs (Note 9)	**7,686**	7,933	**799**	2,471	**8,485**	10,404
Contingent consideration receivable written off (Note 18)	**217**	–	**–**	–	**217**	–
Amortisation of intangible assets (Note 16)	**286**	–	**–**	–	**286**	–

* Includes independent member firms of the Baker Tilly International network.

8 Loss for the financial year (cont'd)

	Group					
	Continuing operations		Discontinued operations		Total	
	2016	2015	**2016**	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
and crediting:						
Foreign exchange gain	**383**	403	**615**	–	**998**	403
Gain on disposal of property held for sale	**–**	1,073	**–**	–	**–**	1,073
Gain on disposal of a subsidiary	**–**	–	**–**	4,321	**–**	4,321
Interest income	**209**	127	**1**	7	**210**	134
Management fee income	**36**	86	**–**	–	**36**	86
Rental income	**114**	124	**–**	–	**114**	124
Write back of provision for foreseeable loss (Note 27)	**–**	–	**684**	–	**684**	–
Contingent consideration income (Note 18)	**–**	300	**–**	–	**–**	300

9 Staff costs

	Group					
	Continuing operations		Discontinued operations		Total	
	2016	2015	**2016**	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Key management personnel						
- Directors' fees	**391**	420	**–**	(37)	**391**	383
- Salaries and related costs	**1,911**	2,073	**130**	425	**2,041**	2,498
- CPF	**95**	90	**12**	10	**107**	100
Close family members of key management personnel						
- Salaries and related costs	**147**	141	**–**	–	**147**	141
- CPF	**24**	23	**–**	–	**24**	23
Other staff						
- Salaries and related costs	**4,408**	4,417	**598**	1,795	**5,006**	6,212
- CPF	**465**	459	**57**	160	**522**	619
Staff training and welfare	**245**	310	**2**	118	**247**	428
	7,686	7,933	**799**	2,471	**8,485**	10,404

10 **(Loss)/earnings per share**

The calculation of the basic and diluted (loss)/earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Continuing operations		**Discontinued operations**		**Total**	
	2016	2015	**2016**	2015	**2016**	2015
Net (loss)/profit attributable to equity holders of the Company ($'000)	**(12,164)**	(1,573)	**958**	(2,637)	**(11,206)**	(4,210)
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share ('000)	**120,000**	120,000	**120,000**	120,000	**120,000**	120,000
Basic and diluted (loss)/earnings per share (cents per share)	**(10.14)**	(1.31)	**0.80**	(2.20)	**(9.34)**	(3.51)

11 Property, plant and equipment

Group	Leasehold properties $'000	Extension, addition & alteration works $'000	Yard facilities $'000	Motor vehicles $'000	Warehouse equipment & fittings $'000	Computer & office equipment $'000	Furniture, fittings & renovation $'000	Plant and machinery $'000	Total $'000
2016									
Cost									
At 1.1.2016	9,127	11,082	4,555	1,351	640	2,207	1,478	–	30,440
Additions	–	–	–	–	49	299	101	153	602
Acquisition of a subsidiary (Note 12(c))	–	–	–	124	–	82	46	89	341
Disposals	–	–	(4,607)	(39)	–	(9)	–	–	(4,655)
Disposal of a subsidiary	–	–	–	–	–	(9)	–	–	(9)
Currency translation differences	226	–	52	2	–	5	2	–	287
At 31.12.2016	**9,353**	**11,082**	**–**	**1,438**	**689**	**2,575**	**1,627**	**242**	**27,006**
Accumulated depreciation and impairment loss									
At 1.1.2016	1,901	3,576	4,369	836	529	1,777	953	–	13,941
Acquisition of a subsidiary (Note 12(c))	–	–	–	27	–	21	22	25	95
Depreciation charge	244	328	42	237	51	369	162	16	1,449
Disposals	–	–	(4,461)	(38)	–	(3)	–	–	(4,502)
Disposal of a subsidiary	–	–	–	–	–	(8)	–	–	(8)
Currency translation differences	145	–	50	2	–	5	2	–	204
At 31.12.2016	**2,290**	**3,904**	**–**	**1,064**	**580**	**2,161**	**1,139**	**41**	**11,179**
Net carrying value									
At 31.12.2016	**7,063**	**7,178**	**–**	**374**	**109**	**414**	**488**	**201**	**15,827**

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

Group	Leasehold properties $'000	Extension, addition & alteration works $'000	Yard facilities $'000	Motor vehicles $'000	Warehouse equipment & fittings $'000	Computer & office equipment $'000	Furniture, fittings & renovation $'000	Plant and machinery $'000	Total $'000
2015									
Cost									
At 1.1.2015	9,207	11,082	5,475	1,371	689	3,268	1,666	2,130	34,888
Additions	–	–	–	5	–	141	322	–	468
Disposals	–	–	(761)	(23)	(2)	(213)	(299)	(2,077)	(3,375)
Deconsolidation of subsidiaries	–	–	–	–	(48)	(982)	(210)	–	(1,240)
Currency translation differences	(80)	–	(159)	(2)	1	(7)	(1)	(53)	(301)
At 31.12.2015	9,127	11,082	4,555	1,351	640	2,207	1,478	–	30,440
Accumulated depreciation and impairment loss									
At 1.1.2015	1,773	3,200	4,956	598	488	2,448	1,074	1,242	15,779
Depreciation charge	197	376	66	261	89	376	133	99	1,597
Disposals	–	–	(761)	(22)	(2)	(161)	(64)	(1,321)	(2,331)
Impairment loss	–	–	249	–	–	–	–	–	249
Deconsolidation of subsidiaries	–	–	–	–	(46)	(878)	(190)	–	(1,114)
Currency translation differences	(69)	–	(141)	(1)	–	(8)	–	(20)	(239)
At 31.12.2015	1,901	3,576	4,369	836	529	1,777	953	–	13,941
Net carrying value									
At 31.12.2015	7,226	7,506	186	515	111	430	525	–	16,499

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

	Computer $'000
Company	
2016	
Cost	
At 1.1.2016 and 31.12.2016	4
Accumulated depreciation	
At 1.1.2016	2
Depreciation charge	2
At 31.12.2016	**4**
Net carrying value	
At 31.12.2016	–
2015	
Cost	
At 1.1.2015 and 31.12.2015	4
Accumulated depreciation	
At 1.1.2015	1
Depreciation charge	1
At 31.12.2015	2
Net carrying value	
At 31.12.2015	2

The net carrying amounts of property, plant and equipment relating to the Batam Subsidiary Group (Note 7) are as follows:

	2016 $'000	2015 $'000
Leasehold properties	**2,518**	2,523
Yard facilities	**–**	186
Others	**4**	16
	2,522	2,725

During the financial year, the Group carried out a review of the recoverable amount of its leasehold properties because of cessation of business operations of the Batam Subsidiary Group. The fair value of the leasehold properties was determined by an independent professional valuer using the comparable sales method taking into consideration similar properties that have been transacted in the open market at the end of the reporting period.

The management is satisfied that no impairment on the leasehold properties is required as its fair value was higher than the carrying amount as at 31 December 2016.

11 Property, plant and equipment - Group (cont'd)

The net carrying amounts of property, plant and equipment mortgaged to secure banking facilities granted to the Group (Note 28) are as follows:

	2016 $'000	2015 $'000
Leasehold property	**1,820**	1,906
Extension, addition and alteration works	**5,482**	5,730
	7,302	7,636

At the end of the reporting period, the net carrying values of property, plant and equipment of the Group under finance lease arrangements amounted to $323,000 (2015: $520,000) (Note 26).

12 Investment in subsidiaries

	Company	
	2016 $'000	2015 $'000
Unquoted equity shares, at cost		
At 1 January	**14,034**	18,475
Acquisitions of subsidiaries	**3,615**	–
Additional investment in a subsidiary	**250**	350
Disposal during the financial year	**(225)**	(1,745)
Deconsolidated during the financial year	**–**	(3,046)
At 31 December	**17,674**	14,034
Movement of allowance for impairment:		
At 1 January	**3,650**	6,246
Impairment charge	**–**	450
Write back of allowance for impairment	**(450)**	–
Disposal during the financial year	**(180)**	–
Deconsolidated during the financial year	**–**	(3,046)
At 31 December	**3,020**	3,650
Net carrying amount	**14,654**	10,384

12 Investment in subsidiaries (cont'd)

(a) Details of subsidiaries:

Name of subsidiary (Country of incorporation)	Principal activities	Group's effective equity interest held 2016 %	2015 %
Beng Hui Marine Electrical Pte Ltd * ("BHM") (Singapore)	Wholesalers and retailers of electrical goods, appliances and other related products in marine supply and servicing	**100**	100
SOPEX Innovations Pte Ltd * (Singapore)	Wholesale trade in marine equipment and accessories	**100**	100
BOS Offshore and Marine Pte Ltd * (Singapore)	Providing marine and offshore related services and products	**90**	90
BH Marine & Offshore Engineering Pte Ltd ("BHE") * (Singapore)	System integration contractor providing turnkey electrical and instrumentation installation services	**90**	90
Sky Holding Pte Ltd * (Singapore)	Manufacturer and supplier of specialty steel wire and other types of wire	**60**	60
Oil & Gas Solutions Pte Ltd ("OGS") @ (Singapore)	Providing marine and offshore related services and products	**60**	60
GL Lighting International Pte Ltd * (Singapore) (Note 12(e))	Wholesale of lighting related products and facilities	**–**	75
Global Steel Industries Pte Ltd * (Singapore)	Investment holding	**100**	100
Athena Dynamics Pte. Ltd. * (Singapore) (Note 12(d), (f))	Provision of IT electronics products and solutions	**95**	–
Omnisense Systems Private Limited * (Singapore) (Note 12(c))	Research and development, manufacture and sale of medical, professional, engineering, scientific and prevision	**51**	–
<u>Subsidiary held by BHE</u>			
PT. BH Marine & Offshore Engineering ("PTE")** (Indonesia)	Provision of engineering and installation services in the marine and offshore sector	**90**	90
<u>Subsidiary held by PTE</u>			
PT. Dwi Utama Mandiri Sukses** (Indonesia)	Investment holding	**90**	90

12 Investment in subsidiaries (cont'd)

a) Details of subsidiaries (cont'd):

Name of subsidiary (Country of incorporation)	Principal activities	Group's effective equity interest held 2016 %	2015 %
Subsidiary held by BHM			
BH Global Marine India Private Limited# (India)	Wholesale trade in marine equipment and accessories	**90**	90
Subsidiaries held by OGS			
Dalian Nautical Offshore & Marine Technologies Co., Ltd @ (People's Republic of China)	Provision of marine and offshore related services and products	**42**	42
PT O & G Solutions @ (Indonesia)	Provision of marine and offshore related services and products	**60**	60

* Audited by Baker Tilly TFW LLP
** Audited by Baker Tilly TFW LLP for the purpose of consolidation
\# Audited by other firms of certified public accountants
@ In the process of liquidation

b) Summarised financial information of subsidiaries with material non-controlling interest ("NCI")

The Group has the following subsidiaries that have NCI that are considered by management to be material to the Group:

Name of subsidiary	Principal place of business/ Country of incorporation	Ownership interest held by NCI 2016 %	2015 %
BH Marine & Offshore Engineering Pte Ltd and its subsidiaries ("BHE Group")	Singapore	**9.9**	9.9
Omnisense Systems Private Limited ("OMS")	Singapore	**49.0**	–

The following is the summarised financial information of BHE Group and OMS. These financial information include consolidation adjustments but before inter-company eliminations.

Summarised statements of financial position

	BHE Group 2016 $'000	BHE Group 2015 $'000	OMS 2016 $'000	OMS 2015 $'000
Non-current assets	**2,522**	2,758	**6,203**	–
Current assets	**105**	1,135	**815**	–
Non-current liabilities	**(612)**	(557)	**(579)**	–
Current liabilities	**(51,840)**	(50,623)	**(1,523)**	–
Net (liabilities)/assets	**(49,825)**	(47,287)	**4,916**	–
Net (liabilities)/assets attributable to NCI	**(4,933)**	(4,681)	**1,803**	–

12 Investment in subsidiaries (cont'd)

b) Summarised financial information of subsidiaries with material non-controlling interest ("NCI") (cont'd)

Summarised statement of comprehensive income

	BHE Group		OMS	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Revenue	**–**	1,524	**679**	–
Other expenses	**(203)**	(5,768)	**(1,105)**	–
Loss before tax	**(203)**	(4,244)	**(426)**	–
Income tax (expense)/credit	**(64)**	30	**26**	–
Loss for the year	**(267)**	(4,214)	**(400)**	–
Post-tax loss from continuing operations	**(257)**	(1,028)	**(400)**	–
Post-tax loss from discontinued operations	**(10)**	(3,186)	**–**	–
Other comprehensive loss	**(222)**	(270)	**–**	–
Total comprehensive loss	**(489)**	(4,484)	**(400)**	–
Loss allocated to NCI	**(48)**	(444)	**(196)**	–

Summarised statement of cash flows

	BHE Group 2016 $'000	BHE Group 2015 $'000	OMS 2016 $'000	OMS 2015 $'000
Cash flows from operating activities	**(401)**	(2,156)	**(427)**	–
Cash flows from investing activities	**–**	452	**(539)**	–
Cash flows from financing activities	**(512)**	(4,254)	**910**	–
Net decrease in cash and cash equivalents	**(913)**	(5,958)	**(56)**	–

The summarised statement of comprehensive income and summarised statement of cash flows for OMS are for the period from 1 July 2016 to 31 December 2016.

12 Investment in subsidiaries (cont'd)

c) *Acquisition of Omnisense Systems Private Limited*

In June 2016, the Company acquired 51% equity interest in Omnisense Systems Private Limited ("OMS") for total consideration of $3,317,000. The acquisition is to complement the Group's activities in the security segment.

(i) *Acquisition-date consideration transferred*

	Group $'000
Cash paid	2,552
Contingent consideration recognised (Note 25)	765
Total consideration transferred	3,317

(ii) *Fair value of identifiable assets and liabilities of subsidiary at acquisition date*

	$'000
Property, plant and equipment (Note 11)	246
Intangible assets (Note 16)	3,532
Inventories	477
Trade and other receivables	759
Cash and cash equivalents	69
Trade and other payables	(478)
Finance lease liabilities	(5)
Deferred tax liabilities (Note 15)	(520)
Total identifiable assets	4,080
Less: Non-controlling interest measured at the non-controlling interest's proportionate share of subsidiary's net assets	(1,999)
Net identifiable assets acquired	2,081
Goodwill (Note 16)	1,236
Total consideration transferred	3,317

(iii) *Effect on cash flows of the Group*

	$'000
Cash paid (as per (i) above)	2,552
Less: cash and cash equivalents in subsidiary acquired	(69)
Net cash outflow on acquisition of a subsidiary	2,483

(iv) *Contingent consideration arrangement*

As part of the investment agreement for OMS, the Group is required to subscribe for further shares in OMS for aggregate value of up to $4.4 million, and OMS shall also issue shares to other shareholders at $0.0001 per new share so as to maintain the shareholding proportionality, such that the Company's shareholding before and after the additional funding shall remain at 51%. The additional shares subscription is conditional upon OMS meeting certain performance targets for the period from 1 January 2016 until 30 June 2019.

12 **Investment in subsidiaries (cont'd)**

c) *Acquisition of Omnisense Systems Private Limited*

(iv) *Contingent consideration arrangement (cont'd)*

As at the acquisition date, the fair value of the contingent consideration was estimated to be $765,000. The fair value of the contingent consideration was calculated by applying the income approach using the probability-weighted expected contingent consideration discounted at 6.1% per annum.

As at 31 December 2016, the management has assessed that there is no change in the fair value of the contingent consideration as there has been no significant changes in the performance indicators of OMS.

(v) *Put options granted to non-controlling interests*

As part of the investment agreement for OMS, the Company has also granted put options to certain shareholders ("Outgoing Shareholders") allowing Outgoing Shareholders to put OMS shares they are holding to the Company at a consideration of $100 per share. The put options shall be exercisable upon OMS' meeting certain performance targets for the period from 1 July 2016 to 30 June 2018.

As at the acquisition date and end of the reporting period, the fair value of the put options was estimated to be $nil as it was assessed as not probable that OMS will achieve the performance targets.

(vi) *Acquisition-related costs*

Transaction costs related to the acquisition of $80,000 have been included in "administrative expenses" in the Group's results from continuing operations for the current financial year.

(vii) *Goodwill*

The acquired subsidiary is involved in the business of research and development, manufacture and sale of medical, professional, engineering, scientific and precision equipment. The goodwill of $1,236,000 is attributable to significant synergies expected to arise to the Group after the acquisition.

(viii) *Revenue and profit contribution*

The acquired subsidiary contributed revenues of $679,000 and net loss of $400,000 to the Group for the period from 1 July 2016 to 31 December 2016. If the acquisition had occurred on 1 January 2016, the Group's revenue would have been $50.397 million and total loss from continuing operations would have been $12.973 million.

d) *Acquisition of Athena Dynamics Pte. Ltd.*

In March 2016, the Company acquired the remaining 51% equity interest in a joint venture, Athena Dynamics Pte. Ltd. ("ADPL"), for total consideration of $200,000 (Note 13(e)). ADPL became a wholly-owned subsidiary of the Company subsequent to the acquisition.

(i) Acquisition-date consideration transferred:

	Group
	$'000
Fair value of previously-held interest (Note 13(e))	22
Cash paid	200
Total consideration transferred	222

12 **Investment in subsidiaries (cont'd)**

d) *Acquisition of Athena Dynamics Pte Ltd (cont'd)*

(ii) *Fair value of identifiable assets and liabilities of subsidiary at acquisition date*

	Group **$'000**
Trade and other receivables	155
Cash and cash equivalents	32
Trade and other payables	(150)
Total identifiable assets	37
Goodwill (Note 16)	185
Total consideration transferred	222

(iii) *Effect on cash flows of the Group*

	$'000
Cash paid (as per (i) above)	200
Less: cash and cash equivalents in subsidiary acquired	(32)
Net cash outflow on acquisition of a subsidiary	168

(iv) *Acquisition-related costs*

Transaction cost related to the acquisition was immaterial to the Group's results for the current financial year.

(v) *Goodwill*

The acquired subsidiary is involved in the business of cyber security. The goodwill of $185,000 is attributable to significant synergies expected to arise to the Group after the acquisition.

(vi) *Revenue and profit contribution*

The acquired subsidiary contributed revenues of $404,000 and net loss of $87,000 to the Group for the period from 1 April 2016 to 31 December 2016. The revenue and results of ADPL from 1 January 2016 to 31 March 2016 were negligible and did not have any material impact to the Group's revenue and results of the year had the acquisition occurred on 1 January 2016.

e) Disposal of a subsidiary

During the financial year, the Company disposed its entire 75% equity interest in a subsidiary, GL Lighting International Pte Ltd to its associated company, GL Lighting Holding Pte Ltd (Note 14). Details of the disposal were as follows:

12 **Investment in subsidiaries (cont'd)**

e) Disposal of a subsidiary (cont'd)

(i) Carrying amounts of assets and liabilities disposed of:

	Group $'000
Property, plant and equipment	1
Cash and cash equivalents	47
Total assets	48
Trade and other payables	3
Total liabilities	3
Net assets derecognised	45
Less: Non-controlling interests	(11)
Net assets disposed of/proceeds from disposal	34

(ii) Net cash outflow arising on disposal:

	Group $'000
Proceed from disposal (as above)	34
Less: cash and cash equivalents in subsidiary disposed of	(47)
Net cash outflow on disposal of a subsidiary	(13)

f) Changes in ownership interest in a subsidiary

During the financial year, a wholly-owned subsidiary, Athena Dynamics Pte Ltd ("ADPL") issued 25,000 ordinary shares to a third party at consideration of $25,000. The effective equity interest in ADPL is diluted to 95%.

The dilution of equity interest did not have material impact to the Group.

g) Company level - impairment review of investment in subsidiaries

During the financial year, the management performed a review for its investment in BOS Offshore and Marine Pte Ltd of which the cost of investment had been fully impaired in the previous financial year. The subsidiary has achieved net operating profit in 2016 and based on the management's assessment, the estimated recoverable amount in this subsidiary, which has been determined using the value-in-use calculations, is higher than its gross carrying amount of investment. Accordingly, the impairment loss of $450,000 was written back to profit or loss for the financial year ended 31 December 2016.

13 Investment in joint ventures

a) The Group's investment in joint ventures are summarised below:

	Group	
	2016	2015
	$'000	$'000
Carrying amount		
Dream Marine Ship Spare Parts Trading LLC ("DMS")	**2,705**	2,380
Gulf Specialty Steel Industries LLC ("GSSI")	**–**	–
Other joint ventures	**–**	36
	2,705	2,416

b) Included in investment in joint ventures of the Company and the Group is amounts of $828,000 (2015: $824,000) being equity loans due from joint ventures. These amounts are unsecured, interest-free and have no fixed repayment term.

c) The following information relates to the joint ventures at the end of the financial year:

Name of joint venture (Country of incorporation)	Principal activities	Group's effective equity interest held	
		2016	2015
		%	%
Dream Marine Ship Spare Parts Trading LLC# (Dubai, UAE)	Trading in electrical components and spare parts of ships and boats	**34**	34
Athena Dynamics Pte Ltd* (Singapore) (Note 13(e))	Provision of IT electronic products and solutions	**–**	49
BH Global HNS Pte Ltd* (Singapore)	Design, development, marketing and sales of nitrogen steel products	**49**	49
Joint venture held by Global Steel Industries Pte Ltd			
Gulf Specialty Steel Industries LLC # (Sultanate of Oman)	Manufacturer and supplier of specialty steel wire and other types of wire	**51**	51

In accordance with the shareholders' agreements between the Company and other joint venturers of DMS, the Company is entitled to 70% of the net profit of DMS. However, the Company's equity interest held in DMS is 34%.

* Audited by Baker Tilly TFW LLP
\# Audited by other firms of certified public accountants

All of the above joint ventures are accounted for using the equity method in these consolidated financial statements. The activities of DMS and GSSI provide the Group access to markets in the Middle East.

13 Investment in joint ventures (cont'd)

d) Summarised financial information for material joint ventures based on their FRS financial statements (adjusted by the Group for equity accounting purpose) and a reconciliation to the carrying amounts of the investments in the consolidated financial statements are as follows:

	DMS		GSSI	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Income Statement items:				
Revenue	**2,393**	3,435	**29,245**	36,506
Profit/(loss) after tax from continuing operations	**541**	886	**(10,005)**	(11,828)
Other comprehensive income/(loss)	**85**	82	**489**	(33)
Total comprehensive income/(loss)	**626**	968	**(9,516)**	(11,861)
Dividend received from joint ventures	**385**	267	**–**	–

The above profit/(loss) for the financial year include the following:

	$'000	$'000	**$'000**	$'000
Depreciation and amortisation	**24**	25	**1,640**	1,718
Impairment of property, plant and equipment	**–**	–	**13,568**	6,863
Interest expense	**–**	–	**1,521**	1,233

	$'000	$'000	**$'000**	$'000
Statement of financial position items:				
Non-current assets	**89**	61	**9,700**	23,764
Current assets	**3,901**	3,728	**14,374**	12,093
Non-current liabilities	**–**	–	**(622)**	(22,453)
Current liabilities	**(1,309)**	(1,540)	**(46,374)**	(20,335)
Net assets/(liabilities)	**2,681**	2,249	**(22,922)**	(6,931)

The above amounts of assets and liabilities include the following:

	$'000	$'000	**$'000**	$'000
Cash and cash equivalents	**1,206**	782	**2,647**	755
Non-current financial liabilities (excluding trade and other payables and provisions)	**–**	–	**–**	21,848
Current financial liabilities (excluding trade and other payables and provisions)	**–**	–	**38,822**	13,386

13 Investment in joint ventures (cont'd)

d) Summarised financial information for material joint ventures based on their FRS financial statements (adjusted by the Group for equity accounting purpose) and a reconciliation to the carrying amounts of the investments in the consolidated financial statements are as follows (cont'd):

Reconciliation of the above summarised financial information to the carrying amount of the interest in joint ventures recognised in the consolidated financial statements:

	DMS		GSSI	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Net assets/(liabilities) of the joint ventures	**2,681**	2,249	**(22,922)**	(6,931)
Group's share of net assets/(liabilities) based on proportion of ownership interest	**1,877**	1,574	**–**	–
Equity loan to a joint venture	**828**	806	**–**	–
Carrying amount of investment	**2,705**	2,380	**–**	–

The Group has not recognised its share of losses of GSSI amounting to $11,690,000 (2015: $3,535,000) because the Group's cumulative share of losses has exceeded its interest in GSSI. However, the Group and the Company has provided for liabilities in relation to its obligation for the corporate guarantee to GSSI for banking facilities taken by GSSI (Note 27(a)).

Aggregate information about the Group's investment in joint ventures that are not individually material are as follows:

	2016	2015
	$'000	$'000
Loss after tax from continuing operations and total comprehensive loss for the financial year	**–**	127

e) In March 2016, the Group acquired additional 102,000 ordinary shares, representing 51% equity interest in Athena Dynamics Pte. Ltd. ("ADPL") from a third party at cash consideration of $200,000. Subsequent to the acquisition, ADPL became a wholly-owned subsidiary of the Group.

The fair value of the net assets of ADPL at the acquisition date which approximated the carrying amount of the investment of $22,000 have been transferred to cost of investment in ADPL (note 12(d)).

14 Investment in associated companies

a) The Group's investment in associated companies are summarised below:

	Group	
	2016	2015
	$'000	$'000
Carrying amount:		
GL Lighting Holding Pte Ltd ("GLH") and its subsidiaries ("GLH Group")	**11,982**	12,149

The above carrying amount is stated net of accumulated impairment loss of $2,000,000 (2015: $nil).

14 Investment in associated companies (cont'd)

b) The following information relates to the associated companies:

Name of associates (Country of incorporation)	**Principal activities**	**Group's effective equity interest held 2016 %**	2015 %
GL Lighting Holding Pte Ltd* (Singapore)	Investment holding	**43**	39
<u>Subsidiaries held by GLH</u>			
General Luminaire (Shanghai) Co., Ltd ("SGL")** (People's Republic of China)	Research and development, manufacturing and selling LED lighting modules and fixtures	**43**	39
General Luminaire (Kunshan) Co., Ltd ("KGL")** (People's Republic of China)	Design, manufacturing and trading LED lighting modules and fixtures	**43**	39
GL Lighting International Pte Ltd* (Singapore) (Note 12(e))	Wholesale of lighting related products and facilities	**43**	–
General Luminaire Co., Ltd# (Taiwan)	Trading business of LED lighting modules and fixtures	**43**	39
<u>Subsidiary held by SGL</u>			
CAM Technology (Shanghai) Ltd** (People's Republic of China)	Trading of LED lighting modules and fixtures	**43**	39
<u>Subsidiary held by KGL</u>			
Yeong Long (Kunshan) Co., Ltd ** (People's Republic of China)	Trading of LED lighting modules and and fixtures	**43**	39

* Audited by Baker Tilly TFW LLP
** Audited by independent overseas member firms of Baker Tilly International
# Audited by other firms of certified public accountants

All of the above associated companies are accounted for using the equity method in these consolidated financial statements. The activities of GLH Group are strategic to the Group in the LED lighting industry.

14 **Investment in associated companies (cont'd)**

c) The associated companies in the People's Republic of China are subject to local exchange control regulations. These regulations place restrictions on the amount of currency that can be remitted out of the country.

d) Summarised financial information for GLH Group based on its FRS financial statements (adjusted by the Group for equity accounting purpose) and a reconciliation to the carrying amounts of the investments in the consolidated financial statements are as follows:

	GLH Group	
	2016	2015
	$'000	$'000
Income Statement items:		
Revenue	**13,329**	17,237
Loss after tax from continuing operations	**(1,856)**	(1,341)
Other comprehensive (loss)/income	**(319)**	673
Total comprehensive loss	**(2,175)**	(668)
	$'000	$'000
Statement of financial position items:		
Non-current assets	**4,875**	5,259
Current assets	**10,095**	8,505
Current liabilities	**(4,926)**	(4,274)
Net assets	**10,044**	9,490
Group's share on net assets based on proportion of ownership interest	**4,319**	3,701
Goodwill on acquisition	**9,663**	8,448
Less: accumulated impairment loss	**(2,000)**	–
Carrying amount of investment	**11,982**	12,149

e) Impairment review of investment

During the financial year, the Company performed an impairment review on its investment in GLH Group because of the continuing losses incurred by the associated companies. For the purpose of impairment review, the management estimated the Company's share of recoverable amount of GLH Group as at 31 December 2016 to be $12 million, which was lower than the net carrying amount before impairment of $14 million. Accordingly, an impairment charge of $2 million was recognised within "administrative expenses" from results from continuing operations in the current financial year.

The key assumptions used in the value-in-use calculations were:

Revenue growth rates: 2017: 70%; 2018 to 2021: compound annual growth rate of 28.7%.
Pre-tax discount rate: 18.2%
Terminal growth rate: 2.5%

14 **Investment in associated companies (cont'd)**

e) Impairment review of investment (cont'd)

The management has examined the root cause to the under-performance of GLH Group in the past two financial years, and has taken measures to rectify these issues as well as to enhance the plant capacity to meet potential higher market demands of its LED products. The management has embarked a restructuring scheme since year 2014 to construct a new plant for its manufacturing operation. The management has also sought to improve its product competitiveness by improving the design and development of innovative and effective LED solutions for commercial, industrial, marine and offshore lighting industries.

The management has considered the most significant assumption used in the value-in-use calculations is the projected revenue from years 2017 to 2021. Had the actual results varied from the management's estimation, the estimated recoverable amount of the investment and the impairment charge would be as follows:

	Estimated recoverable amount $'000	**(Decrease)/ increase in impairment charge $'000**
5% higher than the management's projections	14,449	(2,000)
5% lower than the management's projections	9,212	2,770

15 **Deferred tax**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The movements in the deferred tax account are as follows:

	Group	
	2016 $'000	2015 $'000
At 1 January	**(871)**	(757)
Tax charged to profit or loss (Note 6)	**(38)**	(171)
Exchange difference	**(23)**	10
Acquisition of subsidiaries (Note 12(c))	**(520)**	–
Deconsolidation of subsidiaries	–	47
At 31 December	**(1,452)**	(871)

Presented on the statement of financial position:

	2016 $'000	2015 $'000
<u>Non-current</u>		
Deferred tax assets	**11**	44
Deferred tax liabilities	**(1,463)**	(915)
	(1,452)	(871)

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

The following are the major deferred tax (liabilities)/assets recognised by the Group and the movements thereon, during the financial year.

	Accelerated tax depreciation $'000	**Provisions $'000**	**Fair value adjustment on business combination $'000**	**Others $'000**	**Total $'000**
2016					
At 1 January 2016	–	–	(559)	(312)	(871)
Charged to profit or loss	–	–	(3)	(35)	(38)
Exchange difference	–	–	(24)	1	(23)
Acquisition of a subsidiary	–	–	(520)	–	(520)
At 31 December 2016	**–**	**–**	**(1,106)**	**(346)**	**(1,452)**
2015					
At 1 January 2015	(26)	18	(599)	(150)	(757)
Credited/(charged) to profit or loss	–	–	30	(201)	(171)
Exchange difference	–	–	10	–	10
Deconsolidation of subsidiaries	26	(18)	–	39	47
At 31 December 2015	–	–	(559)	(312)	(871)

	Group	
	2016 $'000	2015 $'000
<u>Unrecognised deductible temporary differences:</u>		
Unabsorbed capital allowances	**172**	119
Unutilised tax losses	**39,793**	30,774
Other deductible temporary differences	**11,682**	11,212
	51,647	42,105

Deferred tax assets of $12,246,000 (2015: $10,461,000) have not been recognised in respect of the above deductible temporary differences as future profit streams are not probable. The income tax benefits from tax losses carried forward is available for an unlimited period subject to the conditions imposed by law, except for unrecognised tax losses of $31,520,000 (2015: $30,077,000) which will expire progressively over the next 5 years up till 2021, subject to the conditions imposed by the Indonesian tax authorities.

16 Intangible assets

	Goodwill $'000	Acquired technology $'000	Maintenance contracts $'000	Development costs $'000	Club membership $'000	Total $'000
Group						
Cost						
At 1 January 2015/ 31 December 2015	3,312	–	–	–	49	3,361
At 1 January 2016	3,312	–	–	–	49	3,361
Acquisition of a subsidiary (Note 12(c), (d))	1,421	2,920	141	1,342	–	5,824
Additions	–	–	–	538	–	538
At 31 December 2016	**4,733**	**2,920**	**141**	**1,880**	**49**	**9,723**
Accumulated amortisation						
At 1 January 2015/ 31 December 2015	–	–	–	–	–	–
At 1 January 2016	–	–	–	–	–	–
Acquisition of a subsidiary (Note 12(c))	–	–	–	871	–	871
Charge for the year	–	146	7	133	–	286
At 31 December 2016	**–**	**146**	**7**	**1,004**	**–**	**1,157**
Accumulated impairment						
At 1 January 2015/ 31 December 2015/ 31 December 2016	3,312	–	–	–	–	3,312
Net carrying amount						
At 31 December 2015	–	–	–	–	49	49
At 31 December 2016	**1,421**	**2,774**	**134**	**876**	**49**	**5,254**

	Company	
	2016 $'000	2015 $'000
Club membership	**49**	49

Impairment test for goodwill

Goodwill acquired in a business combination is allocated to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of the goodwill is allocated as follows:

	Group	
	2016 $'000	2015 $'000
<u>Security segment:</u>		
Omnisense Systems Private Limited ("OMS")	**1,236**	–
Athena Dynamics Pte Ltd ("ADPL")	**185**	–
	1,421	–

16 Intangible assets (cont'd)

Key assumptions used in value-in-use calculation

The recoverable amounts of the CGUs are determined from value-in-use calculations. 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 performances and expectations developments in the market.

The Group's value-in-use calculations used cash flow forecasts derived from the most recent financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using estimated growth rate of 1.5%. This rate does not exceed the average long-term growth rate for the relevant markets.

The pre-tax rate used to discount the forecast cash flows for OMS and ADPL are 13.82% and 11.59% respectively.

The management has considered that a reasonably possible change in two key assumptions, discount rate and terminal year growth rate, will not result in any impairment charge to be recorded.

17 Purchase deposit to a supplier

	Group	
	2016	2015
	$'000	$'000
Purchase deposit to a supplier	**6,165**	6,433
Less: presented as current (Note 22)	**(1,088)**	(677)
Non-current	**5,077**	5,756

In the previous financial year, a subsidiary, Beng Hui Marine Electrical Pte Ltd ("BHME") entered into a Distribution and Representation Agreement (the "Agreement") with a supplier for the appointment of BHME as the supplier's sole selling representative and distributor for the sale and promotion of all products and/or designed by the supplier.

In conjunction with the Agreement, BHME also entered into a prepayment agreement for the payment of US$5 million to the supplier as payment in advance to the supplier and its related companies for future purchases including but not limited to the purchase of the products at the price and on the payment terms under the Agreement. The prepayment sum shall be utilised over a period of 5 years from year 2015 until year 2019 based on contracted utilisation schedule. BHME is entitled to an interest of 3% per annum, calculated on a day to day basis on the outstanding amount of the prepayment sum from time to time.

Notwithstanding this, BHME shall also be entitled to require repayment of all or any part of the outstanding sum in cash at any time by serving one month notice to the supplier upon the occurrence of certain trigger events in accordance with the Agreement.

The fair value of the purchase deposit approximates its carrying value computed based on cash flows discounted at market borrowing rate for similar financial assets at the end of the reporting period. This fair value measurement is categorised within Level 3 of the fair value hierarchy.

18 Non-current receivable

	Group and Company	
	2016	2015
	$'000	$'000
Contingent consideration receivable	–	228
Less: Presented as current (Note 22)	–	(66)
Non-current	–	162

This represents contingent consideration receivable from a non-controlling shareholder of a subsidiary for shortfall in profits target in relation to the Company's acquisition of 60% equity interest in a subsidiary, Sky Holding Pte Ltd in year 2009.

During the year, the Group wrote off the remaining outstanding amount of $217,000 as the debtor has defaulted in his repayments.

19 Inventories

	Group	
	2016	2015
	$'000	$'000
Raw material	**381**	–
Finished goods	**26,798**	30,123
	27,179	30,123

Raw materials, consumables and changes in finished goods and work in progress included as cost of sales amounted to $33,491,000 (2015: $43,087,000).

20 Due from/(to) customers on construction contracts

	Group	
	2016	2015
	$'000	$'000
Aggregate costs incurred and profits recognised (less losses recognised) to-date on uncompleted construction contracts	**2,286**	263
Less : Progress billing	**(5,923)**	(134)
	(3,637)	129
Presented as:		
Due from customers on construction contracts	**8**	129
Due to customers on construction contracts	**(3,645)**	–
	(3,637)	129

21 Trade receivables

	Group	
	2016	2015
	$'000	$'000
Trade receivables	**18,790**	19,607
Less: allowance for impairment	**(4,568)**	(3,384)
	14,222	16,223

Trade receivables are non-interest bearing and are generally on 30 to 90 day's terms.

Movements of allowance for impairment of trade receivables are as follows:

	$'000	$'000
At 1 January	**3,384**	1,970
Allowance made during the financial year (Note 8)	**1,281**	2,455
Allowance written off during the financial year	**(1)**	(25)
Deconsolidated during the financial year	**–**	(866)
Currency translation differences	**(96)**	(150)
At 31 December	**4,568**	3,384

Included in trade receivables is an amount of $89,000 (2015: $257,000) due from a joint venture company.

22 Other receivables

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Accrued revenue	**52**	–	**–**	–
Amount due from joint ventures	**135**	3	**3**	3
Amount due from an associated company	**234**	155	**186**	155
Amount due from related companies	**113**	119	**–**	–
Dividend receivable from a joint venture	**–**	267	**–**	267
Purchase deposit to a supplier (Note 17)	**1,088**	677	**–**	–
Sundry deposits	**448**	2,926	**–**	–
Prepayments	**319**	149	**44**	15
Amounts due from subsidiaries (Note 23)	**–**	–	**76,959**	81,741
Advance payment to suppliers	**2,408**	89	**–**	–
Sundry receivables	**247**	470	**38**	274
Contingent consideration receivable (Note 18)	**–**	66	**–**	66
	5,044	4,921	**77,230**	82,521
Less: allowance for impairment				
- Sundry deposits	**–**	(2,494)	**–**	–
- Amounts due from subsidiaries (Note 23)	**–**	–	**(72,104)**	(69,388)
	–	(2,494)	**(72,104)**	(69,388)
	5,044	2,427	**5,126**	13,133

22 **Other receivables (cont'd)**

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Movement in allowance for impairment:				
At 1 January	**2,494**	2,524	**69,388**	60,602
Allowance made during the financial year	**–**	–	**2,716**	8,786
Allowance written off during the financial year	**(2,494)**	(30)	**–**	–
At 31 December	**–**	2,494	**72,104**	69,388

The amounts due from joint venture, associated company and related companies are non-trade in nature, unsecured, interest-free and repayable on demand.

23 **Amounts due from subsidiaries**

	Company	
	2016	2015
	$'000	$'000
Interest-free advances	**26,060**	30,842
Loans at variable interest rates	**50,899**	50,899
	76,959	81,741
Less: allowance for impairment	**(72,104)**	(69,388)
	4,855	12,353

The amounts due from subsidiaries are non-trade in nature, unsecured and repayable on demand. Loan to subsidiaries are at variable interest rates ranging from 2.583% to 2.767% (2015: 2.231% to 2.669%) per annum based on the average cost of funds incurred by the Group. During the financial year, the Company has waived interest charges on principal loans amount of $50,899,000 (2015: $46,011,000).

During the financial year, a net impairment loss of $2,716,000 (2015: $8,786,000) was recognised to write down the amounts due from subsidiaries to their recoverable amounts.

24 **Cash and cash equivalents**

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**7,893**	5,189	**180**	153
Fixed deposits	**516**	529	**–**	–
	8,409	5,718	**180**	153

24 **Cash and cash equivalents (cont'd)**

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

	Group	
	2016	2015
	$'000	$'000
Cash and short-term deposits	**8,409**	5,718
Cash restricted in use	**(853)**	(853)
Fixed deposits (pledged)	**(516)**	(516)
Cash and cash equivalents	**7,040**	4,349

Fixed deposits of $516,000 (2015: $516,000) are pledged to banks to cover bankers' letter of guarantees, credit facilities and bank overdraft. The interest rates of fixed deposits at 31 December 2016 was 0.10% (2015: 0.10% to 0.47%) per annum.

The cash at bank of $853,000 (2015: $853,000) is restricted in use for performance bond of a former subsidiary.

25 **Other payables**

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Amount due to associated companies	**220**	–	**–**	–
Accrued operating expenses	**1,203**	1,145	**265**	283
Provision for directors' fees				
- directors of the Company	**331**	360	**331**	360
- directors of subsidiaries	**60**	60	**–**	–
Amounts due to subsidiaries	**–**	–	**631**	294
Advance payment from customers	**–**	4	**–**	–
Other creditors	**372**	177	**73**	137
Contingent consideration for business combination (Note 12(c))	**765**	–	**765**	–
Deferred revenue	**165**	–	**–**	–
	3,116	1,746	**2,065**	1,074
Presented on the statement of financial position:				
Non-current	**765**	–	**765**	–
Current	**2,351**	1,746	**1,300**	1,074
	3,116	1,746	**2,065**	1,074

The amounts due to associated companies and subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand.

26 Finance lease liabilities

The minimum lease payment under the finance lease liabilities are payable as follows:

	Group	
	2016	2015
	$'000	$'000
Not later than one financial year	**168**	189
Later than one financial year but not later than five financial years	**243**	411
Total minimum lease payments	**411**	600
Less: Future finance charges	**(57)**	(80)
Present value of finance lease liabilities	**354**	520
Representing finance lease liabilities:		
- Non-current	**207**	354
- Current	**147**	166
	354	520

The weighted average effective interest rate of the finance lease liabilities at the end of the reporting period was 4.78% (2015: 4.76%) per annum. The net carrying values of motor vehicles acquired under finance lease agreements are disclosed in Note 11.

Based on the discounted cash flow analysis using market interest rates for similar finance lease agreements at the end of the reporting period, the fair values of finance lease liabilities at the end of the reporting period approximate their carrying amounts as the market interest rate at the end of the reporting period is close to the effective interest rates of the Group's existing finance lease liabilities. This fair value measurement for disclosures purposes is categorised in Level 2 of the fair value hierarchy.

27 Provisions

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Foreseeable loss on contract (Note 8)	**–**	684	**–**	–
Liabilities	**12,351**	4,161	**12,351**	4,161
	12,351	4,845	**12,351**	4,161

The provision for foreseeable loss on contract was written back to results from discontinued operations during the financial year (Note 8).

27 **Provisions (cont'd)**

Provision for liabilities

(a) The Company has provided corporate guarantee of $18,057,000 (Omani Rial 4,800,000) (2015: $15,717,000 (Omani Rial 4,290,000)) ("Guarantee") to a joint venture, Gulf Specialty Steel Industries LLC ("GSSI") for banking facilities taken by GSSI. As at the end of the reporting period, total bank borrowings drawndown by GSSI was $38,822,000 (2015: $35,234,000). In addition, the Company has also undertaken to provide continuing financial support to GSSI so as to enable it to meet its liabilities as and when they fall due. As at 31 December 2016, the Company has assessed and recorded a provision of $11,690,000 (2015: $3,500,000) based on of the difference between the Company's estimated obligations under the Guarantees and the recoverable amount of investment in GSSI.

The management estimates the recoverable amount of investment in GSSI based on the value-in-use of GSSI using the discounted cash flow ("DCF") method. The key assumptions used in the value-in-use calculations are as follows:

	2016	2015
	%	%
Plant capacity utilisation	**50 - 60**	80
Pre-tax discount rate	**18.0**	15.5
Terminal growth rate	**3**	3

The management has considered the most significant assumption used in the value-in-use calculations to be the plant capacity utilisation rate. Had the actual results varied from the management's estimation, the provision for liabilities would be as follows:

	(Decrease)/ increase in provision for liabilities $'000
5% higher than the management's projections	(1,494)
5% lower than the management's projections	1,494

(b) The Company has provided corporate guarantees to certain subsidiaries for banking facilities taken by these subsidiaries. As at 31 December 2016, the Group and Company have assessed and provided an amount of $661,000 (2015: $661,000) in relation to the banking facilities taken by a former subsidiary that had been deconsolidated from the Group's consolidated financial statements since 2015.

Movements in provision for liabilities are as follows:

	Group	
	2016	2015
	$'000	$'000
At 1 January	**4,161**	88
Provision made during the financial year (Note 8)	**8,190**	4,073
At 31 December	**12,351**	4,161

The provision for liabilities of $8,190,000 (2015: $4,073,000) was recognised within "administrative expenses" in results from continuing operations.

28 Bank borrowings

	Group	
	2016	2015
	$'000	$'000
Term loan (unsecured)	**880**	1,283
Working capital loans (secured)	**5,000**	3,300
Working capital loans (unsecured)	**2,750**	2,500
Trust receipts	**5,460**	2,227
Total borrowings	**14,090**	9,310

Term loan is repayable over 48 monthly instalments of $42,000 each commencing in October 2014. Notwithstanding to the above, these term loans are subjected to review, recall, alter or cancel from time to time at the lender's discretion. Accordingly, these loans are classified under current liabilities.

The working capital loans (secured) and trust receipts are secured by legal mortgage of the Group's leasehold property and extension, addition and alteration works (Note 11) and covered by corporate guarantee from the Company.

Interest rates at the end of the reporting period were as follows:

Term loan - Fixed rate at 3.00% (2015: 3.00%) per annum.

Working capital loans - Variable rates ranging from 2.23% to 2.66% (2015: 2.23% to 2.66%) per annum.

Trust receipts - Variable rate range from 2.70% to 3.42% (2015: 2.70% to 3.42%) per annum above SIBOR.

Based on the discounted cash flow analysis using a discount rate based upon market lending rates for similar borrowings which the directors expect would be available to the Group at the end of the reporting period, the fair value of the fixed rate term loans at the end of the reporting period approximate their carrying values as there are no significant changes in the interest rates available to the Group. The working capital loans and trust receipts are floating rate instruments that are repriced to market interest rates on or near the end of the reporting period. Accordingly, the fair values of these floating rates borrowings approximate their carrying amounts at the end of the reporting period. This fair value measurement for disclosures purposes is categorised in Level 2 of the fair value hierarchy.

29 Share capital

	Group and Company			
	Number of issued shares '000	**Total share capital $'000**	Number of issued shares '000	Total share capital $'000
Issued and fully paid up				
- Ordinary shares with no par value				
Balance at 1 January	**480,000**	**43,461**	480,000	43,461
Share consolidation	**(360,000)**	–	–	–
Balance at 31 December 2016	**120,000**	**43,461**	480,000	43,461

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

During the financial year, the Company undertook a share consolidation exercise to consolidate every four (4) existing ordinary shares in the capital of the Company into one (1) ordinary share. The share consolidation has been completed and became effective on 29 February 2016.

30 Dividends

	Group	
	2016 $'000	2015 $'000
First interim (one-tier) tax exempt dividend paid of 0.5 cents per share for the financial year ended 31 December 2015	–	2,400

31 Contingent liabilities

a) Corporate guarantees

	Group		Company	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Corporate guarantees for financing facilities granted by financial institutions to:				
- Subsidiaries	–	–	**31,800**	38,800
- Joint venture	**18,057**	15,717	**18,057**	15,717
	18,057	15,717	**49,857**	54,517

The Company has issued corporate guarantees to banks for banking facilities granted to its subsidiaries and joint venture. These guarantees are financial guarantee contracts as they require the Company to reimburse the banks if the subsidiaries and joint venture default on their payments to the banks or otherwise breach any bank covenant.

As at the end of the reporting period, the joint venture has breached the financial covenants to maintain debt equity ratio and debt service coverage ratio as stipulated in its credit facility agreement. The bank may seek to assert its rights under the banking facilities entered into by the joint venture and the Company, including the right to demand immediate repayment and termination or withdrawal of the loan at any time. The joint venture is currently negotiating waiver to comply with the financial covenants with the bank. Based on expectations at the end of the reporting period and subject to the successful negotiation of waiver with the bank, the Company considers that it is more likely than not that the bank will not call for immediate repayment.

Except as disclosed in Note 27(a) and (b), the financial effects of FRS 39 relating to financial guarantee contracts issued by the Company are not material to the financial statements of the Company and therefore are not recognised.

31 **Contingent liabilities (cont'd)**

b) Litigation

(i) In 2013, a customer (the "Customer") claimed against a subsidiary in Indonesia, PT. BH Marine & Offshore Engineering ("PTE") for alleged non-delivery of three vessels.

The Customer is seeking to recover losses amounting to the sum of S$12.6 million (Rp 117,148,000,000) based on the assertion that payments for these vessels have already been made and registration certificates have been issued in its name in Indonesia.

PTE has defended the claim on the basis that it has not received payment for these vessels. In addition, PTE is also taking the stand that there was fraud involved in the registration of these vessels. Thus, PTE has made a counter-claim against the Customer and another party for total sum of S$27.8 million (Rp 258,757,600,000) for total losses suffered by PTE.

Judgement was awarded in favour of PTE in April 2014. The customer and PTE have subsequently appealed to the High Court of Batam and the outcome of the appeal is still pending as at 31 December 2016.

The Group has not made any provisions in respect of the Customer's claim because of the reason in the preceding paragraphs. Nevertheless, the Group had made full allowance for impairment of $3.17 million in respect of amount receivable from the Customer in the previous financial years.

(ii) In 2014, PTE commenced legal proceeding in the Singapore High Court against several customers for unpaid works and services in amount of $642,990. In the Court's proceedings, these defendants also counter-claimed against PTE for alleged defects in the works carried out in relation to the vessels, loss of use of the vessels and other alleged dues and charges amounting to $3,415,998. The outcome of the cases are still pending as at 31 December 2016.

Based on the information available, the management is of the view that the defendants allegations and counter-claims are without merits. Thus, the Group has not made any provisions in respect of the above counter-claims.

(iii) In 2015, a writ of summons has been filed against Oil & Gas Solutions Pte Ltd ("OGS"), a former subsidiary that had been deconsolidated since 2015. The Plaintiffs claim against OGS for the sum of $663,811 as well as warehousing charges, interest, cost and other disbursements pursuant to a contract between the Plaintiffs and OGS. The outcome of the claim is still pending as at 31 December 2016.

As OGS had been deconsolidated from the Group's financial statements since 2015, the management is of the opinion that the claim is not expected to have any material impact to the Group.

(iv) A customer has also submitted its claims to OGS for total compensation sums that amounted to $6.37 million in relation to a project. The management has assessed and considered that the claims was still preliminary and no provision is required. As OGS had been deconsolidated since 2015, the management is of the opinion that the claim is not expected to have any material impact to the Group.

32 Commitments

a) Lease commitments

The Group leases various warehouses and land from non-related parties under non-cancellable operating lease agreements. The leases have an average tenure of between 3 to 39 years. Renewals of leases are subject to approval by lessor. No restrictions are imposed on dividends or further leasing.

Commitments in relation to non-cancellable operating leases contracted for but not recognised as liabilities, are payable as follows:

	Group	
	2016	2015
	$'000	$'000
Within 1 financial year	**723**	635
Between 2 to 5 financial years	**2,817**	2,536
Over 5 financial years	**6,560**	9,776
	10,100	12,947

b) Capital commitments

Capital commitments not provided for in the financial statements:

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Investment in associated companies	**–**	2,800	**–**	2,800
Share of associated company's capital commitment in relation to property, plant and equipment				
- Approved and contracted	**9,272**	–	**–**	–
- Approved but not contracted	**2,122**	7,613	**–**	–

33 Related party transactions

In addition to information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties, who are not members of the Group during the financial year on terms agreed by the parties concerned:

	Group	
	2016	2015
	$'000	$'000
<u>With jointly controlled entities</u>		
Management fee income	**–**	67
Sales of goods	**345**	556
<u>With associated companies</u>		
Management fee income	**29**	19
Purchase of goods	**1,712**	1,915
Research and development cost charged by an associated company	**219**	–
<u>Other related parties</u>		
Rental charged to a related company	**114**	124
Upkeep of motor vehicles charged by a related company	**6**	–

34 Financial risk instruments

Categories of financial instruments

Financial instruments at the end of the reporting period are as follows:

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Financial assets				
Trade and other receivables	**22,452**	25,266	**5,910**	14,086
Cash and cash equivalents	**8,409**	5,718	**180**	153
Loans and receivables	**30,861**	30,984	**6,090**	14,239
Financial liabilities				
Trade and other payables	**4,467**	7,426	**1,231**	1,021
Borrowings	**14,090**	9,310	**–**	–
Finance lease liabilities	**354**	520	**–**	–
At amortised cost	**18,911**	17,256	**1,231**	1,021
Liabilities at fair value through profit or loss				
Contingent consideration of business combination	**765**	–	**765**	–

Financial risk management

The Group's activities expose it to market risk (including foreign exchange risk, interest rate risk and commodity price risk), liquidity risk and credit risk. The Group's overall financial risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors provides written principles for overall financial risk management and written policies covering the specific areas above. Such written policies are reviewed periodically by the Board of Directors.

There has been no significant change to the Group's exposure to these financial risks or the manner in which it manages and measures financial risk. Market risk and credit risk exposures are measured using sensitivity analysis indicated below.

a) **Market risk**

Foreign exchange risk

Foreign currency risk arises on certain sales and purchases transactions that are denominated in currencies other than the respective functional currencies of entities in the Group. The currencies that give rise to this risk are primarily United States dollar, Euro and United Arab Emirates dirham.

The Group's financial risk management policy is to hedge any exposure exceeding US$100,000 or EUR70,000 based on the weekly foreign exchange requirement report and cash flow of the Group. The use of financial derivatives, primarily foreign currency forward contracts, is governed by the Group's policies approved by the Board of Directors. The Group does not use derivative financial instruments for speculative purposes.

34 Financial risk instruments (cont'd)

Financial risk management (cont'd)

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

Foreign exchange risk (cont'd)

The Group's foreign currency exposure is as follows:

	USD S$'000	EUR S$'000	AED S$'000	SGD S$'000	Others S$'000
At 31 December 2016					
Financial assets					
Cash and cash equivalents	3,370	114	–	20	–
Trade and other receivables	8,652	72	828	–	2
	12,022	186	828	20	2
Financial liabilities					
Trade payables	(691)	(393)	–	–	(41)
Net exposure	**11,331**	**(207)**	**828**	**20**	**(39)**
At 31 December 2015					
Financial assets					
Cash and cash equivalents	885	143	–	20	–
Trade and other receivables	8,693	216	806	–	3
Due from contract customers	129	–	–	–	–
	9,707	359	806	20	3
Financial liabilities					
Trade payables	(2,314)	(383)	–	–	(128)
Net exposure	7,393	(24)	806	20	(125)

The Company's foreign currency exposure based on the information provided by key management is $828,000 (2015: $806,000) included in amount due from joint venture companies which is denominated in United Arab Emirates dirham.

Sensitivity analysis of the Group's and Company's foreign exchange risk exposure are not presented as a reasonably possible change of 5% in the foreign currencies exchange rates against the respective functional currencies of the Group's entities, with all other variables held constant will have no significant impact on the Group's and Company's net loss.

Interest rate risk

The Group's exposure to the risk of changes in interest rates arise mainly from the Group's fixed deposits placed with financial institutions and bank borrowings. For interest income from the fixed deposits, the Group manages the interest rate risks by placing fixed deposits with reputable financial institutions on varying maturities and interest rate terms. Interest expense from bank borrowings arises from term loan, working capital loans and trust receipts (Note 28).

34 **Financial risk instruments (cont'd)**

Financial risk management (cont'd)

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

Interest rate risk (cont'd)

The Company's exposure to interest rate risk is minimal as the impact of interest rate fluctuations on loans to subsidiaries (Note 23) are insignificant, and the Company has no other interest-bearing liabilities.

Sensitivity analysis of the Group's and Company's interest rate risk exposures are not presented as the impact of an increase/decrease of 50 basis points in interest rates are not expected to be significant.

Commodity price risk

The Group has commodity price risk as copper and steel are its main raw materials. Copper and steel are traded commodities and their prices are subject to the fluctuations of the world commodity markets. Any significant increases in the prices for copper and steel will have a material adverse impact on the financial position and results of operation. The Group's profitability will be adversely affected if the Group is unable to pass on any increase in raw material prices to its customers on a timely basis or find cheaper alternative sources of supply.

b) **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group manages the liquidity risk by maintaining sufficient cash to enable them to meet their normal operating commitments and having an adequate amount of committed credit facilities (Note 28).

The table below summarises the maturity profile of the Group's and Company's non-derivative financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	1 year or less $'000	**1 to 5 year $'000**	**Total $'000**
Group			
2016			
Trade and other payables	4,467	–	4,467
Bank borrowings	14,137	–	14,137
Finance lease obligations	168	243	411
Contingent consideration of business combination	–	4,400	4,400
Financial guarantee contracts	18,057	–	18,057
	36,829	**4,643**	**41,472**
2015			
Trade and other payables	7,426	–	7,426
Bank borrowings	9,413	–	9,413
Finance lease obligations	189	411	600
Financial guarantee contracts	15,717	–	15,717
	32,745	411	33,156

34 **Financial risk instruments (cont'd)**

Financial risk management (cont'd)

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

	1 year or less $'000	1 to 5 year $'000	Total $'000
Company			
2016			
Trade and other payables	1,231	–	1,231
Contingent consideration of business combination	–	4,400	4,400
Financial guarantee contracts	49,857	–	49,857
	51,088	**4,400**	**55,488**
2015			
Trade and other payables	1,021	–	1,021
Financial guarantee contracts	54,517	–	54,517
	55,538	–	55,538

c) **Credit risk**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has credit policies in place to ensure that sale of products are made to customers with appropriate credit histories and the exposure to credit risk is monitored on an ongoing basis by the directors. Credit evaluations are performed on all customers requiring credit extension or credit limit. The maximum exposure to credit risk is represented by the carrying amount of loans and receivables in the statement of financial position and the following:

	Group		**Company**	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Corporate guarantees provided to banks for financing facilities granted to (Note 31(a)):				
- Subsidiaries	**–**	–	**31,800**	38,800
- Joint venture	**18,057**	15,717	**18,057**	15,717
	18,057	15,717	**49,857**	54,517

34 **Financial risk instruments (cont'd)**

Financial risk management (cont'd)

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

At the end of the reporting period, there were significant concentrations of credit risks primarily on trade receivables.

The Group's 3 (2015: 3) largest trade receivables amounted to $7,457,000 (2015: $3,349,000) and this represented 52% (2015: 21%) of total trade receivables and of which one major corporate customer represented 30% (2015: 9%) of total trade receivables.

The Company has significant credit risk exposures arising on amount due from subsidiaries of $4,855,000 (2015: $12,353,000) which represented 82% (2015: 88%) of total receivables.

Non-trade balances due from subsidiaries, associated companies and joint ventures are generally repayable on demand and are not past due as at the end of the reporting period.

Except as disclosed in Note 27(a) and (b) and Note 31(a), no additional material adjustment was required in the separate financial statements of the Group and the Company to recognise the financial guarantee liability.

The table below is an analysis of trade receivables as at 31 December:

	Group	
	2016	2015
	$'000	$'000
Not past due and not impaired	**2,877**	9,669
Past due but not impaired (i)	**9,033**	6,554
	11,910	16,223
Impaired receivables - individually assessed (ii)	**6,880**	3,384
Less: allowance for impairment	**(4,568)**	(3,384)
	2,312	–
Total trade receivables, net	**14,222**	16,223

(i) *Financial assets that are past due but not impaired*

Past due 0 to 3 months	**4,180**	4,967
Past due 3 to 6 months	**2,206**	1,017
Past due over 6 months	**2,647**	570
	9,033	6,554

(ii) *Impaired receivables*

(a) Included in trade receivables in 2016 and 2015 is an amount due from a customer of $3.17 million (Rp31,884,758,000). The customer is currently claiming against a subsidiary in Indonesia, PT. BH Marine & Offshore Engineering ("PTE") for alleged non-delivery of three vessels (Note 31(b)(i)). The Group had made full allowance for impairment on the outstanding receivable of $3.17 million in the previous financial years in view of the uncertainty of collection.

(b) The impaired receivables of which no impairment has been made in the financial statements are those receivables that have been covered under the Group's trade credit default insurance policy.

35 **Fair value of assets and liabilities**

a) **Fair value hierarchy**

The tables below analyse the fair value measurements by the levels in the fair value hierarchy based on the inputs to the valuation techniques. The different levels are defined as follows:

i) Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
ii) Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (i.e. derived from prices); and
iii) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

b) **Fair value measurements of assets and liabilities that are measured at fair value**

The following table presents the level of fair value hierarchy for each class of assets and liabilities measured at fair value on the statements of financial position at the end of the reporting period:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2016				
Group				
Recurring fair value measurements				
Financial liabilities				
Contingent consideration of business combination	**–**	**–**	**765**	**765**

c) **Fair value of other assets and liabilities**

The carrying amounts of other financial assets and financial liabilities recorded in the consolidated financial statements of the Group and the statement of financial position of the Company approximate their respective fair values due to the relatively short-term maturity of these financial instruments or that there are no significant changes in the interest borrowing rates available to the Group at the end of the reporting period.

d) **Determination of fair values**

Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

Contingent consideration of business combination

The fair value is calculated by applying the income approach based on the expected payment amounts and their associated probabilities (probability-weighted expected contingent consideration), and discounted at 6.1% per annum to present value. A significant change in the probability of meeting the contractual target would result in a significantly higher or lower fair value measurement. The higher the discount rate will result in a lower fair value.

Purchase deposit to a supplier, finance lease liabilities and bank borrowings

The basis of determining fair value for disclosure at the end of the reporting period is disclosed in Notes 17, 26 and 28.

35 Fair value of assets and liabilities (cont'd)

e) Movements in Level 3 assets and liabilities measured at fair value

The following table shows a reconciliation from the beginning balances to the ending balances for Level 3 fair value measurements:

	Group	
	2016	2015
	$'000	$'000
Contingent consideration		
At beginning of financial year	–	–
Acquisition of a subsidiary	**765**	–
At end of financial year	**765**	–

36 Segment information

For management purpose, the Group is organised into business segments, with each segment representing a strategic business segment that offers different products/services. The Group has three main business segments, Supply Chain Management, Manufacturing and Security segments.

Supply Chain Management is further sub-divided into:

a. Marine cables and accessories ("Marine cables");
b. Marine lighting equipment and accessories ("Marine lighting"); and
c. Others

The following tables present revenue, segment results, assets and liabilities, depreciation, other significant non-cash expenses and capital expenditure information for the Group.

36 Segment information (cont'd)

	-- Supply Chain Manufacturing --							
	Marine cables $'000	Marine lighting $'000	Others $'000	Total $'000	Manu-facturing $'000	Security $'000	Elimi-nations $'000	Total $'000
2016								
Segment revenue:								
Sales to external customers	35,305	7,858	5,922	49,085	–	974	–	50,059
Intersegment sales	19	4	75	98	–	–	(98)	–
Total revenue from continuing operations	35,324	7,862	5,997	49,183	–	974	(98)	50,059
Segment results	1,567	349	(523)	1,393	(10,190)	(576)	–	(9,373)
Share of results of associates and joint ventures	465	103	65	633	(3,547)	–	–	(2,914)
Depreciation and amortisation	918	204	281	1,403	–	325	–	1,728
Impairment loss	–	–	–	–	2,000	–	–	2,000
Other significant non-cash expense	1,356	302	190	1,848	8,190	–	–	10,038
Segment assets	53,698	11,952	11,616	77,266	11,982	6,459	–	95,707
Unallocated assets								11
Total assets								95,718
Segment assets includes:								
Investment in joint ventures and associates	1,986	442	277	2,705	11,982	–	–	14,687
Additions to non-current assets	435	97	62	594	–	546	–	1,140
Segment liabilities	15,032	3,346	5,264	23,642	11,690	728	–	36,060
Unallocated liabilities								1,958
Total liabilities								38,018

36 Segment information (cont'd)

	-- Supply Chain Manufacturing --						
	Marine cables $'000	Marine lighting $'000	Others $'000	Total $'000	Manu- facturing $'000	Elimi- nations $'000	Total $'000
2015							
Segment revenue:							
Sales to external customers	35,796	10,953	7,204	53,953	1,624	–	55,577
Intersegment sales	609	9	–	618	–	(618)	–
Total revenue from continuing operations	36,405	10,962	7,204	54,571	1,624	(618)	55,577
Segment results	1,397	2,257	1,460	5,114	(3,498)	–	1,616
Share of results of associates and joint ventures	329	101	65	495	(3,144)	–	(2,649)
Depreciation and amortisation	993	304	200	1,497	4	–	1,501
Impairment loss	165	51	33	249	184	–	433
Other significant non-cash expense	724	221	146	1,091	3,500	–	4,591
Segment assets	55,560	14,353	8,316	78,229	13,422	–	91,651
Unallocated assets							44
Total assets							91,695
Segment assets includes:							
Investment in joint ventures and associates	1,579	483	354	2,416	12,149	–	14,565
Additions to non-current assets	299	91	78	468	–	–	468
Segment liabilities	12,443	3,807	2,504	18,754	3,540	–	22,294
Unallocated liabilities							2,112
Total liabilities							24,406

Significant non-cash expenses (other than depreciation and amortisation) consist of the following:

	Group	
	2016 $'000	2015 $'000
Allowance for impairment of receivable	**1,281**	73
Inventories written down	**350**	445
Provision for liabilities	**8,190**	4,073
Contingent consideration receivable written-off	**217**	–
	10,038	4,591

36 **Segment information (cont'd)**

Segment results

Performance of each segment is evaluated based on segment profit or loss which is measured differently from the net profit or loss before tax in the consolidated financial statements.

Segment assets

The amounts provided to the Management with respect to total assets are measured in a manner consistent with that of the financial statements. Management monitors the assets attributable to each segment for the purposes of monitoring segment performance and for allocating resources between segments. All assets are allocated to reportable segments other than deferred income tax assets which are classified as unallocated assets.

Segment liabilities

The amounts provided to the Management with respect to total liabilities are measured in a manner consistent with that of the financial statements. All liabilities are allocated to the reportable segments based on the operations of the segments other than current and deferred tax liabilities which are classified as unallocated liabilities.

Geographical Information

Revenue and non-current assets information based on the billing location of customers and assets respectively are as follows:

	Revenue		**Non-current assets**	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Singapore	**34,847**	33,322	**18,541**	13,837
China	**2,862**	4,811	**11,982**	12,149
Japan	**3,033**	3,754	**–**	–
Vietnam	**4,307**	3,530	**–**	–
India	**219**	2,509	**18**	24
United Arab Emirates	**863**	1,312	**2,705**	2,380
Indonesia	**1,578**	2,335	**2,522**	2,723
Malaysia	**1,238**	2,243	**–**	–
Other countries	**1,112**	1,761	**–**	–
	50,059	55,577	**35,768**	31,113

Other countries comprise Australia, Korea, Maldives, Philippines, Sri Lanka, Saudi Arabia; Thailand, United Kingdom, United States of America and etc.

Non-current assets information presented above are non-current assets as presented on the consolidated statement of financial position excluding deferred tax assets and other financial assets.

Information about major customer

Revenue of approximately $10,351,000 (2015: $5,722,000) are derived from one external customer that contributes more than 10% of the Group revenue and are attributable to the Supply Chain Management Segment.

37 Capital management

The Group's objective 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 shareholders' 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.

The capital structure of the Group mainly consists of equity and borrowings and the Group's overall strategy remains unchanged from 2015.

38 Authorisation of financial statements

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors dated 30 March 2017.

STATISTICS OF SHAREHOLDINGS

Public Shareholdings of the Company's shares as at 15 March 2017

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	15	0.69	605	0.00
100 - 1,000	207	9.51	101,178	0.08
1,001 - 10,000	1,432	65.81	6,135,730	5.11
10,001 - 1000,000	517	23.76	27,991,232	23.33
1,000,001 AND ABOVE	5	0.23	85,771,250	71.48
TOTAL	**2,176**	**100.00**	**119,999,995**	**100.00**

TWENTY LARGEST SHAREHOLDERS
AS AT 15 MARCH 2017

	SHAREHOLDER'S NAME	NUMBER OF SHARES HELD	%
1	BENG HUI HOLDING (S) PTE LTD	71,668,900	59.72
2	CITIBANK NOMINEES SINGAPORE PTE LTD	5,715,300	4.76
3	POH CHOO BIN	3,945,650	3.29
4	MAYBANK NOMINEES (SINGAPORE) PTE LTD	3,227,425	2.69
5	CIMB SECURITIES (SINGAPORE) PTE LTD	1,213,975	1.01
6	HSBC (SINGAPORE) NOMINEES PTE LTD	957,172	0.80
7	LIM HUAY HUA	957,172	0.80
8	LIM HUI ENG	957,172	0.80
9	LEE MUI HIANG	863,900	0.72
10	DBS NOMINEES PTE LTD	834,425	0.70
11	UNITED OVERSEAS BANK NOMINEES PTE LTD	829,000	0.69
12	LIM CHYE HOON	729,285	0.61
13	SEE YONG HAI	537,500	0.45
14	CHAN KWAN BIAN	527,000	0.44
15	PHILLIP SECURITIES PTE LTD	498,125	0.42
16	GINA GOH LAY SUAN	478,000	0.40
17	WEE BOH HUAT	444,750	0.37
18	MAYBANK KIM ENG SECURITIES PTE LTD	422,000	0.35
19	RAFFLES NOMINEES (PTE) LTD	409,000	0.34
20	CHAN LAI CHING	392,500	0.33
	TOTAL	**95,608,251**	**79.69**

SUBSTANTIAL SHAREHOLDERS
AS AT 15 MARCH 2017

NAME OF SUBSTANTIAL SHAREHOLDER	DIRECT INTEREST	%	DEEMED INTEREST	%
BENG HUI HOLDING (S) PTE. LTD.	71,668,900	59.72	–	–
VINCENT LIM HUI ENG	957,172	0.80	71,668,900	59.72
PATRICK LIM HUI PENG	957,172	0.80	71,668,900	59.72
JOHNNY LIM HUAY HUA	957,172	0.80	71,668,900	59.72
EILEEN LIM CHYE HOON	729,285	0.61	71,688,900	59.74
POH CHOO BIN	8,364,325	6.97	–	–

Rule 723 of the SGX Listing Manual - Free Float

Based on the information available to the Company as at 15 March 2017, approximately 30.24% of the issued Share Capital of the Company is being held by the public and therefore, Rule 723 of the Listing Manual of the SGX-ST has been complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of BH GLOBAL CORPORATION LIMITED (the "Company") will be held at the Boardroom, 8 Penjuru Lane, Singapore 609189 on Wednesday, 19 April 2017 at 10.00 a.m. to transact the following business:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2016 and the Auditors' Report thereon. **(Resolution 1)**

2. To approve the Directors' Fees of S$331,290 for the financial year ended 31 December 2016 (2015: S$360,000). **(Resolution 2)**

3. To re-elect Mr Winston Kwek Choon Lin, a Director retiring pursuant to Article 104 of the Company's Constitution.

   (See Explanatory Note 1) **(Resolution 3)**

4. To note the voluntary retirement of Mr David Chia Tian Bin, who is retiring under Article 105 of the Company's Constitution.

   (See Explanatory Note 2)

5. To re-appoint Messrs Baker Tilly TFW LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 4)**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following resolutions as Ordinary Resolutions:-

6. **Share Issue Mandate**

   "That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, authority be given to the Directors of the Company to issue shares ("Shares") whether by way of rights, bonus or otherwise, and/or make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares at any time and upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit provided that:

   (a) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per centum (50%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of Shares and convertible securities to be issued other than on a *pro-rata* basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued Shares (excluding treasury shares) in the share capital of the Company;

   (b) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued Shares (excluding treasury shares) shall be based on the total number of issued Shares (excluding treasury shares) of the Company as at the date of the passing of this Resolution, after adjusting for:

      (i) new Shares arising from the conversion or exercise of convertible securities;

      (ii) new Shares arising from exercising share options or vesting of Share awards outstanding or subsisting at the time this Resolution is passed; and

      (iii) any subsequent bonus issue, consolidation or subdivision of Shares;

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

(c) and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force until:

(i) the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier; or

(ii) in the case of Shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such Shares in accordance with the terms of such convertible securities."

(See Explanatory Note 3) **(Resolution 5)**

7. **Authority to allot and issue shares under the BH Global Performance Share Plan**

"That authority be and is hereby given to the Directors to allot and issue from time to time such number of Shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards under the BH Global Performance Share Plan, provided always that the aggregate number of additional ordinary Shares to be allotted and issued pursuant to BH Global Performance Share Plan shall not exceed fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares) in the share capital of the Company from time to time."

(See Explanatory Note 4) **(Resolution 6)**

8. To transact any other business which may properly be transacted at an Annual General Meeting.

On behalf of the Board

Vincent Lim Hui Eng
Executive Chairman and
Chief Executive Officer
4 April 2017

Explanatory Notes:-

1. Mr Winston Kwek Choon Lin (Independent Non-Executive) will, upon re-election as Director of the Company, continue to serve as the Chairman of the Nominating Committee as well as a member of the Remuneration Committee and Audit Committee. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

   Detailed information on Mr Winston Kwek Choon Lin can be found under the "Directors' Profile" section in the Company's Annual Report 2016.

2. Mr David Chia Tian Bin (Independent Non-Executive) will, upon retirement as a Director at the Annual General Meeting, cease as the Chairman of the Audit Committee as well as a member of the Remuneration Committee.

3. The proposed Ordinary Resolution 5, if passed, will empower the Directors from the date of the Annual General Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding fifty per centum (50%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro-rata basis. For the purpose of this resolution, the total number of issued Shares (excluding treasury shares) is based on the Company's total number of issued Shares (excluding treasury shares) at the time this proposed Ordinary Resolution is passed after adjusting for new Shares arising from the conversion or exercise of convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this proposed Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

4. The proposed Ordinary Resolution 6, if passed, will empower the Directors of the Company, to allot and issue Shares in the Company of up to a number not exceeding in total fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares) in the share capital of the Company from time to time pursuant to the grant of share awards under the BH Global Performance Share Plan.

Notes:-

(1) (a) A member of the Company who is entitled to attend and vote at the Annual General Meeting and who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where such member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. A proxy need not be a member of the Company. If the appointer is a corporation, the proxy must be executed either under its seal or under the hand of its duly authorised officer or attorney.

(b) A member of the Company who is entitled to attend and vote at the Annual General Meeting and who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote in his stead. Where such member appoints more than one (1) proxy, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

(2) A proxy need not be a member of the Company.

(3) A member of the Company, which is a corporation, is entitled to appoint its authorised representative or proxy to vote on its behalf.

(4) The instrument or form appointing a proxy, duly executed, must be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02, Singapore 068898 not less than 48 hours before the time appointed for holding the Annual General Meeting in order for the proxy to be entitled to attend and vote at the Annual General 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 personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) 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 or service providers) 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 or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) 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.

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BH GLOBAL CORPORATION LIMITED
(Company Registration Number: 200404900H)
(Incorporated in the Republic of Singapore)

PROXY FORM

IMPORTANT
1. For investors who have used their CPF monies ("**CPF Investors**") and/or their SRS monies ("**SRS Investors**") to buy the Company's shares, this Annual Report 2016 is sent to them at the request of their CPF and/or SRS Approved Nominees (as the case may be) solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors and SRS Investors may attend and cast their votes at the AGM in person. CPF Investors and SRS Investors who are unable to attend the AGM but would like to vote, may inform their CPF and/or SRS Approved Nominees (as the case may be) to appoint the Chairman of the AGM to act as their proxy, in which case, the respective CPF Investors and/or SRS Investors shall be precluded from attending the AGM.

Personal Data Privacy
By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 4 April 2017.

I/We ______________________________ (Name)

______________________________ (NRIC No./Passport No./Company Registration No.) of

______________________________ (Address)

being a member/ members of **BH GLOBAL CORPORATION LIMITED** (the "Company"), hereby appoint:-

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)

*and/or

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)

or failing *him/her/them, the Chairman of the Annual General Meeting ("AGM") of the Company as *my/our *proxy/proxies* to vote for **me/us* on **my/our* behalf and, if necessary, to demand a poll, at the AGM of the Company to be held at the Boardroom, 8 Penjuru Lane, Singapore 609189 on Wednesday, 19 April 2017 at 10.00 a.m., and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the AGM as indicated with an "X" in the spaces provided hereunder. If no specified directions as to voting are given, the **proxy/proxies* will vote or abstain from voting at **his/their* discretion.

* Please delete accordingly.

Resolution No.	Ordinary Resolutions	For	Against
1.	To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2016.		
2.	To approve the Directors' Fees of S$331,290 for the financial year ended 31 December 2016.		
3.	To re-elect Mr Winston Kwek Choon Lin as Director.		
4.	To re-appoint Messrs Baker Tilly TFW LLP as auditors of the Company and to authorise the Directors to fix their remuneration.		
5.	To approve the Share Issue Mandate.		
6.	To authorise the allotment and issuance of shares under the BH Global Performance Share Plan.		

Note:
1 Please indicate your vote "For" or "Against" with an "X" within the box provided.
2 If you wish to exercise all your votes "For" or "Against", please indicate with an "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this ______________ day of ______________ 2017

Total No. of Shares	No. of Shares
In CDP Register	
In Register of Member	

____
Signature(s) of Member(s)/Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM

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 (Cap 289) of Singapore), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2 (a) A member of the Company who is entitled to attend and vote at the Annual General Meeting and who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend and vote on his behalf. Where such member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. A proxy need not be a member of the Company. If the appointer is a corporation, the proxy must be executed either under its seal or under the hand of its duly authorised officer or attorney.

(b) A member of the Company who is entitled to attend and vote at the Annual General Meeting and who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote in his stead. Where such member appoints more than one (1) proxy, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

3 The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02, Singapore 068898 not less than 48 hours before the time appointed for the meeting.

4 Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

5 The instrument appointing a proxy or proxies must be under the hand of the appointer or his 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 seal or under the hand of its attorney or a duly authorised officer.

6 Where an instrument appointing a proxy or proxies 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.

7 A corporation that 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.

8 The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares against his name in the Depository Register as at 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.