ANNUAL
REPORT
2017

BH GLOBAL
CORPORATION LTD

BUILDING ON OUR STRENGTHS

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.

Contents

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 MAINLY THE MARINE AND OFFSHORE INDUSTRIES TO AN INTEGRATED GROUP TODAY PROVIDING PRODUCTS AND SERVICES IN FOUR MAJOR BUSINESS DIVISIONS:

1

SUPPLY CHAIN MANAGEMENT
Premium cable, lighting and electrical equipment for the Marine, On-and-Offshore, Oil & Gas, Industrial and Petrochemical industries

2

MANUFACTURING
Smart LED Lighting solutions and galvanized steel wire

3

ENGINEERING SERVICES
Engineering, procurement and project management solutions for the marine, oil and gas sector

4

SECURITY
Critical Infra-Structure OT Protection and Cyber Security Solutions, Enterprise IT Operation Management and Infra-red Thermal and Night Vision Sensing Solutions for both public and private sectors

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 reliable product portfolio from industry-renowned brand partners and manufacturers.

Leveraging on its extensive business experience and network, BH Global has diversified its products and services beyond Supply Chain Management to include Manufacturing, Engineering Solutions and Security. The Group is transforming its business from product base to light weight technology base solutions business.

AT A GLANCE

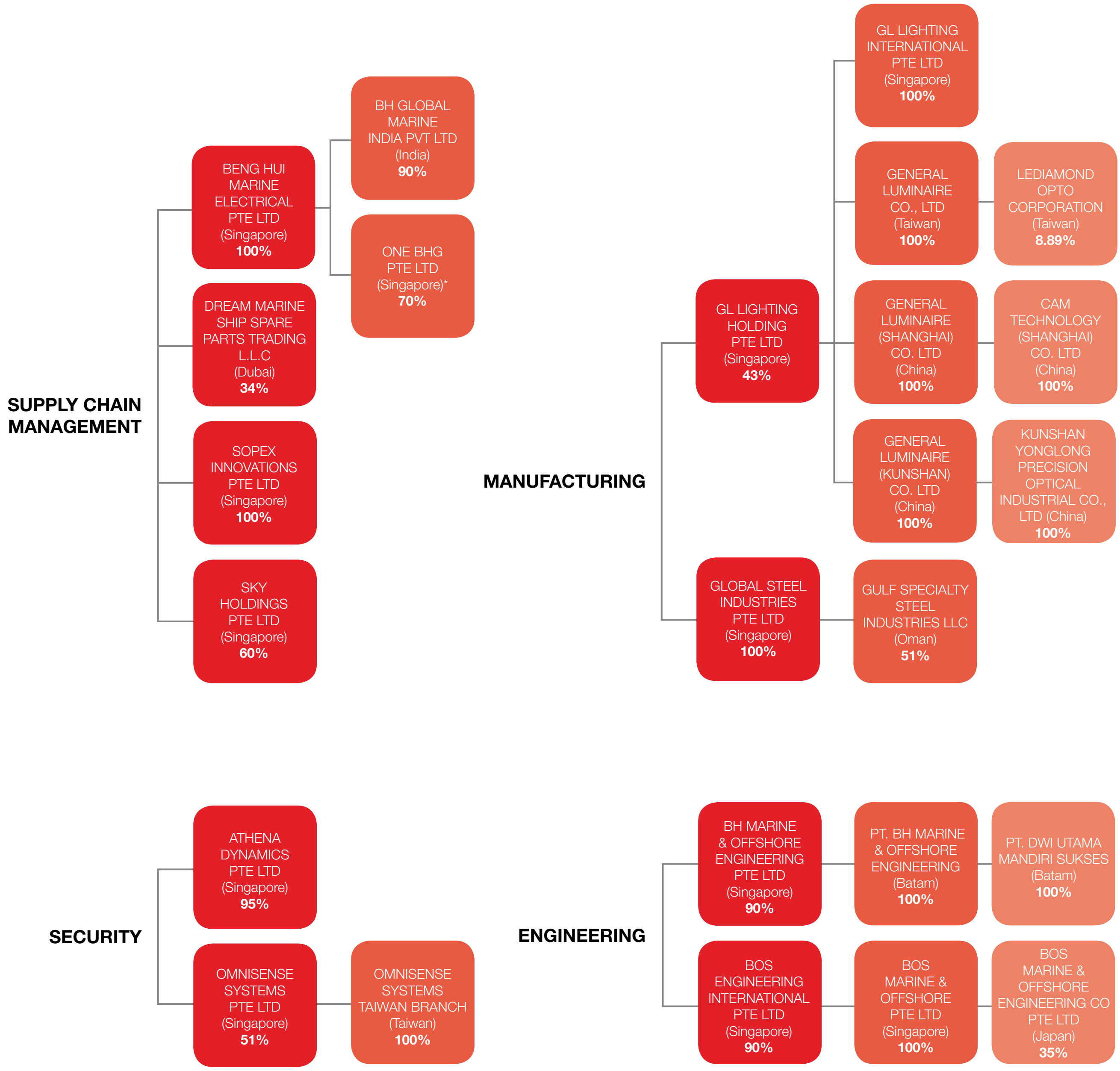
WE ARE **BH GLOBAL**.
WE ARE A **GLOBAL SOLUTION** FOR YOU.

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 FY2017, 54% of our revenue contribution came from Singapore, 11% from South-East Asia, 29% from East Asia, 2% from Middle East, 1% from Europe, while the remaining 3% came from countries spanning all over the globe including Australia, India and United States of America.

CORPORATE STRUCTURE

BH GLOBAL CORPORATION LTD



* **ONE BHG PTE LTD SHAREHOLDING:**
70% BENG HUI MARING ELECTRICAL PTE LTD
10% ATHENA DYNAMICS PTE LTD
10% BOS MARINE & OFFSHORE PTE LTD
10% OMNISENSE SYSTEMS PTE LTD

Business Profile:
SUPPLY CHAIN MANAGEMENT ("SCM")

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

SCM has approximately S$24 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 include marine, offshore, industrial and telecommunication cables, conventional lighting and LED lighting systems and electrical consumables that comply to product quality and safety specifications and are also certified to industry standards.

This extensive 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, SCM'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 Warehouse Management System, material handling equipment, cable cutting & reeling machines, manufacturing and testing facilities, computerized offices and apt storage facilities. SCM owns its fleet of delivery vehicles and has developed a strong partnership with international freight forwarders to provide timely deliveries worldwide.

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

SCM 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 are constantly being developed. With the successful adoption of Maritime users, we look forward to collaborations with even more brand 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 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) Co. Ltd, 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.

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.

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 targeted annual capacity of 60,000 tonnes of galvanized steel wire.

Business Profile:
ENGINEERING SERVICES

Engineering Services 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 project management (EPPM) 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:

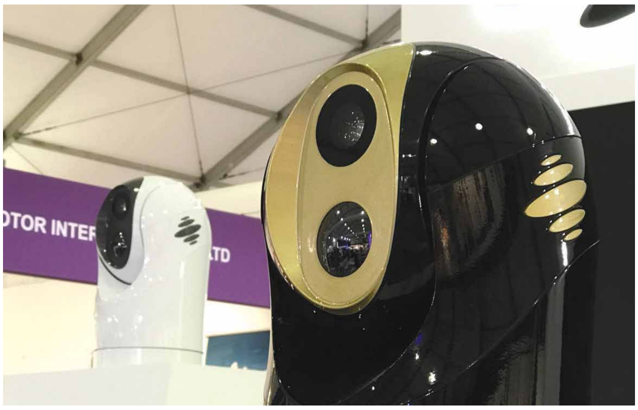
- Electrical, instrument and control system HVAC / structure engineering design
- Engineering and fabrication of marine, oil and gas equipment / systems
- Multi-disciplinary topside facilities, shipside and value engineering
- Floating production storage offloading (FPSO)
- Offshore and onshore oil and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

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 ("ADL") sources and bridges proven technologies to Singapore and the Asia Pacific region. Since its inception, coupled with its strong credentials and experience, ADL has achieved strong traction in key areas of critical and stringent network protection. ADL 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. ADL 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.



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

Athena focuses on ICS/SCADA and Cyber security solutions that do not depend on traditional "detect and eliminate" paradigm which is no longer effective.

Omnisense Systems Pte Ltd ("OMS") was acquired by BH Global on June 2016. Based in Singapore and established since 2006, OMS 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.

OMS have built 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, they have also build up a capable manufacturing and maintenance capabilities. Its highly automated infrared temperature calibration lab is probably the most advance privately owned setup in the region. They have 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 the late Mr. Alvin Lim (Chairman), Mr. Vincent Lim (CEO) and Ms. Eileen Lim (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 the 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 four existing and paid-up ordinary shares into one 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

2017

Incorporation of One BHG Pte Ltd to develop business opportunities in the areas of Environment, Electrifications and Digitalisation

Incorporation of BOS Engineering International Pte Ltd to set up joint venture, BOS Marine & Offshore Engineering Corporation, with Japanese partners to develop business expansion opportunities in the Japanese market

Set up Omnisense Systems Pte Ltd Taiwan Branch to expand its R&D capacities and further its exposure in the regional markets

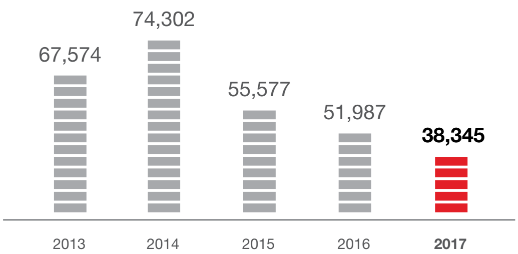
E-Commerce Platform (bh-estore.com) gains traction among global Maritime users, achieves SGD 100K online-sales mark

FINANCIAL HIGHLIGHTS

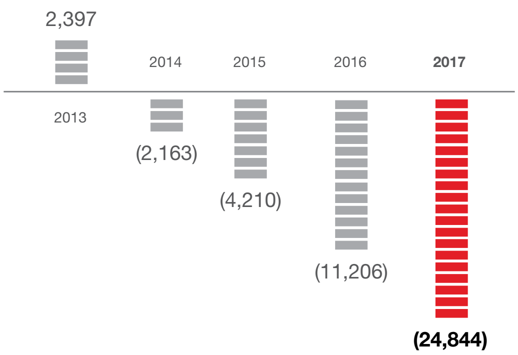
GEOGRAPHICAL SEGMENT ($‘000) (REVENUE)

	2017	2016	2015	2014	2013
SINGAPORE	20,836	34,847	33,322	38,213	43,018
SOUTH-EAST ASIA	4,277	7,621	8,467	5,321	9,704
EUROPE	344	482	731	1,192	6,091
EAST ASIA	11,116	7,833	8,851	9,073	2,492
MIDDLE EAST	820	997	1,350	17,871	4,536
OTHER	952	207	2,856	2,632	1,733
TOTAL	38,345	51,987	55,577	74,302	67,574

REVENUE ($’000)



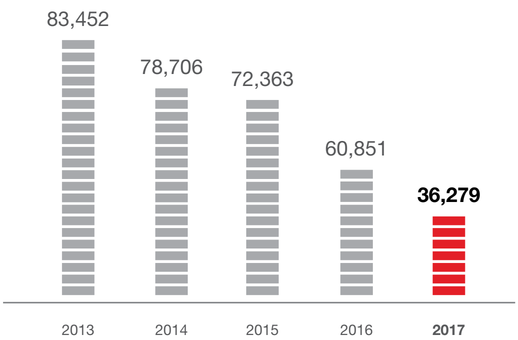
NET (LOSS) / PROFIT# ($’000)



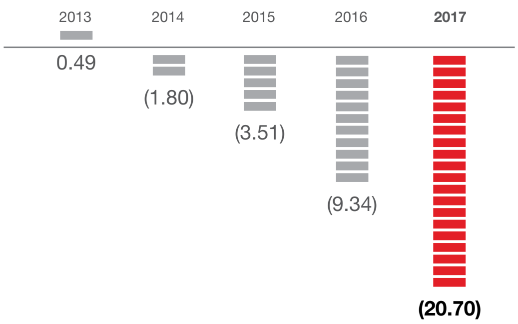
REVENUE BREAKDOWN BY PRODUCTS ($‘000)

	2017	2016	2015	2014	2013
SUPPLY CHAIN MANAGEMENT	28,641	49,085	53,953	55,733	54,751
MANUFACTURING	-	-	1,624	18,569	5,568
ENGINEERING SERVICES	6,747	1,928	-	-	7,255
SECURITY	2,957	974	-	-	-
TOTAL	38,345	51,987	55,577	74,302	67,574

SHAREHOLDER’S EQUITY# ($’000)



EARNINGS / (LOSS) PER SHARE*



 # Attributable to owners of the parent.

* *EPS for 2014, 2015, 2016 and 2017 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 2017 ("FY2017").

Dear Shareholders,

YEAR IN REVIEW

In 2017, in spite of the recovery in oil prices as the oil demand and supply gap narrowed, headwinds in the marine and offshore industries continued to persist. Largely due to lingering overcapacity issues, positive effects from the recovery were dampened. Similarly, global economic outlook improved towards the tail end of 2017 but consolidations remain prevalent in the marine and offshore sectors as companies endeavoured against cash flow and financing issues. Due to the abovementioned factors, the Group faced a very challenging year and the Group's core business made its first ever loss. However, the Group's Security and Engineering Services divisions have shown encouraging results.

SUPPLY CHAIN MANAGEMENT ("SCM") DIVISION

The SCM division continues to be the Group's main business division. The prolonged slowdown in activities in the marine and offshore sectors affected the SCM division, with the SCM division reporting a loss for the first time. Fewer new build projects and increased competition resulted in a significant decrease in our revenue from marine cables and accessories. To counteract the muted market conditions, the Group implemented certain cost cutting measures and expanded our marketing initiatives. At the same time, the Group continued to explore viable opportunities in the industrial and petro-chemical sectors.

In 2017, our strong relationships with long term clients and with our key cable supplier, Seoul Electric Cables Group ("SEC"), were a mitigating factor during these tough times. Similarly, the Group's cost management plan helped to achieve cost savings in areas such as procurement, manpower and utilities, showing good progress and alleviating some of the competitive pressures from the market.

Going forward, we aim to be more focused on consistent improvements to stabilize and subsequently bolster performance in the long run. This includes further attention to logistics and inventory management using initiatives such as RFID tracking, a warehousing management system, and better fleet management for deliveries.

Our online store for the SCM division (www.bh-estore.com) which was started in 2015, showed some positive results, achieving S$100K of revenue in 2017. We hope to continue this initiative to widen our reach to new clients and provide ease of access and greater service levels to our customers. Ultimately, we aspire to establish 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 Iran Oil Show, Sea Asia, INMEX-Vietnam and CM Beijing in 2017.

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.

MANUFACTURING DIVISION

The Manufacturing division comprises two main businesses, the galvanized steel wire business in Oman, Gulf Specialty Steel Industries ("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 remained under harsh industry conditions in 2017. Subsequent to year end, the Group has entered into a non-binding Letter of Intent to dispose its interest in GSSI.

The Group's LED lighting solutions business' performance was affected by supplier-related delays from the year prior. Despite having sourced for new suppliers in 2017, the ripple effect from the delays resulted in lower sales to major customers this year. The Group is looking forward to the construction of the new factory which is poised to be completed by the second quarter of 2018 and should help enhance production capacity. Thus, the Group will focus on ramping up production and sales once the factory has been completed. The Group remains positive on the long-term sustainability of this business as the demand for higher energy efficient products continues to grow.

ENGINEERING SERVICES DIVISION

The liquidation of Oil & Gas Solutions Pte. Ltd. ("OGS") remains ongoing. BOS Offshore & Marine Pte Ltd ("BOS") continues to fulfil the activities of this division and this year BOS entered into a joint venture with our Japanese partners to explore feasible business expansion opportunities in the Japanese market. On PTE, the Group has entered into a memorandum of understanding to dispose the Batam land. Overall, for this business, the Group continues to seek further viable opportunities in the engineering design and management of projects.

SECURITY DIVISION

The functions of technology are expanding at an unbridled rate, and its prominence continues to grow in our lives, from hosting our sensitive personal data to everyday cashless transactions. As such, governments and businesses face a constant struggle between efficiency and security. Reliance on technology has become more prevalent, and detection of threats ahead of repercussions is paramount. Furthermore, technology itself is playing a more critical role in identifying threats of all nature.

The Group's new Security division which was established in FY2016 targeted 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 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 acquire classified and critical infrastructure projects as well as ICA projects including Changi airport, seaports and check points. It has also acquired a project in Japan.

The outlook for this division remains promising and the Group continues to proactively market this division, taking part in 10 conferences and roadshows during the year. These include local and global events such as Milipol Paris 2017, RSA Conference Asia Pacific 2017, Cloud & Cyber Security Expo, Interpol World 2017 and Singapore Health and Biomedical Congress 2017.

The Group has also established a branch office in Taiwan with the aim of enhancing its R&D capacities and extending its regional reach. The Group will continue to focus on gaining exclusive distributorships and developing further channel structures globally.

A WORD OF THANKS

2017 was a tough year for the Group as we continued to experience a spill over of unfavourable conditions from the year prior in several of the industries we operate in. The Group has been placed in the watchlist by SGX. That being said, we will persevere with our new initiatives. This journey is not going to be easy and no immediate result can be seen in the short term. With our committed employees and shareholders, we are confident of braving the adversities ahead. We would like to express our heartfelt gratitude to our customers, suppliers, bankers, employees, Board of Directors and shareholders who have shown consistent support in this difficult period. We remain steadfast in our aim to bring BH Global into 2018 with confidence and hope.

Vincent Lim Hui Eng
Executive Chairman and Chief Executive Officer

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

Henry Tan Song Kok
Independent Director

Winston Kwek Choon Lin
Independent Director

COMPANY SECRETARY

Pan Mi Keay
Toon Choi Fan

AUDIT COMMITTEE

Henry Tan Song Kok *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*
Henry Tan Song Kok
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

OPERATIONAL AND FINANCIAL REVIEW

The Group's revenue decreased by 26% from S$52.0 million in FY2016 to S$38.3 million in FY2017. This was largely due to stunted activity levels in marine and offshore sectors as a result of oversupply issues and weak global shipping markets.

In FY2017, the Supply Chain Management division contributed 75% of the Group's turnover, the Engineering Services division accounted for 17% of the Group's turnover and the Security division contributed the remaining 8%. The Group's gross profit decreased by 31% from S$17.9 million in FY2016 to S$12.4 million in FY2017, with gross profit margin decreasing slightly to 32% from 34%, due mainly to higher revenue from Engineering Services division which command lower margins. The gross profit figures in 2017 reflect significantly on the core business, the Supply Chain Management division.

The Group's operating expenses comprise selling and distribution expenses and administrative expenses. Selling and distribution expenses increased by 48% to S$15.0 million in FY2017 as a result of higher provisions for doubtful debts, due to weak marine and offshore markets, and stock obsolescence. Administrative expenses increased by 49% as a result of higher impairment loss on goodwill and intangible assets in OMS, impairment loss in investment in GLH, and provision for liabilities for additional losses of GSSI. Excluding these provisions and impairment losses, operating expenses would have decreased by 49% to S$14.0 million, underpinned by the Group's cost cutting measures during the year. The Group will continue its efforts to reduce these provisions through better regulation of customer credit and inventory going forward, as well as assessing all viable options for GSSI.

As a result of the aforementioned factors, the Group concluded FY2017 with a net loss to equity holders of the Company of S$24.8 million compared to a net loss of S$11.2 million in the year prior.

MANUFACTURING DIVISION

The Manufacturing division consists of the galvanized steel wire business in Oman, GSSI, and LED lighting solutions business in the People's Republic of China, GLH. GSSI is classified as a joint venture while GLH is classified as an associate of the Group.

The businesses in the Manufacturing division reported a loss in FY2017. For GSSI, there was no significant improvement in production and sales volume of the Oman plant in FY2017 with production remaining below breakeven levels. Subsequent to year end, the Group has entered into a non-binding Letter of Intent to dispose its interest in GSSI.

Operations for GLH continued to face headwinds due to supplier delay issues from the year prior. Nonetheless, GLH remains the original equipment and design manufacturer for several dominant players in the market. The Group looks forward to stabilising operations and subsequently gradually ramping up production with the new Kunshan factory's completion expected in 2Q2018.

SEGMENTAL OVERVIEW

SUPPLY CHAIN MANAGEMENT ("SCM") DIVISION

The SCM division continues to be the Group's key revenue driver and contributed 75% of the Group's overall revenue. Due to the considerable slowdown of activities in the marine and offshore sectors, revenue from this division decreased by 42% to S$28.6 million in FY2017. Revenue breakdown by product categories reveals marine cables as the main contributor at 50%, followed by marine lighting equipment and accessories contributing 33% and others contributing 17%. The Marine lighting equipment and accessories product category was the category that showed improved sales, due mainly to sales of new product range to a Japanese customer.

SECURITY DIVISION

The Security division was established in 2Q2016 and comprise of ADL and OMS, which mainly provides cyber security, enterprise IT operation management and sensing security products for both public and private sectors in Singapore and the region. The division accounted for 8% of the Group's revenue in FY2017, contributing approximately S$2.9 million in revenue. The Security division continues to show improvement, acquiring high profile projects locally and branching out in the region. The outlook for this division remains promising and the Group continues to proactively market this division.

Engineering Services

The Engineering Services Division consists of BOS, OGS and PTE. It accounted for 17% of the Group's turnover in FY2017. BOS continues to fulfil the activities of this division as the liquidation of OGS remains ongoing. Revenue increased by 250% due mainly to higher progressive recognition of revenue of an existing project in procurement phase in FY2017 as compared to FY2016 where the project was in its engineering phase. For PTE, the Group has entered into a memorandum of understanding to dispose the Batam land.

During the year, BOS entered into a joint venture with the Group's Japanese partners to explore feasible business expansion opportunities in the Japanese market. Overall, the Group continues to seek further viable opportunities in electrical installation packages.

FINANCIAL POSITION

As at 31 December 2017, the Group's total assets stood at S$70.9 million, a decrease from S$95.7 million as at 31 December 2016. Non-current assets decreased to S$22.2 million as at 31 December 2017 from S$40.9 million as at 31 December 2016. The decrease in non-current assets is due mainly to decreases in property, plant and equipment, investment in associated companies, intangible assets and purchase deposit to a supplier. Current assets decreased to S$48.8 million as at 31 December 2017 from S$54.9 million as at 31 December 2016. The decrease in current assets is mainly due to decreases in inventories, trade receivables, other receivables and cash and cash equivalents, partially offset by increases in tax recoverable and amount due from customers on construction contracts.

As at 31 December 2017, the Group's total liabilities were S$39.9 million, an increase from S$38.0 million from the previous year. Non-current liabilities were S$1.2 million as at 31 December 2017, down from S$2.4 million as at 31 December 2016. The decrease in non-current liabilities is due mainly to decreases in deferred tax liability, non-current payables and finance lease liabilities, partially offset by an increase in convertible loan notes. Current liabilities were S$38.1 million as at 31 December 2017, an increase from S$35.6 million as at 31 December 2016. The increase in current liabilities is due mainly to increases of other payables, provisions and tax payable, offset partially by bank borrowings and amount due to customers on construction contracts.

Shareholders' equity attributable to equity holders of the Company as of 31 December 2017 was S$36.3 million, compared to S$60.9 million the previous year. The lower shareholders' equity is a result of the Group's losses in FY2017.

CONCLUSION

The Group's result in FY2017 represents the difficult market environment faced by several of business divisions. There are prospects in some of the Group's businesses but overall the path ahead is expected to be challenging. The management is thankful to the shareholders who shown great commitment to the Group in its endeavour against the tide. The Group will maintain its aim to enhance cost efficiencies and improve underperforming operations to improve long-term shareholder value.

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.

BOARD OF DIRECTORS

MR VINCENT LIM HUI ENG

Executive Chairman and Chief Executive Officer

Mr 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. He has 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 Beng Hui Electrical Trading Pte Ltd ("BHET") from 1987 to 2003. Since 1994, Vincent Lim has been an executive director of SOPEX Innovations Pte Ltd ("SOPEX").

Mr 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, Mr Patrick Lim served in the Navy as chief technician for Underwater Systems from 1986 to 1992. Mr Patrick Lim 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. Mr Patrick Lim 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 PATRICK LIM HUI PENG

Chief Operating Officer

Mr Loh Weng Whye was appointed as an Independent Director of our Group on 3 August 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 a SGX-listed company, 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 LOH WENG WHYE

Lead Independent Director

Mr Henry Tan Song Kok was appointed as an Independent Director of our Group on 24 April 2017. He graduated with a First Class Honours Degree in Accountancy from the National University of Singapore. He is a Fellow of the Institute of Singapore Chartered Accountants, Institute of Chartered Accountants of Australia and New Zealand, CPA Australia and Insolvency Practitioners Association of Singapore Ltd and a member of Institute of Internal Auditors and Singapore Institute of Directors and Singapore Institute of Accredited Tax Professional. He is currently the Managing Director of Nexia TS Public Accounting Corporation and Nexia TS Pte Ltd. He was the past Asia Pacific Regional Chairman and board member of Nexia International. He holds directorship for several companies. He is also on the board of these listed companies - YHI International Limited, China New Town Development Co Ltd & Yinda Infocomm Limited. He is Chairman of the Nanyang Business School Alumni Advisory Board of NTU.

MR HENRY TAN SONG KOK

Independent Director

Mr 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 Singapore 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. Between 2003 and 2016, he was also an Adjunct Associate Professor in the Faculty of Law at the National University of Singapore, teaching the Law of Marine Insurance.

MR WINSTON KWEK CHOON LIN

Independent Director

KEY MANAGEMENT

Mr 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 26 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 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.

MR JOHNNY LIM HUAY HUA

Director, Logistics & Global Mobility - Import & Export Division

Ms 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 36 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.

MS EILEEN LIM CHYE HOON

Director, Corporate Administration & Human Resource

Mr 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 KEEGAN CHUA TZE WEE

Chief Financial Officer

Mr Ken Soh Lee Meng holds concurrent appoints as Group CIO of mainboard listed BH Global Corporation Limited since 3 Mar 2014 and as the founding CEO of the group subsidiary cyber security company Athena Dynamics Pte Ltd. Ken has more than 26 years of working experience in the ICT industry. Prior to joining BH Global, Ken held various senior positions in public and private sectors at CxO and business leader levels with Master Planning and P&L responsibilities. In BH Global, he has spearheaded various digital transformation initiatives internally including data visualization and strengthening of the group's ERP platform. Alongside that, Ken has also initiated and driven the transformation of BH's group IT department from a cost center to a profit center, spinning it off as a subsidiary company Athena Dynamics Pte Ltd ("ADL"). The company has since been awarded numerous projects in cyber protection of classified and critical info-infrastructures in both the governmental and commercial sectors.

Ken has been an avid industry speaker and writer. Since the inception of ADL in mid 2014, he has contributed more than 70 thought leadership speaking and papers in numerous industry conferences, press and media. He holds a Master of Science in Computer Studies from the University of Essex; and a Master of Business Administration (eMBA) from the Nanyang Business School (a Nanyang Technological University and University of California, Berkeley joint programme).

MR KEN SOH LEE MENG

Chief Information Officer and
CEO for Athena Dynamics Pte Ltd

Mr Bryan Koh Tong Seng is the Managing Director for BOS Offshore & Marine Pte Ltd ("BOS"). He has more than 23 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.

MR BRYAN KOH TONG SENG

Managing Director for
BOS Offshore & Marine Pte Ltd

Mr Leonard Lim Liang Soon is the founder and Chief Executive Officer of Omnisense Systems Pte Ltd ("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 15 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.

MR LEONARD LIM SIANG SOON

CEO for Omnisense Systems Pte Ltd

Ms Jasmin Lim Rui Li joined the Company as a Marketing Executive in 2012 and had various promotions before being promoted as Business Development Director of the Group on 1 September 2017. She was also appointed as a Director of Beng Hui Marine Electrical Pte Ltd on 1 September 2017. She is responsible for the Group's Marketing and Strategic Development in the Marine and Offshore markets. Jasmin Lim brings a genuine passion for building valuable long-term relationships with customers, partners and employees. She is also spearheading various E-initiatives for the Group. She graduated from Singapore Institute of Management-RMIT University with a Bachelor of Marketing Degree in 2012. Jasmin Lim is also the Vice Chairman of Bosses Network (Young Chapter)- a business networking and learning platform aimed at creating synergy among business owners.

MS JASMIN LIM RUI LI

Business Development Director

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 investors to update 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 company.

TRAINING AND DEVELOPMENT: We encourage our employees to attend programs and seminars aimed at broadening employees' knowledge and skill sets in various areas such as finance, accounting, marketing, information technology (IT), technical and operational fields and also to give them a better overview of current situation and future markets' potential. Aspiring 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 various welfare and teambuilding events to foster team spirit, promote camaraderie and improve communication among employees and management. In 2017, the Event Committee organized events and Festive Celebrations where employees mingled over food and drinks at the company premises and Corporate Social Responsibility (CSR) event- Back to School is a joint collaboration local Community Centres to identify students from lower-income families and to assist monetarily with their necessary stationery and books for the coming school year.

We also held a "Movie Night"-themed Dinner & Dance event at Hotel Re@! in September 2017. The night gave all staff from the various subsidiaries 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 2017, 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-Tiong Bahru 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. 2017 marks the eighth year that BH Global has participated in this meaningful 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 and entertainment activities for the event. Over 80 employees and volunteers spent their Sunday morning being actively involved in helping more than 350 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.

GENERAL STANDARD DISCLOSURES

1. Strategy and Analysis

Please refer to the annual report on pages 10 to 12, under "Chairman Statement".

2. Organization Profile

Please refer to the annual report on pages 1 to 9 and 14 to 15, under the sections of "Corporate Profile", "At A Glance", "Business Profile", "Corporate Milestones", "Financial Highlights", and "Operational & Financial Review".

3. Identified Material Aspects & Boundaries

List of Entities in the Organisation

Please refer to the annual report on page 3, under "Corporate Structure".

Process and Result of Identifying Material Aspects & Boundaries

Our sustainability consultant conducted a kick-off meeting and mentored the management team on the sustainability reporting. They also discussed with management and listed out numerous aspects and factors that are material to the Company. Material sustainability factors are defined as those that:

1. Reflect the reporting organisation's significant environmental, social and governance impacts; or
2. Substantively influence the assessments and decisions of stakeholders

A survey was sent to the stakeholders to rate and prioritise the material Environmental, Social and Governance ("ESG") factors. We believed that the survey result will bring both internal and external perspectives to the entire sustainability process.

The top 5 ESG factors rated by the internal stakeholders were as follows:

1) Working Environment
2) Customer Care
3) Customer Satisfaction
4) Whistle Blowing
5) Corporate Image

The top 5 ESG factors rated by the external stakeholders are:

1) Competitive Pricing
2) Product Quality and Reliability
3) Timely Delivery
4) Data Protection
5) Product Information/Labelling

The results provided by the internal and external stakeholders are then presented to the Board of Directors for validation. Board of Directors has approved 3 material ESG factors to be monitored in the first year. The remaining ESG factors could be chosen to be monitored in the subsequent financial year.

The 3 material ESG factors approved to be monitored are as follows:

1) Working Environment
2) Product Quality and Reliability
3) Electricity Energy Consumption and Fuel Oil

The aspects adopted by the Group and its material boundaries are as follows:

ESG Factors	Aspects	Boundaries
Working Environment	Training and Education	BH Global and Group
Product Quality and Reliability	Indirect Economic Impact	BH Global and Group, Investor, Customer and Communities
Electricity Energy Consumption and Fuel Oil	Energy	BH Global and Group, Investor and Communities

4. Stakeholders Engagement

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.

BH Global works closely with various groups and individual to find out the material issues/factors that impact to the Group and its stakeholders. This includes the following internal and external stakeholder:

Internal Stakeholders	External Stakeholders
Employee	Vendor
Manager	Customer

We gathered opinions and advice in various ways including formal and informal meetings, workshops and online surveys. Through these methods, we are able to identify the material ESG issues that are relevant and important to the Group.

5. Reporting Profile

Reporting Period

The report covers the performance of our consolidated entities from 1 January to 31 December 2017. Reporting cycle is in annual basis.

Feedback

Feedback from BH Global's stakeholders is welcome as it enables continual improvement in the Group's sustainability policies, processes and performance. Please send your comments and suggestions to feedback@bhglobal.com.sg.

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Methodology

In FY2017, we have reviewed the sustainability reporting approach used to guide our disclosures. With a focus on enhancing the relevance of the report, we report in accordance with the Global Reporting Initiative (GRI) version G4– "Core". We have chosen the GRI Standards due to its longstanding universal application and robust guidance, which allows for comparability of our performance against peers. The report is also prepared in accordance with SGX-ST Listing Rules (711A and 711B) – Sustainability Reporting Guide. Our data is reported in good faith and to the best of our knowledge.

6. Governance

Please refer to the annual report on page 29, under "Corporate Governance Report".

7. Ethics and Integrity

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.

OUR CORE 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.

SPECIFIC STANDARD DISCLOSURE

Category: **Social**

Sub-category: **Labor Practices and Decent Work**

GRI Aspect: **Training & Education (G4-LA9)**

ESG Factor Chosen: **Working Environment**

In an ever changing and fast paced corporate world, training and development is an indispensable function. Training and education helps employees to learn specific knowledge or skills to improve performance in their current roles and more expansive on employee growth and future performance that brings a greater impact to the Group in the future.

It is important that the head of departments and all staff can learn updated and adequate technique through the professional training program in order to achieve the company goal.

BH Global planned for all the staff and managers to attend customized training program. 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. These programs include the in-house training by our technical staff and training program which are provided by third parties.

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.

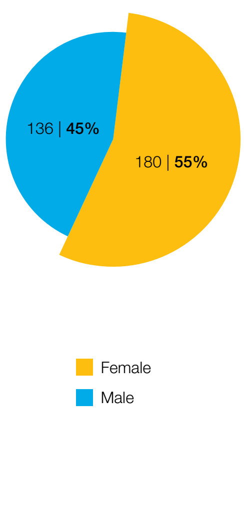
All these training programs are recorded and monitored by the Human Resource Department. We allow all the departments to suggest any suitable training program that can improve the skill set of the employee.

Our staff has attended courses such as Financial Reporting Standard (FRS), implement incident management, develop risk management implementation plan and etc. in FY2017.

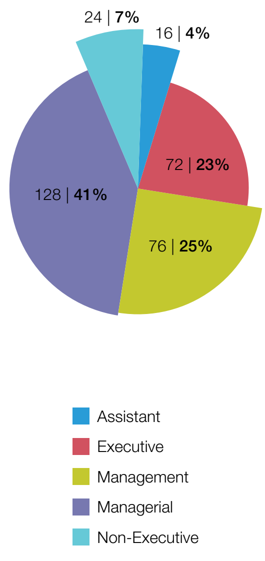
In future, in order to fulfil our core values, we will continue to search for the best and suitable training and development program for our staff at all levels to attend.

Table below shows the training records of BH Global in the year of 2017:

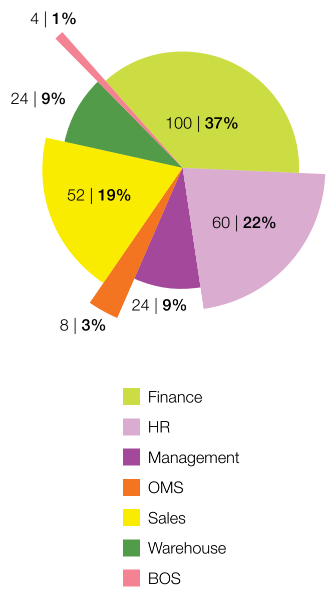
Total Number of Manhour Training (By Gender)



Total Number of Manhour Training (By Employee Category)



Total Number of Manhour Training (By Department)



Category: **Environmental**

GRI Aspect: **Energy (G4-EN7)**

ESG Factors Chosen: **Electricity Energy Consumption and Fuel Oil**

One of the primary business activities in BH Global is manufacturing of LED lighting. 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 places 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.

In today's world, it is the responsibility of everyone to promote efficient energy-saving measures and take good care on the environment. We also ensure that our operations are carried out in a responsible manner through a practice designed to manage issues like waste and the consumption of energy.

We are willing to share on how eco-friendly and the benefit by using the LED Lightings than the traditional incandescent or fluorescent. LED lights contains no toxic chemical materials, unlike most of the conventional lights contains materials likes mercury that are harmful to the environment.

By using our new LED products, we also aim to help our customers in energy saving and reducing in the monthly electricity bills. LED products require lesser amount of electricity consumed than the traditional incandescent or fluorescent. Therefore, the lesser amount of wattage used, the lower the monthly electrical bills would be.

BH Global applies data analytics to accurately measure energy consumption of the conventional lamps and new LED product, focusing on the energy saving percentage. These data helps management to make critical decision on reduction in electricity energy.

The table below shows the quantity of products sold and the total savings on wattage of LED lights in FY2017:

No	Products	Quantity Sold in FY2017	Total Savings in FY2017 (Wattage)	Revenue (USD)	Revenue (SGD)
1	Lseries Module	11,287	556,983	225,361.81	309,034.86
2	SOP Modular Floodlight	2,698	858,440	203,754.09	280,635.35
3	Floodlight	3,120	414,620	1,024,252.96	1,410,135.13
4	ACIC Module	10,100	50,300	227,320.00	312,225.92
5	Smart Board	1,960	23,520	192,166.00	263,801.58
6	Downlight	350	5,250	20,052.00	27,512.38
7	Module Only	7,194	622,834	248,644.00	341,891.90
Total		**36,709**	**2,531,947**	**2,141,550.86**	**2,945,237.12**

Category: **Economic**

GRI Aspect: **Indirect Economic Impact (G4-EC7)**

ESG Factors Chosen: **Product Quality and Reliability**

In the developed world, most of the people or companies are now connected to the internet. As part of the Group's marketing strategy, Beng Hui Marine Electrical Pte Ltd created an online extension, BH-eStore, catered to serve the burgeoning requirements of users in the Marine, Offshore, Petrochemical, Industrial & Commercial industries.

With approximately S$24 million worth of comprehensive inventory and more than 15,000 product line items from international brand partners, we provide a wide portfolio of premium technically certified electrical products such as marine & offshore cables, lighting systems and electrical products from international renowned brand partners/manufacturers. Headquartered in Singapore, our warehouse is strategically located in close proximity to our customers. Over 220,000 square feet, the facility houses a warehouse equipped with storage facilities, material handling equipment, electrical testing facilities, cable cutting & reeling machines, manufacturing grounds and logistics offices.

Our online store for the SCM division (www.bh-estore.com) which was started in 2015, achieved S$100K of revenue in 2017. We have chosen this factor as parts of the revenue come from our online store and it's able to attract more clients nationwide.

We hope to continue this initiative to widen our reach to new clients and provide ease of access and greater service levels to our customers. Ultimately, we aspire to establish new sales channels that could broaden our customer base.

We are taking steps to improve and develop our online store in order to make it more user-friendly and convenient to our clients.

Tables below show the development of the BH-eStore within the period of FY2017:

No	Jan - Feb 2017 E-store tasklist
1	Corporate video for partner brands
2	3D drawings
3	E-store Banner Revision
4	Product Long & short description
5	PayPal Payment feature
6	Overseas delivery feature
7	Attach Enquiry Direct Option
8	Wish list
9	Product video for Youtube video feature
10	Brochures in dual language in flip book version
11	Our clientele tab
12	SEO/ SEM Implementations- Campaigns and Remarketing
13	Website Front-page Revision

No	Mar- Apr 2017 E-store tasklist:
1	Overseas currency- USD
2	Back end link to Finance ERP's Currency rate
3	Picture vs child product attribute mechanism
4	Additional Past events tab
5	Website Front-page Banner Revision
6	Mobile Responsiveness for computer and handheld devices

SUSTAINABILITY REPORT (cont'd)

No	May- Jun 2017 E-store tasklist:
1	Overseas currency- EURO
2	Category 3rd tier upload
3	Alternative brand and product options- phase 1
4	Related/ Complementary product options- phase 1
5	Shopping cart filter- phase 1
6	Mobile Responsiveness for computer and handheld devices
7	Text Standardization
8	Additional 'Industry' dropdown
9	SEO/ SEM Additional Implementations- Shopping Cart

No	Jul- Aug 2017 E-store tasklist:
1	WMS Link to E-store Warranty
2	Alternative brand and product options- phase 2
3	Related/ Complementary product options- phase 2
4	Inclusion of price range
5	Advertising Banner for selected pages
6	Mobile Responsiveness for computer and handheld devices
7	Shopping cart filter- phase 2

No	Sept- Oct 2017 E-store tasklist:
1	Alternative brand and product options- phase 3
2	Related/ Complementary product options- phase 3
3	Inclusion of price range- amendment
4	Prompt and Restriction for Hazardous product- Overseas Delivery
5	Layout changes for Order forms
6	Mobile Responsiveness for computer and handheld devices
7	Addition of Top seller icon
8	Addition of Affiliated website
9	Standardization of payments in eStore

No	Nov- Dec 2017 E-store tasklist:
1	Contact Us Page amendment
2	Newsletter subscription function
3	Auto subscribtion of registered users to newsletter

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 ("SC"). 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 45 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.

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.

Principle 1: The Board's conduct of Affairs (cont'd)

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.

Guideline 1.6 of the Code: Directors to receive appropriate training

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 SC 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

Two of the three non-executive Directors, Mr Loh Weng Whye and Mr Winston Kwek Choon Lin have served on the Board beyond nine years from the date of their first appointment on 3 August 2014. The Board, having reviewed the independence of these Directors and further taking into account the deliberations of the NC, is of the view that both two 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 16 and 17 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

Principle 2: Board Composition and Guidance (cont'd)

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	1	20%
Business management	4	80%
Legal or corporate governance	3	60%
Relevant industry knowledge or experience	4	80%
Strategic planning experience	4	80%
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 2017, 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 Director	03.08.2005	15.04.2015	Non-executive/Independent
Henry Tan Song Kok	Director	24.04.2017	NA	Non-executive/Independent
Winston Kwek Choon Lin	Director	03.08.2005	19.04.2017	Non-executive/Independent

Principle 3: Chairman and Chief Executive Officer

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

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 3.2 of the Code: Chairman's role

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

The Board has, since February 2007, appointed Mr Loh Weng Whye as the Lead Independent Director, as such, the Company is in compliance.

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.

Principle 4: Board Membership

Principle 5: Board Performance

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

The NC comprises the following Directors:-

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.

Principle 4: Board Membership (cont'd)

Principle 5: Board Performance (cont'd)

The independence of each Director has been reviewed annually by the NC based on the Code's definition of what constitutes an independent director. Two of the three non-executive Directors, Mr Loh Weng Whye and Mr Winston Kwek Choon Lin have served on the Board beyond nine years from the date of their first appointment on 3 August 2014. The Board, having reviewed the independence of these Directors and further taking into account the deliberations of the NC, is of the view that both two 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. 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.

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

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.

Key information of each director is set out on pages 16 to 17.

Guideline 4.7 of the Code: Key information regarding directors

Principle 4: Board Membership (cont'd)

Principle 5: Board Performance (cont'd)

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

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 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 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.

BOARD COMMITTEES

Principle 7: Remuneration Matters / Procedures for Developing Remuneration Policies

Guideline 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 Henry Tan Song Kok (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 FY2017. 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 from 1 January 2014 onward, new 2-year service contracts were entered every 2 years, after RC's due deliberation, with the Executive Chairman, Chief Executive Officer and Chief Operating Officer. On 1 January 2018, a new 2-year service agreement has been entered with the Executive Chairman and Chief Executive Officer and the Chief Operating Officer. 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.

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 2017 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 KwekChoon Lin	–	–	100%
Mr Henry Tan Song Kok**	–	–	100%
S$250,000 to S$499,999			
Mr Vincent Lim Hui Eng	87%	–	13%
Mr Patrick Lim Hui Peng	87%	–	13%

* *Step down on 19 April 2017*
** *Appointed on 24 April 2017*

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 2017 are as follows:

Name of Key Executives	Salary	Bonus	Fees
Below S$250,000			
Mr Keegan Chua Tze Wee	100%	–	–
Mr Ken Soh Lee Meng	100%	–	–
Mr Bryan Koh Tong Seng	100%	–	–
Mr Leonard Lim Siang Soon	100%	–	–
Ms Jasmin Lim Rui Li[@]	86%	–	14%
S$250,000 to S$499,999			
Mr Johnny Lim Huay Hua[#]	90%	–	10%
Ms Eileen Lim Chye Hoon[#]	90%	–	10%

[@] *Appointed as director of Beng Hui Marine Electrical Pte Ltd on 1 September 2017*

[#] *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 employed by the Group whose respective remuneration exceed $50,000 per annum during the year.*

Principle 9: Disclosure on Remuneration (cont'd)

The aggregate amount of the total remuneration paid to the Key Executives (who are not Directors or CEO) is $1,287,440 in FY 2017.

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. RC has also reviewed the remuneration packages of employees who are related to directors, major shareholders or Management, and make comparison with those of their peers to ensure that they are treated fairly and without undue favoritism.

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.

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.

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.

Principle 11: Risk Management and Internal controls

The AC and 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.

Principle 11: Risk Management and Internal controls (cont'd)

Risk Management (cont'd)

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:

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

- 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.

Today's cyber landscape is radically different from the past's. Advanced threats are highly stealthful and are difficult to detect. With a mindset of "zero trust" world in the cyber space, the Group's IT has since 3 years ago, embarked on a self-evolved cyber protection strategy in People, Processes and Technologies. On People, the Group has been carrying out ongoing awareness programmes not just for the working staff, but including board level senior management. On Processes, the Group has engaged deep cyber audit on top of compliance exercises and included cyber considerations in the Group's BCM/ERM/DR framework. On Technologies, the Group has not just embraced good and well-proven mainstream technologies, it has also deployed radically differentiated technologies that fits the Group's requirements, and with that, introduced it to the industry via the Group's newly founded cyber security subsidiary, Athena Dynamics Pte Ltd.

Principle 11: Risk Management and Internal controls (cont'd)

Internal Controls (cont'd)

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 Henry Tan Song Kok (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.

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

Principle 12: Audit Committee (cont'd)

Guideline 12.4 of the Code: Duties of AC

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:

(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.

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 two 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.

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 GL Lighting Holding Pte Ltd ("GLH") and Omnisense Systems Pte Ltd ("OMS"). Besides the strategies, business and commercial aspects, these discussions with Management also included matters relating to accounting, auditing and internal controls.

Principle 12: Audit Committee (cont'd)

The AC and the Group's auditor have concurred on a few 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 both KAMs, the AC considered the look-backward analysis to assess management's ability to perform accurate forecasts and key assumptions employed in the DCF models such as the revenue growth rates, terminal values, WACC rates, capacity utilization, general market condition and outstanding sales orders. Other 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.

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.

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

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 Virtus Assure 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 and 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

(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.

Principle 14 and 15: Shareholder Rights and Responsibilities (cont'd)

(b) Communications with Shareholders (cont'd)

The Group does not presently have a prescribed dividend policy.

No dividend was declared and paid for the financial year ended 31 December 2017 as the Group is 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 relating to audit matters.

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 2017 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
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
Henry Tan Song Kok[#]	3	3	3	3	–	–	1	1
David Chia Tian Bin[##]	1	1	1	1	–	–	1	1

[#] *Appointed on 24 April 2017*
[##] *Retired on 19 April 2017*

ADDITIONAL INFORMATION

Sustainability Committee

The SC comprises:

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

The Group Sustainability Committee ('GSC') was formed in 2016 and headed by the Executive Chairman and Chief Executive Officer. The SC'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 regulation. An update of the progress of the SC is included in this 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.

Interested Person Transactions

There is no interested person transactions above $100,000.

Material Contracts

Save for the service contracts entered into between the executive Directors and the Company 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

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 2017.

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 57 to 131 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 2017 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 (the "Act") 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)
Winston Kwek Choon Lin	(Independent Non-executive)
Henry Tan Song Kok	(Independent Non-executive) (appointed on 24 April 2017)

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 Act, 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 1.1.2017	At 31.12.2017	At 1.1.2017	At 31.12.2017
The Company				
Vincent Lim Hui Eng	957,172	957,172	71,668,900	71,668,900
Patrick Lim Hui Peng	957,172	957,172	71,668,900	71,668,900
Loh Weng Whye	53,750	53,750	–	–
Immediate and Ultimate Holding Company				
Beng Hui Holding (S) Pte Ltd				
Vincent Lim Hui Eng	420,000	420,000	–	–
Patrick Lim Hui Peng	420,000	420,000	–	–
Subsidiary corporations				
Sky Holding Pte. Ltd.				
Vincent Lim Hui Eng	–	–	405,000	405,000
Patrick Lim Hui Peng	–	–	405,000	405,000
BH Marine & Offshore Engineering Pte Ltd				
Vincent Lim Hui Eng	–	–	300,000	300,000
Patrick Lim Hui Peng	–	–	300,000	300,000
Oil & Gas Solutions Pte. Ltd.				
(In the process of liquidation)				
Vincent Lim Hui Eng	–	–	750,000	750,000
Patrick Lim Hui Peng	–	–	750,000	750,000
PT. O & G Solutions				
(In the process of liquidation)				
Vincent Lim Hui Eng	–	–	2,000	2,000
Patrick Lim Hui Peng	–	–	2,000	2,000
PT. BH Marine & Offshore Engineering				
Vincent Lim Hui Eng	–	–	2,000	2,000
Patrick Lim Hui Peng	–	–	2,000	2,000
PT. Dwi Utama Mandiri Sukses				
Vincent Lim Hui Eng	–	–	250,000	250,000
Patrick Lim Hui Peng	–	–	250,000	250,000

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 1.1.2017	At 31.12.2017	At 1.1.2017	At 31.12.2017
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
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	–	–	450,000	450,000
Patrick Lim Hui Peng	–	–	450,000	450,000
Omnisense Systems Private Limited				
Vincent Lim Hui Eng	–	–	91,451	91,451
Patrick Lim Hui Peng	–	–	91,451	91,451
BOS Engineering International Pte Ltd				
Vincent Lim Hui Eng	–	–	–	450,009
Patrick Lim Hui Peng	–	–	–	450,009
ONE BHG Pte Ltd				
Vincent Lim Hui Eng	–	–	–	1,000,000
Patrick Lim Hui Peng	–	–	–	1,000,000

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 2017, Beng Hui Holding (S) Pte Ltd holds 71,668,900 shares in the Company.

By virtue of Section 7 of the 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 2018 were the same as those as at 31 December 2017.

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:

Henry Tan Song Kok	(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
Director

Patrick Lim Hui Peng
Director

31 March 2018

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 57 to 131, which comprise the statements of financial position of the Group and of the Company as at 31 December 2017, 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 2017 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.

Report on 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 13 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") is considered to be significant to our audit as it requires the application of significant judgement and use of assumptions by management. During the financial year ended 31 December 2017, the Group recorded an impairment charge of $7,663,000 (2016: $2,000,000) based on its proportionate share of the shortfall of recoverable amount of investment in GLH as compared to the net 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 and estimates in the forecasting and projection of sales and operating cash flows for the next five years. The DCF model also requires assumptions on terminal growth rate and weighted average cost of capital ("WACC"). A small change in the assumptions can have a significant impact on 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 management of GLH to understand the basis of cash flows forecasted. The engagement team 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 2017 forecast made by the management to the actual year-to-date 2017 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 such as 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.

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

Key Audit Matters (cont'd)

Impairment assessment of intangible assets and investment in a subsidiary company relating to Omnisense Systems Private Limited

Refer to Notes 11 and 15 to the consolidated financial statements.

The key audit matter:

Omnisense Systems Private Limited ("OMS") incurred a net loss of $1,567,000 during the financial year ended 31 December 2017 and as at that date, its total liabilities exceeded its total assets by $302,353.

Accordingly, management performed an assessment on the recoverable amounts of goodwill and acquired technology at the Group level and Cost of investment in OMS at the Company level.

Impairment charges of $1,236,000 on goodwill and $2,482,000 on acquired technology were recognised in the statement of comprehensive income of the Group for the financial year ended 31 December 2017. The Company also recognised impairment charge of $3,317,000 on cost of investment in equity shares in its separate financial statements.

Management has assessed the recoverable amounts in relation to OMS based on the value-in-use of OMS using the discounted cash flow ("DCF") method.

The use of the DCF involves significant judgement and estimates in the forecasting and projection of sales and operating cash flows for the next five to nine years and terminal value. 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 OMS.

How the matter was addressed in our audit:

Our audit procedures include understanding the business and operating environment of OMS. The engagement team corroborated the forecasted revenue, growth rates and profit margins based on OMS' historical performance and market factors. This includes assessing management's planned strategies and review of committed contracts and purchase orders from customers that support the projected revenue growth. In addition, we have also performed a look-backward analysis to compare the 2017 forecast made by the management to the actual year-to-date 2017 results to assess management's ability to perform accurate forecast.

Our audit procedures also include critical evaluation of the various inputs used by the management to estimate the WACC rate such as 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.

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2017 but does not include the financial statements and our auditor's report thereon.

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

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

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.

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

31 March 2018

CONSOLIDATED INCOME STATEMENT

For the Financial Year ended 31 December 2017

	Note	Group 2017 $'000	2016 $'000 (restated)
Revenue	4	**38,345**	51,987
Cost of sales		**(25,942)**	(34,099)
Gross profit		**12,403**	17,888
Other operating income		**113**	1,251
Selling and distribution expenses		**(15,036)**	(10,170)
Administrative expenses		**(25,025)**	(16,752)
Finance costs	5	**(377)**	(452)
Share of results of joint ventures		**762**	(2,116)
Share of results of associated companies		**(1,244)**	(798)
Loss before tax		**(28,404)**	(11,149)
Tax credit/(expense)	6	**1,441**	(125)
Loss for the financial year	7	**(26,963)**	(11,274)
Loss attributable to:			
Equity holders of the Company		**(24,844)**	(11,206)
Non-controlling interests		**(2,119)**	(68)
		(26,963)	(11,274)
Loss per share *(expressed in cents per share)*	9		
Basic		**(20.70)**	(9.34)
Diluted		**(20.70)**	(9.34)

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

CONSOLIDATED INCOME STATEMENT

For the Financial Year ended 31 December 2017

	Group	
	2017	2016
	$'000	$'000
Loss for the financial year	**(26,963)**	(11,274)
Other comprehensive income/(loss):		
Items that are or may be reclassified subsequently to profit or loss:		
Currency translation differences arising on consolidation	**554**	(276)
Share of other comprehensive loss of associated companies	**(74)**	(112)
Share of other comprehensive (loss)/income of joint ventures	**(183)**	60
Other comprehensive income/(loss) for the financial year, net of tax	**297**	(328)
Total comprehensive loss for the financial year	**(26,666)**	(11,602)
Total comprehensive loss attributable to:		
Equity holders of the Company	**(24,608)**	(11,512)
Non-controlling interests	**(2,058)**	(90)
	(26,666)	(11,602)

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

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Non-current assets					
Property, plant and equipment	10	**12,572**	15,827	**–**	–
Investment in subsidiaries	11	**–**	–	**11,337**	14,654
Investment in joint ventures	12	**2,504**	2,705	**912**	912
Investment in associated companies	13	**3,260**	11,982	**3,085**	12,748
Deferred tax assets	14	**15**	11	**–**	–
Intangible assets	15	**1,096**	5,254	**49**	49
Purchase deposit to a supplier	16	**2,673**	5,077	**–**	–
Financial assets, at fair value through profit or loss	17	**42**	–	**1,307**	–
Total non-current assets		**22,162**	40,856	**16,690**	28,363
Current assets					
Inventories	18	**24,772**	27,179	**–**	–
Due from customers on construction contracts	19	**1,655**	8	**–**	–
Trade receivables	20	**8,910**	14,222	**–**	–
Other receivables	21	**2,234**	5,044	**3,222**	5,126
Tax recoverable		**1,708**	–	**–**	–
Cash and cash equivalents	23	**7,219**	8,409	**194**	180
		46,498	54,862	**3,416**	5,306
Disposal group assets classified as held for sale	24	**2,274**	–	**–**	–
Total current assets		**48,772**	54,862	**3,416**	5,306
Total assets		**70,934**	95,718	**20,106**	33,669
Non-current liabilities					
Deferred tax liabilities	14	**434**	1,463	**–**	–
Convertible loan notes	25	**690**	–	**–**	–
Other payable	26	**–**	765	**–**	765
Finance lease liabilities	27	**95**	207	**–**	–
Total non-current liabilities		**1,219**	2,435	**–**	765
Current liabilities					
Due to customers on construction contracts	19	**25**	3,645	**–**	–
Trade payables		**2,576**	2,504	**–**	–
Other payables	26	**2,195**	2,351	**5,118**	1,300
Provisions	28	**17,621**	12,351	**16,410**	12,351
Bank borrowings	29	**13,486**	14,090	**–**	–
Finance lease liabilities	27	**119**	147	**–**	–
Tax payable		**2,125**	495	**184**	51
		38,147	35,583	**21,712**	13,702
Liabilities directly associated with disposal group classified as held for sale	24	**498**	–	**–**	–
Total current liabilities		**38,645**	35,583	**21,712**	13,702
Total liabilities		**39,864**	38,018	**21,712**	14,467
Net assets		**31,070**	57,700	**(1,606)**	19,202

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

STATEMENTS OF FINANCIAL POSITION

As At 31 December 2017

		Group		Company	
		2017	2016	**2017**	2016
	Note	**$'000**	$'000	**$'000**	$'000
Equity					
Share capital	30	**43,461**	43,461	**43,461**	43,461
Currency translation reserve		**1,784**	602	**–**	–
Equity component of convertible loan notes		**36**	–	**–**	–
(Accumulated losses)/retained earnings		**(8,056)**	16,788	**(45,067)**	(24,259)
Reserve of disposal group classified as held for sale	24	**(946)**	–	**–**	–
Equity attributable to equity holders of the Company, total		**36,279**	60,851	**(1,606)**	19,202
Non-controlling interests		**(5,209)**	(3,151)	**–**	–
Total equity		**31,070**	57,700	**(1,606)**	19,202

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

	Note	Attributable to equity holders of the Company					
		Share capital $'000	**Currency translation reserve $'000**	**Retained earnings $'000**	**Total $'000**	**Non-controlling interests $'000**	**Total equity $'000**
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 the financial year		–	(306)	(11,206)	(11,512)	(90)	(11,602)
Changes in ownership interest in subsidiaries							
Acquisition of a subsidiary		–	–	–	–	1,999	1,999
Disposal of a subsidiary		–	–	–	–	(11)	(11)
Contribution from a non-controlling interest		–	–	–	–	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

For the Financial Year ended 31 December 2017

	Attributable to equity holders of the Company							
	Share capital $'000	Currency translation reserve $'000	Equity component of convertible loan notes $'000	Retained earnings/ (accumulated losses) $'000	Reserve of disposal group classified as held-for-sale $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Group								
At 1 January 2017	43,461	602	–	16,788	–	60,851	(3,151)	57,700
Loss for the financial year	–	–	–	(24,844)	–	(24,844)	(2,119)	(26,963)
Other comprehensive income/(loss)								
Currency translation differences arising on consolidation	–	493	–	–	–	493	61	554
Share of other comprehensive loss of associated companies	–	(74)	–	–	–	(74)	–	(74)
Share of other comprehensive loss of joint ventures	–	(183)	–	–	–	(183)	–	(183)
Other comprehensive income for the financial year, net of tax	–	236	–	–	–	236	61	297
Total comprehensive income/(loss) for the financial year	–	236	–	(24,844)	–	(24,608)	(2,058)	(26,666)
Equity component of convertible loan notes, net of tax (Note 25)	–	–	36	–	–	36	–	36
Transfer to disposal group classified as held-for-sale	–	946	–	–	(946)	–	–	–
At 31 December 2017	**43,461**	**1,784**	**36**	**(8,056)**	**(946)**	**36,279**	**(5,209)**	**31,070**

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

	Share capital $'000	Accumulated losses $'000	Total $'000
Company			
At 1 January 2016	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
Loss and total comprehensive loss for the financial year	–	(20,808)	(20,808)
At 31 December 2017	**43,461**	**(45,067)**	**(1,606)**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year ended 31 December 2017

	2017 $'000	2016 $'000 (restated)
Cash flows from operating activities		
Loss before tax	**(28,404)**	(11,149)
Adjustments for:		
Amortisation of intangible assets	**702**	286
Exchange difference	**485**	(16)
Depreciation of property, plant and equipment	**1,344**	1,449
Gain on disposal of property, plant and equipment	**(4)**	–
Fair value gain on contingent consideration payable	**(765)**	–
Fair value loss on financial assets at fair value through profit or loss	**14**	–
Impairment loss on investment in an associated company	**7,663**	2,000
Impairment loss on intangible assets	**2,482**	–
Impairment loss on goodwill	**1,236**	–
Interest expense	**377**	452
Interest income	**(132)**	(210)
Loss on disposal of property, plant and equipment, net	**–**	132
Provisions, net	**7,717**	7,506
Share of results of associated companies	**1,244**	798
Share of results of joint ventures	**(762)**	2,116
Operating cash flows before working capital changes	**(6,803)**	3,364
Inventories	**2,407**	3,421
Due to/(from) customers on construction contracts, net	**(5,258)**	3,766
Receivables	**7,702**	461
Payables	**(101)**	(3,389)
Currency translation adjustments	**650**	(341)
Provision for claims and vendor costs	**1,211**	–
Cash (used in)/generated from operations	**(192)**	7,282
Income tax refund/(paid)	**847**	(790)
Net cash from operating activities	**655**	6,492

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

	Note	2017 $'000	2016 $'000 (restated)
Cash flows from investing activities			
Contribution from a non-controlling interest		**–**	25
Dividend received from a joint venture		**781**	385
Interest received		**132**	210
Additional investment in an associated company		**–**	(2,743)
Additional investment in a joint venture		**–**	(2,749)
Net cash outflow on acquisition of subsidiaries		**–**	(2,651)
Net cash outflow on disposal of a subsidiary		**–**	(13)
Investment in an associated company		**(257)**	–
Investment in quoted equity shares		**(56)**	–
Repayment of purchase deposit from a supplier		**2,339**	696
Proceeds from disposal of property, plant and equipment		**4**	21
Purchase of property, plant and equipment		**(488)**	(602)
Settlement of provision for liabilities		**(3,658)**	–
Development costs		**(262)**	(538)
Net cash used in investing activities		**(1,465)**	(7,959)
Cash flows from financing activities			
Net (repayment)/drawdown of short term borrowings		**(1,384)**	3,233
Drawdown of bank borrowings		**2,500**	2,700
Repayment of bank borrowings		**(1,720)**	(1,153)
Repayment of finance lease liabilities		**(140)**	(171)
Interest paid		**(363)**	(452)
Decrease in fixed deposits under pledge		**479**	–
Proceeds from issuance of convertible loan notes		**727**	–
Net cash from financing activities		**99**	4,157
Net (decrease)/increase in cash and cash equivalents		**(711)**	2,690
Cash and cash equivalents at beginning of financial year		**7,040**	4,349
Effects of exchange rate changes on cash and cash equivalents		**–**	1
Cash and cash equivalents at end of financial year	23	**6,329**	7,040

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

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 11 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 and Financial Reporting Standards in Singapore ("FRSs"). 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 FRSs 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.

Use of estimates and judgements

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)

New and revised standards

In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRSs ("INT FRSs") 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 FRSs and INT FRSs.

From 1 January 2017, as a result of the amendments to FRS 7 Statement of Cash Flows (Disclosure Initiative), the Group has provided additional disclosure in relation to changes in liabilities from financing activities for the current financial year (Note 29).

The adoption of these new and revised FRSs and INT FRSs 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 2017 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.

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.

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.

2 Summary of significant accounting policies (cont'd)

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.

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.

2 Summary of significant accounting policies (cont'd)

d) Basis of consolidation (cont'd)

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 consolidated financial statements include the Group's share of the post-acquisition profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

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.

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.

2 Summary of significant accounting policies (cont'd)

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

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.

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.

2 Summary of significant accounting policies (cont'd)

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

Depreciation

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

2 Summary of significant accounting policies (cont'd)

h) Intangible assets(cont'd)

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.

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.

2 Summary of significant accounting policies (cont'd)

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.

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.

2 Summary of significant accounting policies (cont'd)

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 end of the reporting period, 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 end of the reporting period 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.

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.

Investment tax credits such as productivity and innovation credit are similarly accounted as accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

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 end of the reporting period.

n) Financial assets

i) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss and 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.

Financial assets, at fair value through profit or loss

This category has two sub-categories: "financial assets held for trading", and those designated upon initial recognition at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at initial recognition are those that are managed and their performance are evaluated on a fair value basis, in accordance with a documented Group's investment strategy. Derivatives are also categorised as "held for trading" unless they are designated as effective hedging instruments. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months after the end of the reporting period.

2 Summary of significant accounting policies (cont'd)

n) Financial assets (cont'd)

i) Classification (cont'd)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are 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, advance payment to suppliers and tax recoverable) 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 except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit and loss are recognised as expenses.

iv) Subsequent measurement

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method, less impairment.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss, including effects of currency translation, are recognised in profit or loss in the financial year in which the changes in fair values arise.

Interest and dividend 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.

Loans and receivables

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)

Loans and receivables (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.

vi) Offset

Financial assets and liabilities are offset and the net amount presented on the balance sheet when, and only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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 changes 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.

2 Summary of significant accounting policies (cont'd)

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.

s) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible loan notes denominated in Singapore dollar that can be converted into share capital at the option of the holder, where the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at an amount which is the difference between the total proceeds of the compound financial instrument and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the bonds. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

When the conversion option is exercised, the carrying amounts of both the equity and liability component are transferred to share capital.

2 Summary of significant accounting policies (cont'd)

t) 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.

u) 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.

v) 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.

w) 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)

w) 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.

x) 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)

y) 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.

z) 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.

aa) 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.

bb) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

The assets are not depreciated or amortised while they are classified as held for sale.

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).

<u>Joint control over Dream Marine Ship Spare Parts LLC ("DMS")</u>

As described in Note 12, 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.

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

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.

Going concern

As disclosed in Note 28(a) to the financial statements, the Company has provided corporate guarantee of $21,219,000 (OMR6,121,000) [2016: $18,057,000 (OMR4,800,000)] ("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 drawdown by GSSI was $41,605,000 (2016: $38,822,000).

Management has been in negotiations with potential buyers to dispose its interest in GSSI. Subsequent to the year end, management has entered into a non-binding Letter of Intent ("LOI") to dispose its 51% equity interest in GSSI subject to fulfilment of certain terms and conditions outlined in the LOI, including the settlement of bank loans of GSSI guaranteed by the Company of $21,219,000. The proposed disposal is expected to be completed within 12 months from the end of the financial year.

The directors have evaluated internal and external fundings available to the Group and satisfied that the Group and Company are able to continue as a going concern as the ultimate holding company has agreed to provide additional funding of up to $15 million to the Company when required. In addition, the Group has also undrawn bank facilities which will be available to the Group when necessary.

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

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 and finite life intangible assets) 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 subsidiaries, associated companies and intangible assets and their carrying amounts are described in Notes 11, 13 and 15 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)

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 20 and 21. 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 balances at the end of the reporting period will be affected accordingly.

Write-down for slow moving inventories

Management reviews the inventory ageing listing on a periodic basis. This review involves comparison of the carrying amount of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether a write down is required to be made in the financial statements for slow moving items.

During the year, management revised its estimation of the net realisable values for aged inventories aged more than 3 years. The impact of the change on estimation is an additional write-down of $2,180,000 being recognised during the year. Management is satisfied that the inventories have been written down adequately in the financial statements.

The carrying amount of inventories at 31 December 2017 was $24,772,000 (2016: $27,179,000) after write-down of $3,075,000 (2016: $350,000) during the year.

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 recoverable, income tax payable, deferred tax assets and liabilities at 31 December 2017 were $1,708,000, $2,125,000, $15,000 and $434,000 (2016: $nil, $495,000, $11,000 and $1,463,000) respectively.

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

Convergence with International Financial Reporting Standards (IFRS)

The Accounting Standards Council ("ASC") announced that Singapore incorporated companies listed on the Singapore Exchange ("SGX") or are in the process of issuing equity or debt instruments for trading on SGX, will apply a new financial reporting framework identical to the International Financial Reporting Standards (IFRS Convergence), known as Singapore Financial Reporting Standards (International) ("SFRS(I)"), with effect from annual periods beginning on or after 1 January 2018.

The Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I) issued by ASC. These financial statements will be the last set of financial statements prepared under the current FRS in Singapore.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. In addition to the adoption of the new framework, the Group will be adopting other new SFRS(I), amendments to standards and interpretations of SFRS(I) which are effective from the same date.

The Group does not expect the application of the new standards, amendments to standards and interpretations, and the IFRS Convergence to have significant impact on the financial statements except as set out below:

Application of SFRS(I) 1 and IFRS Convergence

When the Group adopts SFRS(I) in its 2018 financial statements, the Group will apply SFRS(I) 1 with 1 January 2017 as the date of transition for the Group and the Company.

SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, subject to certain mandatory exceptions and optional exemptions under SFRS(I) 1. The Group plans to elect relevant optional exemptions. Except as described below, the Group does not expect the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 to have any significant impact on the financial statements.

Currency translation reserve

The Group plans to elect the optional exemption to reset its cumulative foreign currency translation reserve for all foreign operations to $nil at the date of transition on 1 January 2017. As a result, the currency translation reserve of $602,000, determined in accordance with FRSs as at 1 January 2017 will be reclassified to retained earnings as at 1 January 2017.

Subsequent to the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

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

Convergence with International Financial Reporting Standards (IFRS) (cont'd)

SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 replaces IAS 18 'Revenue', IAS 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. SFRS(I) 15 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 SFRS(I) 15 by applying a 5-step approach.

Under SFRS(I) 15, 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. SFRS(I) 15 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.

The Group plans to adopt SFRS(I) 15 in its financial statements for the financial year ending 31 December 2018 using the full retrospective approach. As a result, the Group will apply the changes in accounting policies retrospectively to each reporting year presented.

Management has performed a preliminary impact assessment of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected.

The Group plans to use the practical expedients for completed contracts. This means that completed contracts that began and ended in the same comparative reporting period, as well as completed contracts at the beginning of the earliest period presented, are not restated.

(a) *Performance obligations*

The Group offers customers the options to separately purchase extended maintenance packages for its thermal imaging products. The extended maintenance is a distinct service to the customer in addition to the assurance that the product complies with agreed-upon specification. Currently the Group accounts for the sales of products with extended maintenance packages as multi-element contracts under FRS 18.

The Group expects that there is no material impact to the financial statements for the financial year ended 31 December 2017 upon the adoption of SFRS(I) 15.

(b) *Contract manufacturing*

The Group provides Original Equipment Manufacturing ("OEM") services to certain customers under non-cancellable contracts with customers. Currently the Group recognises revenue when the goods are manufactured and delivered to customers. Under SFRS(I) 15, the Group has evaluated that the control of the goods is transferred over time as the Group has enforceable right to payment throughout the manufacturing process and the goods do not have an alternative use to the Group.

The Group expects that there is no material impact to the financial statements for the financial year ended 31 December 2017 upon the adoption of SFRS(I) 15 as the lead time for the manufacturing process to delivery is short.

The Group plans to adopt the new standard when it becomes effective in financial year ending 31 December 2018. The Group is finalising its assessment and quantification of the impact and of the transition adjustments on its financial statements.

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

SFRS(I) 9 Financial Instruments

SFRS(I) 9 which replaces IAS 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 SFRS(I) 9 are based on an expected credit loss model and replace IAS 39 incurred loss model.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 at the date of initial application in the opening retained earnings as at 1 January 2018.

(a) *Classification and measurement*

The Group does not expect a significant change to the measurement basis arising from the adoption of the new classification and measurement model under SFRS(I) 9:

- Loans and receivables that are currently accounted for at amortised cost are expected to continue to be measured at amortised cost.
- The Group will continue to measure its current investment in equity securities at fair value through profit or loss (FVTPL), and therefore, no change to the accounting.

(b) *Impairment*

SFRS(I) 9 replaces the current 'incurred loss' model with a forward-looking expected credit loss ("ECL") model. The new impairment model will apply to financial assets measured at amortised cost, except for investments in equity instruments and financial guarantee contracts.

Under SFRS(I) 9, loss allowances of the Group will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; or
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group plans to apply the simplified approach and record lifetime ECL on all trade receivables and any contract assets arising from the application of SFRS(I) 15. The Group and Company expect an increase in impairment for trade and other receivables but the impact is not expected to be material as at 1 January 2018.

The Group and Company do not expect material increase in liability arising from the provision of intragroup financial guarantee (see Note 31(a)).

The Group will adopt SFRS(I) 9 when it becomes effective in financial year ending 31 December 2018. The Group is currently finalising the computation of the impact and the quantum of the final transition adjustments, which may be different upon finalisation.

SFRS(I) 16

SFRS(I) 16 replaces the existing IAS 17: *Leases*. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their statements of financial position 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. In addition, the nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of right-of-use asset and interest expense on lease liability. The accounting for lessors will not change significantly.

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

SFRS(I) 16 (cont'd)

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 $9,152,000 (Note 32). The Group anticipates that the adoption of SFRS(I) 16 in the future may potentially have a material impact on the amounts reported and disclosures made in the financial statements. It is not practicable to provide a reasonable estimate on the impact of SFRS(I) 16 until the Group performs a detailed assessment. The Group is in the process of performing a detailed assessment of the impact and plans to adopt the standard on the required effective date.

4 Revenue

	Group	
	2017	2016
	$'000	$'000
		(restated)
Sales of goods	**30,114**	49,425
Service income	**759**	273
Contract revenue	**7,472**	2,289
	38,345	51,987

5 Finance costs

	Group	
	2017	2016
	$'000	$'000
Interests on borrowings		
- finance leases	**20**	23
- loans	**243**	301
- trust receipts	**100**	128
- convertible loan notes	**8**	–
- accretion of interest on convertible loan notes (Note 25)	**6**	–
	377	452

6 Tax (credit)/expense

Tax (credit)/expense attributable to losses is made up of:

	Group	
	2017	2016
	$'000	$'000
		(restated)
Current income tax	**142**	259
Deferred tax (Note 14)	**(516)**	38
	(374)	297
Over provision of income tax in prior year	**(1,067)**	(172)
	(1,441)	125

6 Tax (credit)/expense (cont'd)

The income tax (credit)/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	
	2017	2016
	$'000	$'000
		(restated)
Loss before tax	**(28,404)**	(11,149)
Tax calculated at a tax rate of 17% (2016: 17%)	**(4,829)**	(1,895)
Singapore statutory stepped income exemption	**–**	(44)
Income not subject to tax	**(131)**	(227)
Over provision of taxes in prior year	**(1,067)**	(172)
Expenses not deductible for tax purposes	**3,188**	2,021
Effect of different tax rates in other countries	**(45)**	–
Deferred tax assets not recognised	**1,291**	64
Tax incentive	**(36)**	(203)
Utilisation of deferred tax benefits not previously recognised	**–**	(3)
Tax effect of share of results of associated companies and joint ventures	**204**	603
Others	**(16)**	(19)
	(1,441)	125

7 Loss for the financial year

	Group	
	2017	2016
	$'000	$'000
		(restated)
Loss for the year is arrived at after charging:		
Allowance for impairment of trade receivables (Note 20)	**4,349**	1,281
Audit fees paid to:		
- auditors of the Company	**200**	208
- other auditors	**12**	2
Non-audit fees paid to:		
- auditors of the Company	**40**	36
- other auditors*	**62**	66
Cost of inventories included in cost of sales	**24,359**	33,491
Depreciation of property, plant and equipment (Note 10)	**1,344**	1,449
Foreign exchange loss	**1,468**	–
Inventories written down	**3,075**	350
Impairment loss on acquired technology (Note 15)	**2,482**	–
Impairment loss on goodwill (Note 15)	**1,236**	–
Impairment loss on investment in an associated company (Note 13)	**7,663**	2,000
Loss on disposal of property, plant and equipment	**–**	132
Provision for liabilities (Note 28)	**7,717**	8,190
Rental expenses		
- Land and warehouse	**560**	647
- Other	**50**	26
Staff costs (Note 8)	**7,870**	8,485
Contingent consideration receivable written off	**–**	217
Amortisation of intangible assets (Note 15)	**702**	286
Research cost	**182**	224
Fair value loss on financial assets at fair value through profit or loss	**14**	–

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

7 Loss for the financial year (cont'd)

	Group 2017 $'000	Group 2016 $'000 (restated)
and crediting:		
Foreign exchange gain	**–**	998
Gain on disposal of property, plant and equipment	**4**	–
Interest income	**132**	210
Management fee income	**29**	36
Rental income	**143**	114
Write back of provision for foreseeable loss	**–**	684
Fair value gain on contingent consideration payable [Note 11(d)]	**765**	–
Legal claim [Note 31(b)(ii)]	**300**	–

8 Staff costs

	Group 2017 $'000	Group 2016 $'000 (restated)
Key management personnel		
- Directors' fees	**369**	391
- Salaries and related costs	**2,007**	2,041
- CPF	**115**	107
Close family members of key management personnel		
- Salaries and related costs	**153**	147
- CPF	**24**	24
Other staff		
- Salaries and related costs	**4,485**	5,006
- CPF	**522**	522
Staff training and welfare	**195**	247
	7,870	8,485

9 Loss per share

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

	Group 2017 $'000	Group 2016 $'000 (restated)
Net loss attributable to equity holders of the Company ($'000)	**(24,844)**	(11,206)
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share ('000)	**120,000**	120,000
Basic and diluted loss per share (cents per share)	**(20.70)**	(9.34)

10 Property, plant and equipment

Group	Leasehold properties $'000	Extension, addition and alteration works $'000	Motor vehicles $'000	Warehouse equipment and fittings $'000	Computer and office equipment $'000	Furniture, fittings and renovation $'000	Plant and machinery $'000	Total $'000
2017								
Cost								
At 1.1.2017	9,353	11,082	1,438	689	2,575	1,627	242	27,006
Additions	–	–	17	274	131	65	1	488
Disposals	–	–	–	–	(25)	–	–	(25)
Reclassified to held for sale (Note 24)	(2,886)	–	–	–	–	–	–	(2,886)
Currency translation differences	(220)	–	(5)	–	(9)	(5)	–	(239)
At 31.12.2017	**6,247**	**11,082**	**1,450**	**963**	**2,672**	**1,687**	**243**	**24,344**
Accumulated depreciation								
At 1.1.2017	2,290	3,904	1,064	580	2,161	1,139	41	11,179
Depreciation charge	271	328	228	80	214	175	48	1,344
Disposals	–	–	–	–	(25)	–	–	(25)
Reclassified to held for sale (Note 24)	(612)	–	–	–	–	–	–	(612)
Currency translation differences	(98)	–	(4)	–	(9)	(3)	–	(114)
At 31.12.2017	**1,851**	**4,232**	**1,288**	**660**	**2,341**	**1,311**	**89**	**11,772**
Net carrying value								
At 31.12.2017	**4,396**	**6,850**	**162**	**303**	**331**	**376**	**154**	**12,572**

10 Property, plant and equipment (cont'd)

Group	Leasehold properties $'000	Extension, addition and alteration works $'000	Yard facilities $'000	Motor vehicles $'000	Warehouse equipment and fittings $'000	Computer and office equipment $'000	Furniture, fittings and 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	–	–	–	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	–	–	–	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

10 Property, plant and equipment (cont'd)

	Computer $'000
Company	
2017	
Cost	
At 1.1.2017 and 31.12.2017	**4**
Accumulated depreciation	
At 1.1.2017 and 31.12.2017	**4**
Net carrying value	
At 31.12.2017	**–**
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	–

The net carrying amounts of property, plant and equipment mortgaged to secure banking facilities granted to the Group (Note 29) are as follows:

	2017 $'000	2016 $'000
Leasehold property	**4,396**	1,820
Extension, addition and alteration works	**6,850**	5,482
	11,246	7,302

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 $285,000 (2016: $323,000) (Note 27).

11 Investment in subsidiaries

	Company	
	2017	2016
	$'000	$'000
Unquoted equity shares, at cost		
At 1 January	**17,674**	14,034
Acquisitions of subsidiaries	**–**	3,615
Incorporation of a subsidiary [Note 11(c)]	**450**	–
Additional investment in a subsidiary	**–**	250
Disposal during the financial year [Note 11(c)]	**(450)**	(225)
At 31 December	**17,674**	17,674
Movement of allowance for impairment:		
At 1 January	**3,020**	3,650
Impairment charge [Note 11(f)]	**3,317**	–
Write back of allowance for impairment	**–**	(450)
Disposal during the financial year	**–**	(180)
At 31 December	**6,337**	3,020
Net carrying amount	**11,337**	14,654

11 Investment in subsidiaries (cont'd)

(a) Details of subsidiaries:

Name of subsidiary (Country of incorporation)	Principal activities	Group's effective equity interest held 2017 %	2016 %
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 Engineering International Pte Ltd ("BOSI") ** ^ (Singapore) (Note 11(c))	Investment holding	**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
Global Steel Industries Pte Ltd * (Singapore)	Investment holding	**100**	100

11 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 2017 %	2016 %
Athena Dynamics Pte. Ltd. ("ADPL") * (Singapore)	Provision of IT electronics products and solutions	**95**	95
Omnisense Systems Private Limited ("OMS") * (Singapore)	Research and development, manufacture and sale of medical, professional, engineering, scientific and precision	**51**	51
Subsidiary held by BHE			
PT. BH Marine & Offshore Engineering ("PTE")** (Indonesia)	Provision of engineering and installation services in the marine and offshore sector	**90**	90
Subsidiary held by PTE			
PT. Dwi Utama Mandiri Sukses** (Indonesia) (Note 24)	Investment holding	**90**	90
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
PT O & G Solutions @ (Indonesia)	Provision of marine and offshore related services and products	**60**	60
Subsidiary held by BOSI			
BOS Offshore & Marine Pte Ltd ("BOS") *(Singapore) (Note 11(c))	Providing marine and offshore related services and products	**90**	90
Subsidiaries held by BHM, ADPL, OMS and BOS			
ONE BHG Pte Ltd **^ (Singapore)	Manufacture and repair of other special purpose machinery and engineering design and consultancy services in energy management and clean energy system	**94**	–

* *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*
^ *Incorporated during the financial year*
@ *In the process of liquidation*
@@ *Liquidated during the year*

11 Investment in subsidiaries (cont'd)

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	
		2017	2016
		%	%
BH Marine & Offshore Engineering Pte Ltd and its subsidiaries ("BHE Group")	Singapore	**9.9**	9.9
Omnisense Systems Private Limited ("OMS")	Singapore	**49.0**	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		OMS	
	2017	2016	**2017**	2016
	$'000	$'000 (restated)	**$'000**	$'000
Non-current assets	**2**	2,522	**1,120**	6,203
Current assets	**2,751**	105	**1,714**	815
Non-current liabilities	**–**	(612)	**(2,668)**	(579)
Current liabilities	**(49,795)**	(51,840)	**(418)**	(1,523)
Net (liabilities)/assets	**(47,042)**	(49,825)	**(252)**	4,916
Net (liabilities)/assets attributable to NCI	**(4,657)**	(4,933)	**(123)**	1,803

Summarised statement of comprehensive income

	BHE Group 2017	BHE Group 2016	OMS 2017	OMS 2016
Revenue	**–**	–	**1,373**	679
Other expenses	**(1,004)**	(203)	**(7,154)**	(1,105)
Loss before tax	**(1,004)**	(203)	**(5,781)**	(426)
Income tax (expense)/credit	**(109)**	(64)	**485**	26
Loss for the year	**(1,113)**	(267)	**(5,296)**	(400)
Other comprehensive loss	**(72)**	(222)	**–**	–
Total comprehensive loss	**(1,185)**	(489)	**(5,296)**	(400)
Loss allocated to NCI	**(117)**	(48)	**(1,989)**	(196)

11 Investment in subsidiaries (cont'd)

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

Summarised statement of cash flows

	BHE Group		OMS	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Cash flows from operating activities	**(259)**	(401)	**(1,615)**	(427)
Cash flows from investing activities	**–**	–	**(429)**	(539)
Cash flows from financing activities	**280**	(512)	**2,767**	910
Net increase/(decrease) in cash and cash equivalents	**21**	(913)	**723**	(56)

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

c) Incorporation of BOS Engineering International Pte Ltd

During the year, the Company incorporated a 90% owned subsidiary, BOS Engineering International Pte Ltd ("BOSI") by subscription of 9 shares at $1 each. Subsequent to the incorporation, BOSI increased its issued and paid-up share capital from $10 to $500,010 by way of allotment of 500,000 ordinary shares at $1 each. The shares were allotted to the then existing shareholders of a subsidiary, BOS Offshore & Marine Pte Ltd ("BOS") as part of the internal shares transfer scheme. Subsequent to the share allotment and transfer, BOS became a wholly owned subsidiary of BOSI, and the Group's equity interest in BOS and BOSI remain unchanged at 90%.

The above transaction does not have any significant impact to the Group and Company for the financial year ended 31 December 2017.

d) Contingent consideration arrangement

In 2016, as part of the investment agreement in a subsidiary, Omnisense Systems Private Limited ("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.

As at the acquisition date and 31 December 2016, 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.

During the financial year, due to continuing losses incurred by OMS, management has assessed that it is highly likely that the performance targets will not be met and the fair value of the contingent consideration payable has been estimated to be $nil. Accordingly, the Company recognised a fair value gain due to derecognition of contingent consideration payable of $765,000 in profit or loss during the current financial year (Note 7).

e) 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 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.

11 Investment in subsidiaries (cont'd)

f) Company level - impairment review of investment in subsidiaries

During the financial year, the management performed an impairment review on its investment in OMS because of the continuing losses incurred by OMS. For the purpose of impairment review, the management estimated the Company's share of recoverable amount of OMS as at 31 December 2017 to be $nil. Accordingly, full impairment on the cost of investment of $3,317,000 was recognised in the Company's separate financial statements in the current financial year.

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

Revenue growth rates: 2018 to 2022: compound annual growth rate of 44%
Pre-tax discount rate: 13.5%
Terminal growth rate: 1.5%

The management has considered the most significant assumption used in the value-in-use calculations is the projected revenue from years 2018 to 2022. 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	740	(740)
5% lower than the management's projections	NA	NA

g) Subsequent to the end of the reporting period, a subsidiary, Athena Dynamics Pte Ltd ("ADPL") incorporated a wholly-owned subsidiary, SASA-APAC Pte Ltd ("SASA-AP") for a consideration of $1. The principal activity of SASA-AP is to act as a new vehicle for the Group to ride on ADPL's current collaboration with a supplier to venture into strategic and green field businesses in the region.

The incorporation of the subsidiary is not expected to have any material impact on the results and financial position of the Group for the financial year ending 31 December 2018.

12 Investment in joint ventures

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

	Group	
	2017 $'000	2016 $'000
Carrying amount		
Dream Marine Ship Spare Parts Trading LLC ("DMS")	**2,504**	2,705
Gulf Specialty Steel Industries LLC ("GSSI")	**–**	–
	2,504	2,705

b) Included in investment in joint ventures of the Company and the Group is an amount of $828,000 (2016: $828,000) being equity loan due from a joint venture. This amount is unsecured, interest-free and has no fixed repayment term.

12 Investment in joint ventures (cont'd)

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 2017 %	2016 %
Dream Marine Ship Spare Parts Trading LLC# (Dubai, UAE)	Trading in electrical components and spare parts of ships and boats	**34**	34
BH Global HNS Pte Ltd^ (Singapore)	Design, development, marketing and sales of nitrogen steel products	**–**	49
Joint venture held by Global Steel Industries Pte Ltd			
Gulf Specialty Steel Industries LLC # (Sultanate of Oman) (Note 28(a))	Manufacturer and supplier of specialty steel wire and other types of wire	**51**	51

^ *Struck off during the financial year*

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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%.

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

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	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Income Statement items:				
Revenue	**2,845**	2,393	**21,439**	29,245
Profit/(loss) after tax from continuing operations	**1,121**	898	**(11,301)**	(10,005)
Other comprehensive (loss)/income	**(261)**	85	**849**	489
Total comprehensive (loss)/income	**860**	983	**(10,452)**	(9,516)
Dividend received from joint ventures	**781**	385	**–**	–

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

	$'000	$'000	**$'000**	$'000
Depreciation and amortisation	**27**	24	**1,448**	1,640
Impairment of property, plant and equipment	**–**	–	**–**	13,568
Interest expense	**–**	–	**2,290**	1,521

12 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):

	DMS		GSSI	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Statement of financial position items:				
Non-current assets	**99**	89	**6,353**	9,700
Current assets	**3,687**	3,901	**11,279**	14,374
Non-current liabilities	**–**	–	**(1,483)**	(622)
Current liabilities	**(1,392)**	(1,309)	**(43,348)**	(46,374)
Net assets/(liabilities)	**2,394**	2,681	**(27,199)**	(22,922)

The above amounts of assets and liabilities include the following:

	$'000	$'000	**$'000**	$'000
Cash and cash equivalents	**592**	1,206	**7,200**	2,647
Current financial liabilities (excluding trade and other payables and provisions)	**–**	–	**41,605**	38,822

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

	$'000	$'000	**$'000**	$'000
Net assets/(liabilities) of the joint ventures	**2,394**	2,681	**(27,199)**	(22,922)
Group's share of net assets/(liabilities) based on proportion of ownership interest	**1,676**	1,877	**–**	–
Equity loan to a joint venture	**828**	828	**–**	–
Carrying amount of investment	**2,504**	2,705	**–**	–

During the financial year, shareholders of GSSI have made additional shareholders' loan totalling $7,172,000 (OMR 2,036,000) to GSSI for settlement of its bank loans and other working capital requirements. Amount contributed by the Group was recorded as settlement of liabilities in Note 28(a).

The Group has not recognised its share of losses of GSSI amounting to $17,454,000 (2016: $11,690,000) 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 28(a)(i)].

13 Investment in associated companies

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

	Group 2017 $'000	Group 2016 $'000
Carrying amount		
GL Lighting Holding Pte Ltd ("GLH") and its subsidiaries ("GLH Group")	**3,049**	11,982
BOS Marine Offshore Engineering Corporation	**211**	–
	3,260	11,982

The carrying amount of investment in GLH Group is stated net of accumulated impairment losses as follows:

	Group 2017 $'000	Group 2016 $'000
Accumulated impairment losses:		
At beginning of financial year	**2,000**	–
Impairment charge for the financial year (Note 7)	**7,663**	2,000
At end of financial year	**9,663**	2,000

13 Investment in associated companies

b) The following information relates to the associated companies:

Name of associates (Country of incorporation)	Principal activities	Group's effective equity interest held 2017 %	2016 %
GL Lighting Holding Pte Ltd* (Singapore)	Investment holding	**43**	43
Subsidiaries held by GLH			
General Luminaire (Shanghai) Co., Ltd ("SGL")** (People's Republic of China)	Research and development, manufacturing and selling LED lighting modules and fixtures	**43**	43
General Luminaire (Kunshan) Co., Ltd ("KGL")** (People's Republic of China)	Design, manufacturing and trading LED lighting modules and fixtures	**43**	43
GL Lighting International Pte Ltd* (Singapore)	Wholesale of lighting related products and facilities	**43**	43
General Luminaire Co., Ltd# (Taiwan)	Trading business of LED lighting modules and fixtures	**43**	43
Subsidiary held by SGL			
CAM Technology (Shanghai) Ltd** (People's Republic of China)	Trading of LED lighting modules and fixtures	**43**	43
Subsidiary held by KGL			
Yeong Long (Kunshan) Co., Ltd** (People's Republic of China)	Trading of LED lighting modules and and fixtures	**43**	43
Associates held by BOS Engineering International Pte Ltd			
BOS Marine Offshore Engineering Corporation*** (Japan)	Provision of engineering, procurement and designing services, licensing of patents and construction works to marine and offshore industry	**35**	–

* Audited by Baker Tilly TFW LLP
** Audited by independent overseas member firms of Baker Tilly International
*** Audited by Baker Tilly TFW LLP for the purpose of consolidation
\# 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.

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.

13 Investment in associated companies (cont'd)

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	
	2017	2016
	$'000	$'000
Income Statement items:		
Revenue	**14,343**	13,329
Loss after tax	**(2,786)**	(1,856)
Other comprehensive loss	**(171)**	(319)
Total comprehensive losses	**(2,957)**	(2,175)
Statement of financial position items:		
Non-current assets	**9,584**	4,875
Current assets	**7,045**	10,095
Current liabilities	**(9,537)**	(4,926)
Net assets	**7,092**	10,044
Group's share on net assets based on proportion of ownership Interest	**3,049**	4,319
Goodwill on acquisition	**9,663**	9,663
Less: accumulated impairment losses	**(9,663)**	(2,000)
Carrying amount of investment	**3,049**	11,982

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 2017 to be $3,049,000, which was lower than the net carrying amount before impairment of $10,712,000. Accordingly, an impairment charge of $7,663,000 was recognised within "administrative expenses" in the current financial year.

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

Revenue growth rates: 2018 to 2022: compound annual growth rate of 19%
Pre-tax discount rate: 17.7% (2016: 18.2%)
Terminal growth rate: 2.5%

13 Investment in associated companies (cont'd)

f) Impairment review of investment

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 2018 to 2022. 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	6,919	(3,884)
5% lower than the management's projections	–	3,035

14 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	
	2017 $'000	2016 $'000
At 1 January	**(1,452)**	(871)
Tax credited/(charged) to profit or loss (Note 6)	**516**	(38)
Exchange difference	**26**	(23)
Acquisition of subsidiaries	**–**	(520)
Liability component of convertible loan notes	**(7)**	–
Reclassified to held for sale (Note 24)	**498**	–
At 31 December	**(419)**	(1,452)

Presented on the statement of financial position:

Non-current		
Deferred tax assets	**15**	11
Deferred tax liabilities	**(434)**	(1,463)
	(419)	(1,452)

14 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.

	Liability component of convertible loan notes $'000	Fair value adjustment on business combination $'000	Others $'000	Total $'000
2017				
At 1 January 2017	–	(1,106)	(346)	(1,452)
Charged to profit or loss	3	509	4	516
Exchange difference	–	26	–	26
Issuance of convertible loan notes	(7)	–	–	(7)
Reclassified to held for sale	–	498	–	498
At 31 December 2017	**(4)**	**(73)**	**(342)**	**(419)**
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)

	Group	
	2017 $'000	2016 $'000
Unrecognised deductible temporary differences:		
Unabsorbed capital allowances	**459**	172
Unutilised tax losses	**30,965**	39,793
Other deductible temporary differences	**10,721**	11,682
	42,145	51,647

Deferred tax assets of $9,162,000 (2016: $12,246,000) have not been recognised in respect of the above deductible temporary differences as future profit streams are uncertain. 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 $14,249,000 (2016: $31,520,000) which will expire progressively over the next 5 years up till 2022, subject to the conditions imposed by the Indonesian tax authorities.

15 Intangible assets

	Goodwill $'000	Acquired technology $'000	Maintenance contracts $'000	Development costs $'000	Club membership $'000	Total $'000
Group						
Cost						
At 1 January 2016	3,312	–	–	–	49	3,361
Acquisition of subsidiaries	1,421	2,920	141	1,342	–	5,824
Additions	–	–	–	538	–	538
31 December 2016	4,733	2,920	141	1,880	49	9,723
Additions	–	–	–	262	–	262
At 31 December 2017	**4,733**	**2,920**	**141**	**2,142**	**49**	**9,985**
Accumulated amortisation						
At 1 January 2016	–	–	–	–	–	–
Acquisition of subsidiaries	–	–	–	871	–	871
Charge for the year	–	146	7	133	–	286
31 December 2016	–	146	7	1,004	–	1,157
Charge for the year	–	292	63	347	–	702
At 31 December 2017	**–**	**438**	**70**	**1,351**	**–**	**1,859**
Accumulated impairment						
At 1 January 2016/ 31 December 2016	3,312	–	–	–	–	3,312
At 1 January 2017	3,312	–	–	–	–	3,312
Impairment charge	1,236	2,482	–	–	–	3,718
31 December 2017	**4,548**	**2,482**	**–**	**–**	**–**	**7,030**
Net carrying amount						
At 31 December 2017	**185**	**–**	**71**	**791**	**49**	**1,096**
At 31 December 2016	1,421	2,774	134	876	49	5,254

15 Intangible assets (cont'd)

	Company	
	2017	2016
	$'000	$'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. Before recognition of impairment losses, the carrying amount of the goodwill is allocated as follows:

	Group	
	2017	2016
	$'000	$'000
Security segment:		
Omnisense Systems Private Limited ("OMS")	**1,236**	1,236
Athena Dynamics Pte Ltd ("ADPL")	**185**	185
	1,421	1,421

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 expected 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% (2016: 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 13.5% (2016: 13.82%) and 13.94% (2016: 11.59%) respectively.

As a result of the impairment test, the estimated recoverable amount for goodwill relating to OMS was estimated to be $nil. Accordingly, full impairment on the goodwill relating to OMS of $1,236,000 has been recognised in current financial year.

For goodwill relating to ADPL, management has considered that a reasonably possible change in two key assumptions, revenue growth rates and discount rate, will not result in any impairment charge to be recorded.

Impairment test for acquired technology

During the financial year, the Company performed an impairment review by estimating the recoverable amount of technology acquired because of continuing losses incurred by a subsidiary, OMS. The recoverable amount of the technology acquired was determined on the basis of value-in-use calculations. As a results of the review, full impairment loss of $2,482,000 which was the remaining net carrying amount of technology acquired, was recognised in profit or loss for the financial year ended 31 December 2017.

15 Intangible assets (cont'd)

Impairment test for acquired technology (cont'd)

Key assumptions used in the value-in-use calculations (cont'd):

Revenue growth rates: 2018 to 2026: compound annual growth rate of 31%
Pre-tax discount rate: 16%

The management has considered the most significant assumption used in the value-in-use calculations is the projected revenue from years 2018 to 2026. 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	1,040	(1,040)
5% lower than the management's projections	Nil	Nil

16 Purchase deposit to a supplier

	Group	
	2017 $'000	2016 $'000
Purchase deposit to a supplier	**3,341**	6,165
Less: presented as current (Note 21)	**(668)**	(1,088)
Non-current	**2,673**	5,077

During the financial year 2015, a subsidiary, Beng Hui Marine Electrical Pte Ltd ("BHM") entered into a Distribution and Representation Agreement (the "Agreement") with a supplier for the appointment of BHM as the supplier's sole selling representative and distributor for the sale and promotion of all products designed by the supplier.

In conjunction with the Agreement, BHM 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. BHM 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, BHM 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.

17 Financial assets, at fair value through profit or loss

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Unquoted convertible loan notes [(1)]	**–**	–	**1,307**	–
Quoted equity shares [(2)]	**42**	–	**–**	–
Total financial assets, at fair value through profit or loss	**42**	–	**1,307**	–

[(1)] *The unquoted convertible loan notes is issued by a subsidiary, Omnisense Systems Private Limited. The initial subscription price was $2,040,000 (Note 25) and total fair value loss recognised by the Company in the Company's separate financial statements was $733,000.*

[(2)] *This represents investment in quoted equity shares in Singapore.*

18 Inventories

	Group	
	2017	2016
	$'000	$'000
Raw material	**534**	381
Finished goods	**24,238**	26,798
	24,772	27,179

Raw materials, consumables and changes in finished goods and work in progress included as cost of sales amounted to $24,359,000 (2016: $33,491,000).

19 Due from/(to) customers on construction contracts

	Group	
	2017	2016
	$'000	$'000
Aggregate costs incurred and profits recognised (less losses recognised) to-date on uncompleted construction contracts	**8,993**	2,286
Less: Progress billing	**(7,363)**	(5,923)
	1,630	(3,637)
Presented as:		
Due from customers on construction contracts	**1,655**	8
Due to customers on construction contracts	**(25)**	(3,645)
	1,630	(3,637)

20 Trade receivables

	Group 2017 $'000	Group 2016 $'000
Trade receivables	**17,583**	18,790
Less: allowance for impairment	**(8,673)**	(4,568)
	8,910	14,222

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	**4,568**	3,384
Allowance made during the financial year (Note 7)	**4,349**	1,281
Allowance written off during the financial year	**–**	(1)
Currency translation differences	**(244)**	(96)
At 31 December	**8,673**	4,568

Included in trade receivables is an amount of $136,000 (2016: $89,000) due from a joint venture company.

21 Other receivables

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Accrued revenue	**–**	52	**–**	–
Amount due from joint ventures	**63**	135	**–**	3
Amount due from an associated company	**313**	234	**217**	186
Amount due from related companies	**–**	113	**–**	–
Purchase deposit to a supplier (Note 16)	**668**	1,088	**–**	–
Sundry deposits	**40**	448	**–**	–
Prepayments	**314**	319	**79**	44
Amounts due from subsidiaries (Note 22)	**–**	–	**67,592**	76,959
Advance payment to suppliers	**268**	2,408	**–**	–
Sundry receivables	**568**	247	**35**	38
	2,234	5,044	**67,923**	77,230
Less: allowance for impairment				
- Amounts due from subsidiaries (Note 22)	**–**	–	**(64,701)**	(72,104)
	2,234	5,044	**3,222**	5,126

Movement in allowance for impairment:

	Group 2017	Group 2016	Company 2017	Company 2016
At 1 January	**–**	2,494	**72,104**	69,388
Allowance made during the financial year	**–**	–	**4,583**	2,716
Allowance written off during the financial year	**–**	(2,494)	**(11,986)**	–
At 31 December	**–**	–	**64,701**	72,104

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

22 Amounts due from subsidiaries

	Company	
	2017	2016
	$'000	$'000
Interest-free advances	**21,581**	26,060
Loans at variable interest rates	**46,011**	50,899
	67,592	76,959
Less: allowance for impairment	**(64,701)**	(72,104)
	2,891	4,855

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 3.917% (2016: 2.583% to 2.767%) 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 $46,011,000 (2016: $50,899,000).

During the financial year, a net impairment loss of $4,583,000 (2016: $2,716,000) was recognised to write down the amounts due from subsidiaries to their recoverable amounts.

23 Cash and cash equivalents

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**7,182**	7,893	**194**	180
Fixed deposits	**37**	516	**–**	–
	7,219	8,409	**194**	180

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	
	2017	2016
	$'000	$'000
Cash and short-term deposits	**7,219**	8,409
Cash restricted in use	**(853)**	(853)
Fixed deposits (pledged)	**(37)**	(516)
Cash and cash equivalents	**6,329**	7,040

Fixed deposits of $37,000 (2016: $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 2017 was 0.4% to 0.7% (2016: 0.10%) per annum.

The cash at bank of $853,000 (2016: $853,000) is restricted in use as it is earmarked by the bank as collateral in respect of a performance bond facilities taken by a former subsidiary.

24 Disposal group classified as held for sale

In December 2017, the Group entered into a memorandum of understanding to dispose a piece of land in Batam, Indonesia for a consideration of $3 million. In order to facilitate the disposal of land, it is the management's intention to dispose the Group's equity interest in the registered owner of the land, PT Dwi Utama Mandiri Sukses ("PTD") to the potential buyer.

As the disposal is expected to be completed within 12 months from the end of the financial period, the following assets and liabilities were reclassified as disposal group classified as held for sale and liabilities directly associated with disposal group classified as held for sale on the statement of financial position:

	2017 $'000
Details of disposal group classified as held for sale are as follows:	
Property, plant and equipment (Note 10)	2,274
Liabilities directly associated with disposal group classified as held for sale:	
Deferred tax liabilities (Note 14)	498
Reserve:	
Currency translation reserve	(946)

25 Convertible loan notes

In October 2017, a subsidiary, Omnisense Systems Private Limited ("OMS"), issued convertible loan notes of $2,767,440 to its shareholders. The Company has subscribed for convertible loan notes of $2,040,000 (Note 17) and the remaining convertible loan notes of $727,440 was subscribed by other non-controlling shareholders.

The convertible loan notes are convertible at the option of the holders at any time from 1 April 2019 to 30 June 2019 into ordinary shares of OMS at the conversion rate of $40 into one ordinary share. Any loan notes that are not converted shall be redeemed by OMS at its principal amount plus accrued interest. The convertible loan notes bear interest of 6% per annum and is payable in arrears by OMS on or before 31 January of each succeeding year and the final interest payment is to be paid on redemption.

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

	Group 2017 $'000
Face value of convertible loan notes subscribed by non-controlling shareholders	727
Equity component	(43)
Liability component of convertible loan notes at initial recognition	684
Accumulated amortisation of discount	
- Accretion of interests during the year (Note 5)	6
Liability component of convertible loan notes at end of the financial year	690

26 Other payables

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Amount due to ultimate holding company	**80**	70	**–**	–
Amount due to associated companies	**–**	220	**–**	–
Accrued operating expenses	**630**	1,203	**266**	265
Provision for directors' fees				
- directors of the Company	**299**	331	**299**	331
- directors of subsidiaries	**70**	60	**–**	–
Amounts due to subsidiaries	**–**	–	**4,500**	631
Advance payment from customers	**6**	–	**–**	–
Other creditors	**674**	302	**53**	73
Contingent consideration for business combination [Note 11(d)]	**–**	765	**–**	765
Deferred revenue	**436**	165	**–**	–
	2,195	3,116	**5,118**	2,065
Presented on the statement of financial position:				
Non-current	**–**	765	**–**	765
Current	**2,195**	2,351	**5,118**	1,300
	2,195	3,116	**5,118**	2,065

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

27 Finance lease liabilities

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

	Group	
	2017	2016
	$'000	$'000
Not later than one financial year	**137**	168
Later than one financial year but not later than five financial years	**114**	243
Total minimum lease payments	**251**	411
Less: Future finance charges	**(37)**	(57)
Present value of finance lease liabilities	**214**	354
Representing finance lease liabilities:		
- Non-current	**95**	207
- Current	**119**	147
	214	354

The weighted average effective interest rate of the finance lease liabilities at the end of the reporting period was 4.99% (2016: 4.78%) per annum. The net carrying values of motor vehicles acquired under finance lease agreements are disclosed in Note 10.

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.

28 Provisions

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Provision for liabilities [Note 28(a)]	**16,410**	12,351	**16,410**	12,351
Provision for claims and vendor costs [Note 28(b)]	**1,211**	–	**–**	–
	17,621	12,351	**16,410**	12,351

(a) Movements in provision for liabilities are as follows:

	Group and Company	
	2017	2016
	$'000	$'000
At 1 January	**12,351**	4,161
Provision made during the financial year (Note 7)	**7,717**	8,190
Settlement of liabilities during the financial year	**(3,658)**	–
At 31 December	**16,410**	12,351

The provision for liabilities as at the end of financial year relates to the following investees:

	Group and Company	
	2017	2016
	$'000	$'000
Gulf Specialty Steel Industries LLC [Note 28(a)(i)]	**15,749**	11,690
A former subsidiary [Note 28(a)(ii)]	**661**	661
	16,410	12,351

(i) The Company has provided corporate guarantee of $21,219,000 (Omani Rial 6,121,000) [2016: $18,057,000 (Omani Rial 4,800,000)] ("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 $41,605,000 (2016: $38,822,000). 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.

Management has been in negotiations with potential buyers to dispose its interest in GSSI. Subsequent to the year end, management has entered into a non-binding Letter of Intent ("LOI") to dispose its 51% equity interest in GSSI subject to fulfilment of certain terms and conditions outlined in the LOI, including the settlement of bank loans of GSSI guaranteed by the Company of $21,219,000. The proposed disposal is expected to be completed within 12 months from the end of the financial year.

The provision for liabilities as at the end of the reporting period has been estimated based on expected cash outflows by the Group from the end of the reporting period until the expected date of disposal, less any amounts that are recoverable from the divestment of interest in GSSI.

(ii) The Company has provided corporate guarantees to certain subsidiaries for banking facilities taken by these subsidiaries. As at 31 December 2017, the Group and Company have assessed and provided an amount of $661,000 (2016: $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.

28 Provisions (cont'd)

(b) Provision for claims and vendor costs

During the financial year, an engineering contract in progress undertaken by a subsidiary of the Group, BOS Offshore & Marine Pte Ltd ("BOS") was terminated by the customer. Subsequent to the year-end, the Group has reached a settlement agreement with the customer with respect to unbilled costs and other claims. In relation to the same contract, BOS has however, not officially terminated the contracts between BOS and certain subcontractors who were awarded certain related contract works by BOS. Management intends to communicate the termination to the subcontractors shortly after the financial year-end. Management has evaluated the contractual terms and the progress of work done to date by the subcontractors and estimated that the probable liabilities that BOS will eventually paid out is about $1.2 million. The actual liabilities that will be paid out subsequently may differ from the $1.2 million, as the eventual payment quantum is dependent on negotiations with each subcontractor. Management is confident that the eventual aggregate payment is unlikely to exceed $1.2 million to a material extent.

29 Bank borrowings

	Group	
	2017	2016
	$'000	$'000
Term loan (unsecured)	**410**	880
Working capital loans (secured)	**7,000**	5,000
Working capital loans (unsecured)	**2,000**	2,750
Trust receipts	**4,076**	5,460
Total borrowings	**13,486**	14,090

Term loan is repayable over 48 monthly instalments of $42,000 each commencing in October 2014. Notwithstanding to the above, the term loan is subjected to review, recall, alter or cancel from time to time at the lender's discretion. Accordingly, this loan is 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 10) 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% (2016: 3.00%) per annum.
Working capital loans	-	Variable rates ranging from 2.15% to 3.14% (2016: 2.23% to 2.66%) per annum.
Trust receipts	-	Variable rate range from 2.5% to 3.31% (2016: 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 Bank borrowings (cont'd)

Breach of bank covenants

As at the end of the reporting period, a subsidiary breached the covenant imposed by banks for credit lines of $26,900,000 which required the subsidiary to maintain minimum net worth of $45 million throughout the facilities validity period. Total amount utilised by the subsidiary as at 31 December 2017 is $13,076,000 and this amount is included as current liabilities under bank borrowings.

Due to this breach of the covenant clause, the bank is contractually entitled to request for immediate repayment of the outstanding loan amount of $13,076,000. The bank had not requested for early repayment of the loan as of the date when these financial statements were approved by the Board of Directors for issue. Management has commenced renegotiation of the terms of the loan agreement with the bank subsequent to year end. As of the date these financial statements are authorised for issue, the negotiation is still in progress. Management is confident that the bank will continue to support the Group.

Undrawn facility earmarked for GL Lighting Holding Pte Ltd

In December 2017, the Company secured a term loan facility of $4 million which is secured against the Group's leasehold property and extension, addition and alteration works at net carrying amount of $4,279,000 (Note 10) and first fixed charge over the equity shares held by the Company in an associated company, GL Lighting Holding Pte Ltd. The term loan is for the purpose of financing up to 38.7% of the construction costs relating to a LED manufacturing facility in Kunshan, China.

The term loan has not been drawndown as at 31 December 2017.

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Bank loans $'000	Finance lease liabilities loan notes (Note 27) $'000	Convertible loan notes (Note 25) $'000	Total $'000
Balance at 1 January 2017	14,090	354	–	14,444
Charges from financing cash flows:				
- Proceeds	2,500	–	727	3,227
- Repayment	(1,720)	(140)	–	(1,860)
- Net repayment of short term borrowings	(1,384)	–	–	(1,384)
- Interest paid	(343)	(20)	–	(363)
Non-cash changes:				
- Interest expense	343	20	14	377
- Interest payable	–	–	(8)	(8)
- Equity component of convertible loan notes	–	–	(43)	(43)
Balance at 31 December 2017	13,486	214	690	14,390

30 Share capital

	Group and Company			
	2017		2016	
	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	**120,000**	**43,461**	480,000	43,461
Share consolidation	**–**	**–**	(360,000)	–
Balance at 31 December	**120,000**	**43,461**	120,000	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.

In the previous 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 was completed and became effective on 29 February 2016.

31 Contingent liabilities

a) Corporate guarantees

	Group		Company	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Corporate guarantees for financing facilities granted by financial institutions to:				
- Subsidiaries	**–**	–	**28,700**	31,800
- Joint venture [Note 28(a)(i)]	**21,219**	18,057	**21,219**	18,057
- a former subsidiary [Note 28(a)(ii)]	**853**	853	**853**	853
	22,072	18,910	**50,772**	50,710

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, a subsidiary breached the financial covenants which require the subsidiary to maintain minimum net worth of $45 million throughout the facilities. The bank may seek to assert its rights under the banking facilities entered into by the subsidiary, including the right to demand immediate repayment and termination or withdrawal of the loan at any time. The subsidiary 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 Group considers that it is more likely than not that the bank will not call for immediate repayment.

Except as disclosed in Note 28(a), 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

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$11.56 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. Accordingly, PTE has made a counter-claim against the Customer and another party for total sum of S$25.53 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 2017.

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 S$2.91 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 that amounted to $3,415,998.

The parties have reached settlement in January 2018 and the Group received a settlement sum of $300,000 (Note 7) from the defendants. Both parties have filed for Notices of Discontinuance to the Court in January 2018.

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	
	2017	2016
	$'000	$'000
Within 1 financial year	**721**	723
Between 2 to 5 financial years	**2,270**	2,817
Over 5 financial years	**6,161**	6,560
	9,152	10,100

32 Commitments (cont'd)

b) Capital commitments

Capital commitments not provided for in the financial statements:

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Share of associated company's capital commitment in relation to property, plant and equipment				
- Approved and contracted	**3,610**	3,987	–	–
- Approved but not contracted	**603**	912	–	–

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	
	2017	2016
	$'000	$'000
With jointly controlled entities		
Sales of goods	**226**	345
With associated companies		
Sale of goods	**15**	–
Management fee income	**29**	29
Purchase of goods	**2,943**	1,712
Research and development cost charged by an associated company	**60**	219
Other related parties		
Rental charged to a related company	**–**	114
Upkeep of motor vehicles charged by a related company	**12**	6
Sales of goods and services to related companies	**53**	–
Purchase of goods	**29**	–
Rental charged to a related party	**114**	–

Related party refers to a company in which the spouse of a director is the key management personnel.

34 Financial risk instruments

Categories of financial instruments

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

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Financial assets				
Trade and other receivables	**15,678**	22,452	**3,971**	5,910
Cash and cash equivalents	**7,219**	8,409	**194**	180
Loans and receivables	**22,897**	30,861	**4,165**	6,090
Financial assets, at fair value through profit or loss	**42**	–	**1,307**	–
Financial liabilities				
Trade and other payables	**4,223**	4,467	**5,029**	1,231
Borrowings	**13,486**	14,090	**–**	–
Finance lease liabilities	**214**	354	**–**	–
Convertible loan notes	**690**	–	**–**	–
At amortised cost	**18,613**	18,911	**5,029**	1,231
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.

34 Financial risk instruments (cont'd)

Financial risk management (con't)

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 2017					
Financial assets					
Cash and cash equivalents	1,601	21	–	13	85
Trade and other receivables	5,198	329	863	364	27
	6,799	350	863	377	112
Financial liabilities					
Trade payables	(1,036)	(368)	–	–	(104)
Amounts due to fellow subsidiaries	–	–	–	(6,562)	–
Net exposure	**5,763**	**(18)**	**863**	**(6,185)**	**8**
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)
Amounts due to fellow subsidiaries	–	–	–	(6,562)	–
Net exposure	11,331	(207)	828	(6,542)	(39)

The Company's foreign currency exposure based on the information provided by key management is $863,000 (2016: $828,000) included in amount due from joint venture companies and other receivables which are 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 29) and convertible loan notes (Note 25).

34 Financial risk instruments (cont'd)

Financial risk management (con't)

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 22) are insignificant, and the Company has no other interest-bearing liabilities. Investment in convertible loan notes at fixed rate expose the Company to fair value interest rate risk (i.e. the risk that the value of a financial instrument will fluctuate due to changes in market rates).

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 29).

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			
2017			
Trade and other payables	4,223	–	4,223
Bank borrowings	13,518	–	13,518
Finance lease obligations	137	114	251
Convertible loan notes	53	749	802
Contingent consideration of business combination	–	4,400	4,400
Financial guarantee contracts	22,072	–	22,072
	40,003	**5,263**	**45,266**
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	18,910	–	18,910
	37,682	4,643	42,325

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			
2017			
Trade and other payables	5,029	–	5,029
Contingent consideration of business combination	–	4,400	4,400
Financial guarantee contracts (Note 31)	50,772	–	50,772
	55,801	**4,400**	**60,201**
2016			
Trade and other payables	1,231	–	1,231
Contingent consideration of business combination	–	4,400	4,400
Financial guarantee contracts	50,710	–	50,710
	51,941	4,400	56,341

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	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Corporate guarantees provided to banks for financing facilities granted to [Note 31(a)]:				
- Subsidiaries	**–**	–	**28,700**	31,800
- Joint venture	**21,219**	18,057	**21,219**	18,057
- a former subsidiary	**853**	853	**853**	853
	22,072	18,910	**50,772**	50,710

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 (2016: 3) largest trade receivables amounted to $3,014,000 (2016: $7,457,000) and this represented 33% (2016: 52%) of total trade receivables and of which one major corporate customer represented 18% (2016: 30%) of total trade receivables.

The Company has significant credit risk exposures arising on amount due from subsidiaries of $2,891,000 (2016: $4,855,000) which represented 90% (2016: 82%) 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 28 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	
	2017	2016
	$'000	$'000
Not past due and not impaired	**4,020**	2,877
Past due but not impaired (i)	**3,884**	9,033
	7,904	11,910
Impaired receivables - individually assessed (ii)	**9,679**	6,880
Less: allowance for impairment	**(8,673)**	(4,568)
	1,006	2,312
Total trade receivables, net	**8,910**	14,222

(i) Financial assets that are past due but not impaired

	2017	2016
Past due 0 to 3 months	**1,784**	4,180
Past due 3 to 6 months	**797**	2,206
Past due over 6 months	**1,303**	2,647
	3,884	9,033

(ii) Impaired receivables

(a) Included in trade receivables in 2017 and 2016 is an amount due from a customer of $2.91 million (Rp29,469,828,000). 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 $2.91 million in the previous financial years in view of the uncertainty of collection.

(b) In 2016, the impaired receivables of which impairment has not been made in full 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
2017				
Group				
Recurring fair value measurements				
Financial assets				
Financial assets, at fair value through profit or loss	**42**	**–**	**–**	**42**
Financial liabilities				
Contingent consideration of business combination	**–**	**–**	**–***	**–**
2016				
Group				
Recurring fair value measurements				
Financial liabilities				
Contingent consideration of business combination	–	–	765	765
2017				
Company				
Recurring fair value measurements				
Financial assets				
Financial assets, at fair value through profit or loss	**–**	**–**	**1,307**	**1,307**
Financial liabilities				
Contingent consideration of business combination	**–**	**–**	**–***	**–**

* *the fair value of contingent consideration of business combination is $nil as at the end of the reporting period.*

35 Fair value of assets and liabilities

b) Fair value measurements of assets and liabilities that are measured at fair value (cont'd)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2016				
Company				
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 basis of determining fair value for disclosure at the end of the reporting period is disclosed in Note 11(d).

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 16, 27 and 29.

Financial assets, at fair value through profit or loss

The fair value of the quoted equity securities is based on quoted market prices at the end of the reporting period. The fair value measurement for disclosure purpose is categorised in Level 1 of the fair values hierarchy.

The fair value of the unquoted convertible loan notes is determined using income approach. The significant unobservable inputs used in the valuation technique are:

- Revenue growth rate - compound annual growth rate of 44% from FY 2018 to FY 2022
- Pre-tax discount rate - 13.5%

The fair value measurement for disclosure purpose is categorised in Level 3 of the fair values hierarchy.

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 and Company	
	2017	**2016**
	$'000	**$'000**
Contingent consideration		
At beginning of financial year	**(765)**	–
Acquisition of a subsidiary	**–**	(765)
Total gain for the period included in profit or loss:		
- Fair value gain	**765**	–
At end of financial year	**–**	(765)

	Company	
	2017	2016
	$'000	$'000
Investment in convertible loan notes		
At beginning of financial year	**–**	–
Investment during the year	**2,040**	–
Total loss for the period included in profit or loss:		
- Fair value loss	**(733)**	–
At end of financial year	**1,307**	–

f) Valuation process applied by the Group

The fair value of convertible loan notes is determined using income approach by management. The income approach measures the value of an asset by its income generating potential. The value of an asset is thus arrived at from the present value, at the valuation date, of the future income generated over the asset's expected useful life. Management relies on the financial budgets approved by the directors, adjusted for the probability of achieving the budgets based on historical results.

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 four main business segments, Supply Chain Management, Manufacturing, Security and Engineering Services 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.

During the year, management decided to continue the operations of the Engineering segment which were presented under discontinued operations in the previous financial years.

36 Segment information (cont'd)

	Supply Chain Management								
	Marine cables $'000	Marine lighting $'000	Others $'000	Total $'000	Manu-facturing $'000	Security $'000	Engineering services $'000	Elimi-nations $'000	Total $'000
2017									
Segment revenue:									
Sales to external customers	14,274	9,433	4,934	28,641	–	2,957	6,747	–	38,345
Intersegment sales	37	24	13	74	–	26	–	(100)	–
Total revenue	**14,311**	**9,457**	**4,947**	**28,715**	**–**	**2,983**	**6,747**	**(100)**	**38,345**
Segment results	**(3,217)**	**(2,124)**	**(2,748)**	**(8,089)**	**(15,381)**	**(4,292)**	**(160)**	**–**	**(27,922)**
Share of results of associates and joint ventures	380	251	131	762	(1,198)	–	(46)	–	(482)
Depreciation and amortisation	547	360	313	1,220	–	698	6	–	1,924
Impairment loss	–	–	–	–	7,663	3,718	–	–	11,381
Other significant non-cash expense	3,704	2,446	1,274	7,424	7,717	–	–	–	15,141
Segment assets	31,850	21,025	7,563	60,438	3,049	3,572	2,152	–	69,211
Unallocated assets									1,723
Total assets									**70,934**
Segment assets includes									
Investment in joint ventures and associates	1,250	825	429	2,504	3,049	–	211	–	5,764
Additions to non-current assets	208	137	73	418	–	332	–	–	750
Segment liabilities	8,895	5,873	3,064	17,832	15,751	1,773	1,450	–	36,806
Unallocated liabilities									3,058
Total liabilities									**39,864**

36 Segment information (cont'd)

	Supply Chain Management								
	Marine cables $'000	**Marine lighting $'000**	**Others $'000**	**Total $'000**	**Manu-facturing $'000**	**Security $'000**	**Engineering services $'000**	**Elimi-nations $'000**	**Total $'000**
(Restated)									
2016									
Segment revenue:									
Sales to external customers	35,305	7,858	5,922	49,085	–	974	1,928	–	51,987
Intersegment sales	19	4	75	98	–	–	–	(98)	–
Total revenue from continuing operations	35,324	7,862	5,997	49,183	–	974	1,928	(98)	51,987
Segment results	1,567	349	(523)	1,393	(10,190)	(576)	1,138	–	(8,235)
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	7,282	72,932	11,982	6,459	4,334	–	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	1,582	19,960	11,690	728	3,682	–	36,060
Unallocated liabilities									1,958
Total liabilities									38,018

36 Segment information (cont'd)

Significant non-cash expenses (other than depreciation and amortisation) consist of the following:

	Group	
	2017	2016
	$'000	$'000
		(restated)
Allowance for impairment of receivable	**4,349**	1,281
Inventories written down	**3,075**	350
Provision for liabilities	**7,717**	8,190
Contingent consideration receivable written-off	**–**	217
	15,141	10,038

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 tax recoverable and 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 tax payable and deferred tax liabilities which are classified as unallocated liabilities.

36 Segment information (cont'd)

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	
	2017	2016	**2017**	2016
	$'000	$'000 (Restated)	**$'000**	$'000
Singapore	**20,836**	34,847	**13,651**	18,541
China	**5**	2,862	**3,049**	11,982
Japan	**11,097**	4,961	**211**	–
Vietnam	**996**	4,307	**–**	–
United Arab Emirates	**650**	863	**2,504**	2,705
Indonesia	**1,529**	1,578	**2**	2,522
Malaysia	**1,204**	1,238	**–**	–
Other countries	**2,028**	1,331	**15**	18
	38,345	51,987	**19,432**	35,768

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 $6,551,000 (2016: $10,351,000) are derived from one external customer that contributes more than 10% of the Group revenue and are attributable to the Engineering Services Segment (2016: Supply Chain Management Segment).

37 Capital management

The Group's objective when managing capital is 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 2016.

38 Comparative figures

The Group discontinued the operations of a subsidiary, BOS Offshore and Marine Pte Ltd ("BOS"), under the Engineering Services Segment during the financial year ended 31 December 2015. It was the management's intention to complete the remaining project of BOS and cease this business segment after the completion of the project.

In the financial year, the Group decided to continue BOS' business operations and continue to provide marine and offshore related services and products under the Engineering Services Segment. Therefore, the results of operations of BOS has been re-presented under the continuing operations in the current financial year. Comparatives figures have also been restated.

The line items in the statement of comprehensive income that have been restated were as follows:

	Group		
	As previously reported 2016 $'000	Amount restated $'000	As reclassified 2016 $'000
Revenue	50,059	1,928	51,987
Cost of sales	(33,229)	(870)	(34,099)
Gross profit	16,830	1,058	17,888
Other operating income	733	518	1,251
Selling and distribution expenses	(10,051)	(119)	(10,170)
Administrative expenses	(16,433)	(319)	(16,752)
Loss before tax from continuing operations	(12,287)	1,138	(11,149)
Tax expense	(61)	(64)	(125)
Loss from continuing operations, net of tax	(12,348)	1,074	(11,274)
Profit from discontinued operations, net of tax	1,074	(1,074)	–

The restatement did not have any effect on the net results for the financial year ended 31 December 2016 and the statement of financial position as at 31 December 2016.

39 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 2017 were authorised for issue in accordance with a resolution of the directors dated 31 March 2018.

STATISTICS OF SHAREHOLDINGS

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDING AS AT 15 MARCH 2018

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	23	1.10	1,005	0.00
100 - 1,000	204	9.75	98.803	0.08
1,001 - 10,000	1,370	65.49	5,860,030	4.88
10,001 - 1,000,000	488	23.33	25,365,585	21.14
1,000,001 AND ABOVE	7	0.33	88,674,572	73.90
GRAND TOTAL	2,086	100.00	119,999,995	100.00

TWENTY LARGEST SHAREHOLDERS AS AT 15 MARCH 2018

	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	5,845,300	4.87
3	Poh Choo Bin	4,243,950	3.54
4	Maybank Kim Eng Securities Pte Ltd	3,519,325	2.93
5	CGS-CIMB Securities (Singapore) Pte Ltd	1,214,025	1.01
6	Raffles Nominees (Pte) Ltd	1,153,972	0.96
7	Lee Mui Hiang	1,029,100	0.86
8	Lim Hui Eng	957,172	0.80
9	Lim Huay Hua	957,172	0.80
10	DBS Nominees Pte Ltd	825,675	0.69
11	United Overseas Bank Nominees Pte Ltd	785,000	0.65
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	Tan Insurance Brokers Pte Ltd	500,000	0.42
16	Phillip Securities Pte Ltd	494,125	0.41
17	Gina Goh Lay Suan	478,000	0.40
18	Wee Boh Huat	444,750	0.37
19	Chan Lai Ching	392,500	0.33
20	UOB Kay Hian Pte Ltd	375,600	0.31
	Total	96,678,351	80.57

SUBSTANTIAL SHAREHOLDERS AS AT 15 MARCH 2018

NAME OF SUBSTANTIAL SHAREHOLDER	DIRECT INTEREST	%	DEEMED INTEREST	%
BENG HUI HOLDING (S) PTE. LTD.	71,668,900	59.72	–	–
VINCENT LIM HUI ENG	951,172	0.80	71,668,900	59.72
PATRICK LIM HUI PENG	951,172	0.80	71,668,900	59.72
JOHNNY LIM HUAY HUA	951,172	0.80	71,668,900	59.72
EILEEN LIM CHYE HOON	729,285	0.61	71,688,900	59.74
POH CHOO BIN	8,670,025	7.22	–	–

Rule 723 of the SGX Listing Manual - Free Float

Based on the information available to the Company as at 15 March 2018, approximately 29.99% 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 Thursday, 19 April 2018 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 2017 and the Auditors' Report thereon. **(Resolution 1)**

2. To approve the Directors' Fees of S$299,333 for the financial year ended 31 December 2017 (2016: S$331,290). **(Resolution 2)**

3. To re-elect Mr Vincent Lim Hui Eng, a Director retiring pursuant to Article 104 of the Company's Constitution. **(Resolution 3)**
   (See Explanatory Note 1)

4. To re-elect Mr Henry Tan Song Kok, a Director retiring pursuant to Article 108 of the Company's Constitution. **(Resolution 4)**
   (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 5)**

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 and subsidiary holdings) 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 and subsidiary holdings) 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 and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) 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;

(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."

(Resolution 6)

(See Explanatory Note 3)

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 and subsidiary holdings) in the share capital of the Company from time to time."

(Resolution 7)

(See Explanatory Note 4)

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 2018

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:-

1. Mr Vincent Lim Hui Eng (Executive Chairman and Chief Executive Officer) is the sibling of the Executive Director and Chief Operating Officer, Mr Patrick Lim Hui Peng.

   Detailed information on Mr Vincent Lim Hui Eng can be found under the "Directors' Profile" section in the Company's Annual Report 2017.

2. Mr Henry Tan Song Kok (Independent Non-Executive) will, upon re-election as Director of the Company, continue to serve as the Chairman of the Audit Committee as well as a member of the Remuneration 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 Henry Tan Song Kok can be found under the "Directors' Profile" section in the Company's Annual Report 2017.

3. The proposed Ordinary Resolution 6, 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 and subsidiary holdings) 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 and subsidiary holdings) is based on the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings) 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 7, 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 and subsidiary holdings) 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 under seal or 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 LTD
(Company Registration Number: 200404900H)
(Incorporated in the Republic of Singapore)

ANNUAL GENERAL MEETING 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 2017 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 2018.

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 Number	Proportion of Shareholdings (%)

*and/or

Name	Address	NRIC/ Passport Number	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 Thursday, 19 April 2018 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 2017.		
2.	To approve the Directors' Fees of S$299,333 for the financial year ended 31 December 2017.		
3.	To re-elect Mr Vincent Lim Hui Eng as Director.		
4.	To re-elect Mr Henry Tan Song Kok as Director.		
5.	To re-appoint Messrs Baker Tilly TFW LLP as auditors of the Company and to authorise the Directors to fix their remuneration.		
6.	To approve the Share Issue Mandate.		
7.	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 ______________________ 2018

____
Signature(s) of Member(s)/Common Seal

Total No. of Shares	No. of Shares
In CDP Register	
In Register of Member	

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.

BH GLOBAL CORPORATION LTD

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