Transformation

Environmental • Electrification• Digitalization

BH GLOBAL CORPORATION LTD

ANNUAL REPORT 2018

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") is an established group providing comprehensive integrated solutions in supply chain management, design and manufacturing, engineering, surveillance and cyber security to a multitude of industries across the globe.

Through excellent research and development ("R&D") and project management capabilities, BH Global has a unique platform which is proficient in producing integrated solutions to capture growth opportunities, executing swift and impactful value-added services to its clients worldwide.

Headquartered in Singapore and with more than half a century of experience and presence in the marine and offshore, oil and gas, industrial, petrochemical, and commercial sectors, the Group has built strong synergies and expertise that strategically position it to develop turnkey solutions focused on electrification, digitization and environmental sustainability.

The Group has transformed from a pure supply chain management company serving the marine and offshore industries, to an integrated Group providing products and services through four major 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**
R&D and production of Smart LED Lighting solutions.

3. **ENGINEERING SERVICES**
Engineering, procurement and project management solutions for the marine, oil and gas sectors; electrification of marine propulsion systems, design and manufacture of engineering for marine scrubber systems including GRE pipes.

4. **SECURITY**
Critical infrastructure operational technology (OT) protection and cyber security solutions, enterprise information technology (IT) operation management, and infra-red thermal and night vision sensing solutions for both public and private sectors.

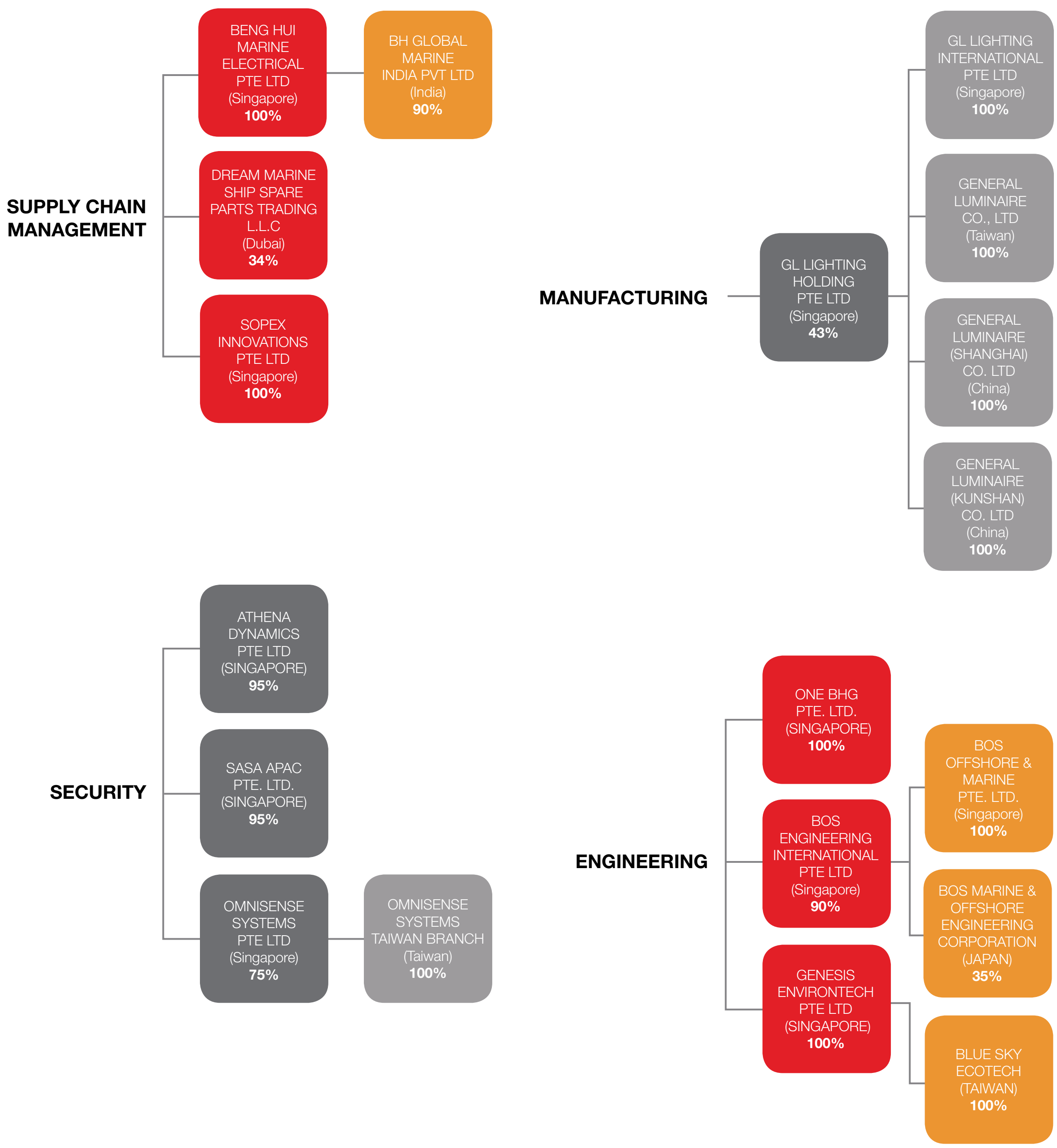
At A Glance

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 FY2018, 55% of our revenue contribution came from Singapore, 21% from South-East Asia, 17% from East Asia, 1% from Middle East, 1% from Europe, while the remaining 5% came from countries spanning all over the globe including Australia, India and United States of America.

Corporate Structure



Business Profile:
Supply Chain Management ("SCM")

Supply Chain Management remains the Group's core business. Driven by BH Global Group subsidiary **Beng Hui Marine Electrical Pte Ltd** ("**BHM**"), the Supply Chain Management business has a long history dating back to 1962, offering a one stop marine and offshore electrical supply and management solution to the marine, on-and-offshore, oil and gas, industrial and petrochemical industries worldwide.

BHM has approximately S$21 million worth of inventories, consisting of more than 20,000 different line items of technically certified electrical products from international brand partners / manufacturers. This comprehensive range of high quality products include marine, offshore, industrial and telecommunication cables, conventional and LED lighting systems, technical equipment and electrical consumables that comply with marine / offshore grade specifications and stringent safety standards.

This extensive product portfolio enables BHM to support ship chandlers, ship owners, ship-management companies, system integrators, shipyards and fabrication contractors in their ship stores supplies, new-build, repair and retrofitting projects. With our proven track records, BHM is the preferred vendor of many established clienteles.

Headquartered in Singapore, BHM's operations are strategically located in close proximity to its customers. Occupying over 220,000 square feet of operational space, its facilities include a warehouse equipped with material handling equipment, cable cutting & reeling machines, manufacturing and testing facilities, computerized offices and apt storage facilities. The implementation of the Digital Warehouse Management System also enhanced productivity and accuracy through the prioritization of Inventory and deliveries using set rules. BHM owns and manages a large fleet of delivery vehicles to service locally based customers, and has established partnership with reliable international freight forwarders to provide timely deliveries worldwide.

BHM differentiates itself from other distributors with its distinctive capabilities in providing both on and off-site support; dedicated sales and technical teams are available to respond to our customers' needs on a timely basis. BHM also has a powerful inventory management program where interim storage services and just-in-time deliveries are some of the unique and critical value adding services much appreciated by our customers in supporting their ongoing projects. Coupled with progressive billings , these value propositions go a long way in significantly lowering our customers' project inventory costs, capital outlay and logistical burdens.

Apart from distributing reliable and quality products, BHM also invests in research and development ("R&D") activities to address our customers' operational issues and concerns. Through its R&D activities, BHM has developed our proprietary brand of marine LED lightings - SOP (Save our Planet). We are working with shipowners on green initiatives through the retrofitting of conventional lights, replacing them with energy efficient LED lights. To facilitate customers' corporate justification to take on such green initiatives, we consult with customers, perform physical inspections of vessels and produce reports of our findings and provide recommendations of ROI (Return Of Investment) and TCO (Total Cost of Ownership).

As part of our digitalization initiative, BHM has established and manages the BH eStore, an online e-commerce platform developed to serve global buyers with efficiency and transparency. With its comprehensive database of more than 20,000 products in its online catalogue, complete with detailed technical specifications, the BH eStore offers transparency to our online customers allowing ship owners, management companies, chandlers and end users to procure the right products at the right price with the right quality through the comprehensive content offered on this online platform. In addition, the BH eStore also offers convenient online payment process through the use of paypal. The BH eStore is a one-stop engagement portal for all our customers' marine & offshore electrical needs.

With our comprehensive range of inventories, global distribution networks, strong infrastructure, superior inventory management capabilities and adaptation of technology, BHM will continue to move with the times and adopt improved strategies and solutions in our unwavering commitment to be the trusted and reliable integrated supplier and solutions provider to our global customers.

Business Profile: Manufacturing

BH Global's Manufacturing Division is driven by **GL Lighting Holding Pte Ltd** ("**GLH**"), a 43% owned strategic partnership formed in 2011 to enhance the Group's portfolio of capabilities. GLH has more than 20 years of experience in the LED lighting business with established track records in the production of LED modules, controls, electronic, power management, optical and luminaire design.

GLH owns and manages LED R&D and production facilities in Shanghai and Kunshan, People's Republic of China ("PRC"). Its R&D team is experienced and well equipped with technical knowledge in optic design, thermal management, electric and luminaire development capabilities.

Over the last ten years, GLH had performed more than five hundered ODM/OEM activities for internationally renowned companies in the PRC and overseas. Some of the most iconic projects completed by GLH in the PRC includes the Canton Tower in Guangzhou, and the Shanghai Centre.

GLH expanded into its new production facilities in Kunshan in December 2018 with a total factory space of 44,000 m^2. This new facility houses a 11,000m^2 mechanical plant and an 11,500m^2 electronics plant, with fully automatic SMT lines, cloud enabled electronics manufacturing setup, advanced powder coating line, CNC equipment, laser / plastic injections, cold forge and aerospace FSW welding equipment.

With new and improved facilities and capabilities, and full operations under one roof to enhance efficiency, GLH is well positioned to take on long term OEM/ODM contracts with major international customers.

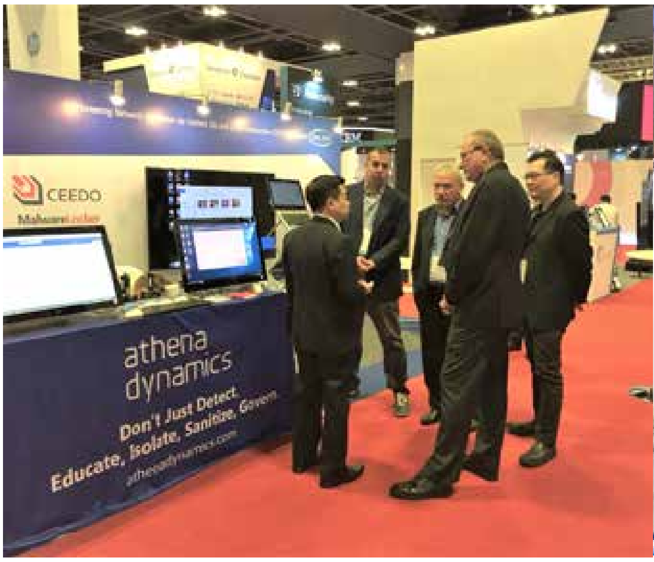
Business Profile:
Engineering Services

BH Gobal's Engineering division is helmed by **BOS Offshore & Marine Engineering Pte Ltd** ("**BOS**"). This Group subsidiary was established to provide turnkey solutions in engineering, procurement and project management (EPPM) and front-end engineering design (FEED) for electrical, instrumentation and telecommunications (EIT) systems for offshore projects. As part of its diversification and growth strategy, BOS transformed from a pure engineering company to become a stockist of GRE (Glass Reinforced Epoxy) pipes, which are essential for SOX (Sulphur Oxide) scrubbers and BWMS (Ballast Water Management System) installations for vessel retrofitting projects. BOS is the exclusive distributor for renowned FPI (Future Pipes Industries) GRE pipes for the territories of Singapore, Vietnam and Japan. Besides being a distributor of GRE pipes, BOS also specializes in handling turn key solutions in GRE pipes supplies, pre-fabrications, engineering designs, installations and commissioning. The realization of this new revenue stream is the result of specific strategic planning that had started since 2017, placing BOS in a strong position to participate in the explosive growth of marine scrubber installation projects attributable to ship owners' activities in meeting IMO deadline of SOX cap by 1st Jan 2020.

BH Global is a strong advocate of seeking out green initiatives in the maritime industry. The decision to enter the GRE pipes market is primarily driven by the green specifications of these pipes – they weigh only 25% of the weight of traditional mild steel pipes and they are immune to corrosion, enabling these pipes to be used till the end of the vessel's life. With reduced fuel consumption due to the reduction in weight, and being practically free from maintenance and replacement requirements, GRE pipes is BOS's answer to long-term environmental sustainability of the maritime sector. Looking forward, BOS is looking forward to investing in R&D activities towards the design and construction of hybrid electric propulsion vessels to address the ever worrying issue of emissions around Singapore waters.

On the front of strategic alliances, BOS had entered into a joint venture with its Japanese partners Taiyo Electric Co Ltd and Sanshin Electric Corporation, to form BOS Marine Offshore Engineering Corporation (BOSMEC) in Q42017. BOSMEC is based in Japan with its headquarters in Tokyo and an engineering office in Kobe. Leveraging on our Japanese partners' vast networks and connections in Japan, the Group will explore its new integrated business initiatives in Environment, Electrification and Digitalization in the massive and well established Japanese maritime market.

Business Profile: Security



BH Global's Security division includes 2 busineses - cyber security and surveillance security systems.

The Group's cyber security business is driven by BH Group subsidiary **Athena Dynamics Pte Ltd** ("**ADL**"), offering holistic cyber security solutions in both enterprise IT and ICS/SCADA OT protection. ADL is also capable of delivering expert-level Vulnerability Assessment and Penetration Testing (VAPT) on enterprise IT and SCADA networks. ADL goes further to offer cyber security training services to assist corporations equip their IT and non IT personnel with the appropriate cyber security knowledge and best practices to enhance preventive cyber security safeguards for these corporations.

ADL is the pioneer in introducing the powerful and effective CDR (Content Dis-arm, Re-construction) technology to the region, securing proven project references with government ministries, agencies, enterprises, and critical info/infra (CII) structure owners.

ADL is also the owner and driver of the unique GHA (Good Hackers Alliance), which provides white-hat hacking services in VAPT, specialized cyber security training, incident response and consultative advice.

With its established track record in Singapore, ADL is expanding regionally to bring its advanced and unique cyber solutions to new markets. The launch of Sasa APAC to represent Sasa Software Israel (Sasa) in the region highlights the confidence that Sasa has in ADL as a credible and reliable solutions provider to bring Sasa's CDR solutions to the world.

The cyber world is ever changing. ADL will continue to scout for unique and radically differentiated cyber technologies in order to assist the industry to stay in the race against cyber threats.

The Group's surveillance security systems business is driven by BH Global Group subsidiary, **Omnisense Systems Pte Ltd** ("**OMS**"). Based in Singapore and established since 2006, OMS develops, manufactures and markets advanced infrared night vision, remote sensing and motion control systems targeted at maritime, industrial, commercial and law enforcement applications.

Over the years, OMS has built up significant advanced technical capabilities through its R&D efforts. Its highly automated infrared temperature calibration laboratory is probably the most advanced privately-owned setup in the region. From its very own laboratory, OMS has developed its powerful adaptive infrared temperature measurement technology, which has been employed in OMS products and continually refined since 2009. In 2017, OMS expanded its R&D capabilities with the establishment of a R&D facility in Taipei.

OMS's Mass Fever Screening System is the most advanced in the market, featuring infrared cameras that could identify individuals with mild fever of 37.6°C, with an accuracy of +/- 0.1°C. These systems have served well for many years at all of Singapore's airports, seaports and land check points, as well as at many hospitals, corporations, learning institutions, government ministries and agencies among others to protect Singaporeans against pandemics and outbreak of influenza. These systems are also in use in several airports internationally.

On the marine front, OMS designs and manufactures high-end marine gyro stabilized night vision infrared cameras. OMS's systems are superior against that of the market's current incumbent systems manufacturer, and have been proven to be of high quality and reliability with references from users ranging from coast guards, crew boats and pleasure crafts. OMS is on track to launch a full product range of its night vision infrared cameras to establish a strong foothold in the market, offering strong potential in capturing international markets in the future.

Corporate Milestones

1988

Founded Beng Hui Electrical Trading Pte Ltd, which was subsequently renamed as BH Global Marine Limited

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

2008

Expanded warehousing facilities with newly acquired land area of approximately 124,934 square feet at 10 Penjuru Lane

Awarded the Promising Brand Award under Singapore Prestigious Brand Awards, the only marine company to receive such an accolade

2009

Achieved record turnover of S$101.6 million, crossing the S$100 million mark for the first time in corporate history

Acquired manufacturing capabilities via investments in Z-Power Automation Pte Ltd

2010

First Marine concept stock to be dual-listed on Taiwan Stock Exchange through the issuance of Taiwan Depository Receipts

Initiated new business segment in Engineering Services to provide turnkey installation services for fire and gas, safety and security systems and other marine subcontracting businesses targeted at new build, repair and retrofitting projects

Expanded geographical footprint into Vietnam, China, India and the Middle East

2011

Invested in LED lighting business with the objective of developing LED lighting solutions targeted at the marine and offshore industry

2012

Set up BH Global Marine India Pte Ltd, establishing formally BH Global's presence in India

2013

Rebranding exercise to BH Global Corporation Ltd

2014

Started Cyber Security products and solutions venture through the establishment of Athena Dynamics Pte Ltd

2015

Established partnership arrangement with major cable supplier, SEC Group

Divestments of investments in Z-Power Automation Pte Ltd with gains on disposal of S$4.3 million

2016

Entered the thermal imaging and night vision sensing equipment business through the acquisition of a 51% stake in Omnisense Systems Pte Ltd

2017

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

Incorporation of joint venture company, BOS Marine & Offshore Engineering Corporation, with Japanese partners to develop business expansion opportunities in the Japanese maritime market

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

E-Commerce Platform (bh-estore.com) gains traction among global Maritime users, achieves S$100,000 online sales revenue

2018

BOS Offshore & Marine Pte Ltd entered into foray of marine pipe engineering and installation, successfully completed the first Glass Reinforced Epoxy pipe installation project in Japan

Commenced research & development activities into enhancing design and efficiency of marine scrubbers

Expansion of Omnisense Systems' Research & Development center, focusing on design and launch of full range of marine night vision sensing systems

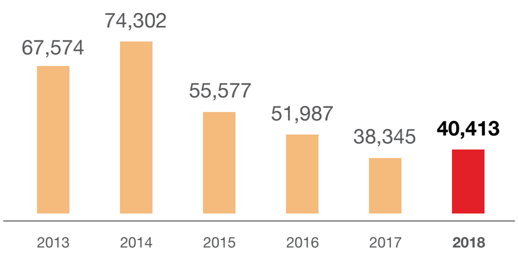
Furtherance of Cyber Security capabilities and offerings through strategic partnerships with Horangi Cyber Security and Sasa

Financial Highlights

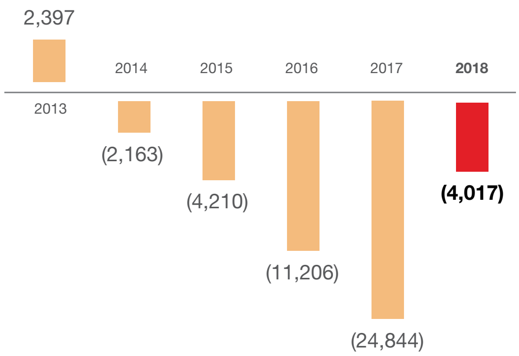
GEOGRAPHICAL SEGMENT ($'000) (REVENUE)

	2018	2017	2016	2015	2014	2013
SINGAPORE	22,228	20,836	34,847	33,322	38,213	43,018
SOUTH-EAST ASIA	8,671	4,277	7,621	8,467	5,321	9,704
EUROPE	380	344	482	731	1,192	6,091
EAST ASIA	6,680	11,116	7,833	8,851	9,073	2,492
MIDDLE EAST	494	820	997	1,350	17,871	4,536
OTHER	1,960	952	207	2,856	2,632	1,733
TOTAL	**40,413**	**38,345**	**51,987**	**55,577**	**74,302**	**67,574**

REVENUE ($'000)



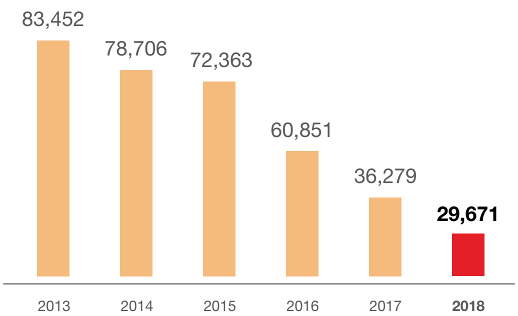
NET (LOSS) / PROFIT# ($'000)



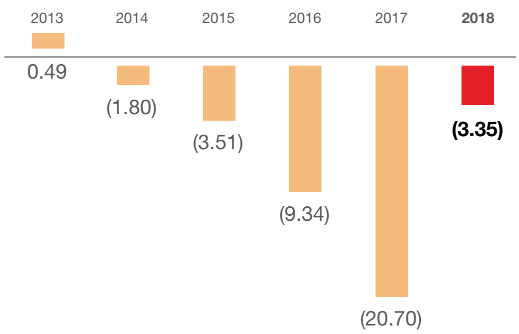
REVENUE BREAKDOWN BY PRODUCTS ($'000)

	2018	2017	2016	2015	2014	2013
SUPPLY CHAIN MANAGEMENT	35,442	28,641	49,085	53,953	55,733	54,751
MANUFACTURING	-	-	-	1,624	18,569	5,568
ENGINEERING SERVICES	348	6,747	1,928	-	-	7,255
SECURITY	4,623	2,957	974	-	-	-
TOTAL	**40,413**	**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, 2017 and 2018 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

"Non-performing entities have been disposed of, making way for new avenues of growth. We were also able to successfully complete a rights issue in Q12019, which will help the Group extract the best outcomes from the opportunities that lie ahead."

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 2018 ("FY2018").

Dear Shareholders,

YEAR IN REVIEW 2018

A moderate recovery in oil prices during the first three quarters of the year resulted in a pickup of Offshore and Marine (O&M) activities in FY2018. Accordingly, the Group saw increased enquiries for products from its core business, the Supply Chain Management division, which returned to profitability in FY2018. The Group also witnessed the completion of its new LED lighting factory during the year, the revitalisation of its Engineering division, as well as several new partnerships for its Security division. With a series of encouraging developments, the Group hopes to build on its renewed momentum and its improved business operations. With continual transformation and focus on electrification, digitalisation and environmental sustainability, the Group is well positioned to develop turnkey solutions that are in demand in the region.

Supply Chain Management ("SCM") Division

The SCM division continues to be the Group's main business division, which has returned to profitability in FY2018 after its first and only year of losses in the previous financial year since it started business in 1988 . The O&M industry though impacted by continuing volatility of oil prices, saw a pickup in activities, leading to increased enquiries. Going forward, our focus will be capitalising on trends in the O&M industry which we have previously identified, which will help the Group to stabilize and subsequently bolster performance.

In anticipation of upcoming regulatory requirements, the Group was able to build up expertise to help ship owners comply with new regulations by the International Maritime Organization ("IMO"). These regulations revolve primarily around capping sulphur oxide emissions and the Group sees elevated demand for its products through to 2020, when the regulations come into effect.

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 disposal of GSSI's operating assets was completed in 3Q2018 for a total consideration of OMR1.90 million (approximately S$6.71 million). The Group commenced liquidation proceedings of GSSI in 4Q2018 and expects the process to be completed by 3Q2019. The Group's LED lighting solution's performance continued to be affected by supplier-related delays from the year prior. However, with the completion of its new LED factory in Kunshan 4Q2018 and the commencement of production in 1Q2019, the Group is looking to ramp up its production capabilities. The new factory offers 22,500 square metres of mechanical and electronic production facilities featuring automated processes. With the improved facilities and capabilities, GLH is well positioned to take on long-term OEM/ODM contracts with major international customers, with efficiency and compliance with strict safety and technical requirements.

Engineering Services Division

The Group disposed of the Batam land under PT BH Marine & Offshore Engineering ("PTE") in 2Q2018, and 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, working with reputable Japanese partners, Taiyo Electric Co. Ltd ("Taiyo") and Sanshin Electric Corporation Ltd ("Sanshin") through an associated company to promote engineering solutions to Japanese shipyards and shipping companies. The Group is working on securing orders to be delivered in Japan in FY2019 and FY2020, and continues to see good prospects for the Group's products in the Japanese maritime market.

An exclusive distribution agreement was also obtained from a global leader in fiberglass pipe system design and manufacturing, Future Pipes Industry ("FPI"), for glass reinforced epoxy ("GRE") pipes in the territories of Singapore, Vietnam and Japan. Upcoming IMO sulphur oxide emission regulations has produced rising demand for scrubbers and ballast water management system (BWMS) installations, which require durable materials such as FPI's high quality GRE pipes. BOS offers turn key solutions in GRE pipes material supplies, pre-fabrications, engineering designs, installation and commissioning.

Chairman Statement

A part of our strategy for the engineering division involves widening our reach to new clients and planning initiatives around electric propulsion in Singapore and Japan. The Group has been studying ways to create more opportunities to work with local regulators and companies to form a Singaporean initiative to uplift green technology presence in the local maritime sector for the reduction of greenhouse gases. These initiatives are underway, and the Group's priority is to develop a track record to improve overall performance for its main division.

The Group also renamed Sky Holding Pte Ltd to Genesis Environtech Pte Ltd ("GEPL"). With a change in name, GEPL's business focus has also been shifted towards research and development (R&D) activities on environmental technologies and solutions, such as marine scrubber systems.

Overall, the development of installation and commissioning capabilities were strategically planned ahead by the Group two years prior, making for a timely entrance into the market as demand increases for scrubber retrofitting projects in shipyards in China, Japan and Singapore.

Security Division

Experiencing a steady growth of orders from both government agencies and private companies in Singapore and overseas, the outlook remains bright for the Cyber Security division. Athena Dynamics ("ADPL") established strategic partnerships with Sasa Software (Israel) in 4Q2018 to promote its unique Content, Dis-arm and Re-construction (CDR) technology to the Asia Pacific region. The Good Hackers Alliance (GHA) was also strengthened with the addition of Horangi Cyber Security to its list of reputable white hat hackers. These recent developments place the Group in a strong position to offer timely and relevant cyber security solutions to aid the protection of critical info-infrastructures in the region.

On the Surveillance Security division front, with attention put on product design and development, an additional R&D facility was set up in Taipei to accelerate the pace of R&D activities of various new products for this division. This will help facilitate the launch of a series of products for Omnisense Systems Pte Ltd ("OMS") in 2019 to complete the range of advanced sensing system products and increase its competitiveness and standing in the market.

SUSTAINABILITY

The Group regularly assesses the economic, environmental, social, and governance risks of our operations as we pursue excellence in our bid to become a market leader. We remain committed to being a trusted and valued partner by delivering the best value to our stakeholders. Integrity and Discipline, Teamwork and Performance, Client Focus, Innovation, and Learning and Development are the five values underpinning our Group's work culture. Through engagements with our stakeholders, we have identified three material topics relevant to them: Product Quality and Reliability, Energy Consumption, Working Environment. The material topics were assessed for their potential impact on the environment and society, its influence on the stakeholders, and impact on the Group's operations. We firmly believe that the continued success of our Group depends on protecting the interests of our most valued assets, our people, as we ceaselessly enhance our stakeholder relations and minimise our environmental impact.

PERSISTING ON THE PATH OF TRANSFORMATION

2018 was a turning point for the Group as we saw the contraction of negative conditions affecting our businesses, and at the same time, the materialisation of value associated with the Group's efforts in restructuring of its operations that started four years ago. Non-performing entities have been disposed of, making way for new avenues of growth. We were also able to successfully complete a rights issue in Q12019, which will help the Group extract the best outcomes from the opportunities that lie ahead. We are truly grateful for the commitment and confidence that all our stakeholders have shown in us, and we will persevere to bring BH Global back on track to profitability and deliver value to shareholders.

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

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
Dennis Tan Ka Woon

GROUP SUSTAINABILITY COMMITTEE

Vincent Lim Hui Eng, Chairman
Patrick Lim Hui Peng
Dennis Tan Ka Woon

COMPANY SECRETARY

Pan Mi Keay
Toon Choi Fan

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)
80 Robinson Road #11-02
Singapore 068898

REGISTERED OFFICE

8 Penjuru Lane
Singapore 609189

INDEPENDENT AUDITOR

Baker Tilly TFW LLP
Public Accountant and Chartered Accountants, Singapore
600 North Bridge Road
#05-01 Parkview Square
Singapore 188778
Partner-in-charge: Ng Hock Lee
(Appointed in financial year 2015)

Operational and Financial Review

The Group's revenue rose by 5% to S$40.4 million in FY2018 from S$38.3 million in FY2017. The increase was due to a rise in business activities among customers from the core Supply Chain Management division as a mild recovery in oil prices during the first nine months of the year resulted in a pickup of Offshore & Marine activities. Sales to new customers from the Security division also contributed to the increase in revenue.

In FY2018, the Supply Chain Management division contributed 88% of the Group's turnover, the Security division contributed 11% of the Group's turnover, and the Engineering Services division accounted for the remaining 1% of the Group's turnover. The Group's gross profit increased by 10% to S$13.7 million in FY2018 from S$12.4 million in FY2017, with gross profit margin inching higher to 33.9% in FY2018 from 32.3% in FY2017, mainly due to higher revenue from the Supply Chain Management division which commands higher margins. The gross profit figures in FY2018 continue to reflect significantly on the strength of 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 fell by 11% to S$9.6 million in FY2018 from S$10.7 million in FY2017 as a result of lower provisions for stock obsolescence recognised in FY2018. Administrative expenses decreased by 65% to S$8.8 million in FY2018 from S$25.0 million in FY2017. This was mainly due to provision for liabilities of S$7.7 million and provisions for impairment losses on investments in an associated company of S$7.7 million, intangible assets of S$2.5 million, and goodwill of S$1.2 million, recognized in FY2017. The Group reduced these provisions by disposing of non-performing entities and hopes to continue its efforts to further reduce provisions through increased prudence in business expansion and better regulation of customer credit and inventory going forward.

As a result of the abovementioned factors, the Group concluded FY2018 with a net loss to equity holders of the Company of S$4.6 million, compared to a net loss of S$24.6 million in the year prior.

SEGMENTAL OVERVIEW

Supply Chain Management Division

The Supply Chain Management division accounted for 88% of the Group's turnover in FY2018, of which marine cables and accessories contributed 59%, marine lighting equipment and accessories contributed 29%, and others accounted for the remaining 12%. Revenue from the division increased by 24% to S$35.4 million in FY2018 with the main increase coming from marine cables and accessories as the Offshore & Marine industry saw a pickup in activities amid a moderate recovery in oil prices.

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 Manufacturing division reported a loss in FY2018. For GSSI, the disposal of GSSI's operating assets was completed in 3Q2018 for a total consideration of OMR1.90 million (approximately S$6.71 million). Liquidation proceedings of GSSI commenced in 4Q2018 and the process is expected to be completed by 3Q2019.

The Group's LED lighting solution's performance continued to be affected by supplier-related delays for the first nine months of FY2018. However, its new LED factory in Kunshan was completed in 4Q2018 and production commenced in 1Q2019. The new factory offers 22,500 square metres of mechanical and electronic production facilities featuring automated processes. With the improved facilities, capabilities, and efficiency as well as compliance with strict safety and technical requirements, the Group looks to ramp up production and targets long-term OEM/ODM contracts with major international customers.

Security Division

The Security division comprise of ADL and OMS, which mainly provide 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 11% of the Group's revenue in FY2018, contributing approximately S$4.6 million in revenue. Revenue from the division increased by 74%, mainly due to sales to new customers attributable to the increased awareness of the importance of cyber security coupled with ADL's offering of new and relevant solutions. ADL also formed strategic partnerships with Horangi Cyber Security and Sasa Software (Israel) in 1Q2018 and 4Q2018 respectively, continuing to strengthen the Security division's holistic suite of cyber security offerings. For OMS, an additional R&D facility was set up in Taipei to accelerate the pace of R&D activities and the launch of a complete range of advanced sensing system products is expected in 2019.

The Security division continues to show good prospects and is well-placed to increase its competitiveness and standing in the region.

Engineering Services Division

The Engineering Services division consists of BOS, GEPL, OGS and PTE. The Batam land under PTE was disposed of in 2Q2018 recording a gain on disposal of S$1.6 million and the liquidation of OGS remains ongoing. BOS continues to helm the operations of this division. In FY2018, Engineering Services division accounted for 1% of the Group's turnover. Revenue from Engineering Services division decreased by 95% mainly due to termination of an engineering contract by a customer in 4Q2017 and no other significant contract won in FY2018.

The Group is working with reputable Japanese partners, Taiyo and Sanshin through an associated company to promote engineering solutions to Japanese shipyards and shipping companies. The Group has been successful in delivering its first showcase project in Japan in FY2018 and is now working on securing orders to be delivered in Japan in FY2019 and FY2020. An exclusive distribution agreement was also obtained from a global leader in fiberglass pipe system design and manufacturing, FPI, for GRE pipes in the territories of Singapore, Vietnam and Japan. Separately, renamed from Sky Holding Pte Ltd, GEPL is a new business for the Group focused on R&D of environmental technologies and solutions, such as marine scrubber systems.

FINANCIAL POSITION

As at 31 December 2018, the Group's total assets stood at S$63.4 million, a decrease from S$70.9 million as at 31 December 2017. Non-current assets decreased to S$20.2 million as at 31 December 2018, from S$22.2 million as at 31 December 2017. The decrease in non-current assets was due mainly to decreases in property, plant and equipment, investments in joint ventures and associated companies, and intangible assets; and was partially offset by an increase in loan to an associated company, which was absent in FY2017. Current assets decreased to S$43.1 million as at 31 December 2018 from S$48.8 million as at 31 December 2017. The decrease in current assets was mainly due to decreases in inventories, tax recoverable, and cash and cash equivalents; and was partially offset by increases in trade receivables, other receivables, and restricted cash. As at 31 December 2018, the Group's total liabilities were S$38.5 million, a decrease from S$39.9 million from the previous year. Non-current liabilities were S$3.8 million as at 31 December 2018, an increase from S$1.2 million as at 31 December 2017. The increase in non-current liabilities was due mainly to increases in bank borrowings; and was marginally offset by decreases in convertible loan notes, deferred tax liability and finance lease liabilities. Current liabilities were S$34.7 million as at 31 December 2018, a decrease from S$38.6 million as at 31 December 2017. The decrease in current liabilities was due mainly to decreases in provisions, trade payables, bank borrowings, finance lease liabilities, tax payable, and contract liabilities; and was offset partially by increases in other payables and convertible loan notes. Shareholders' equity attributable to equity holders of the Company as of 31 December 2018 was S$29.7 million, compared to S$36.3 million the previous year. The lower shareholders' equity is a result of the Group's losses in FY2018.

CONCLUSION

The Group's result in FY2018 reflects the volatile market environment which BH Global operates in, and at the same time, represents the Group's two-year-long efforts to remove non-performing businesses. The prospects for the Group on a whole are brighter in the year to come and the management is thankful to all stakeholders who have shown great commitment to the Group in its endeavour against the headwinds of the past. Now, the Group will focus on enhancing cost efficiencies in its core business, and building on the foundation of new businesses that it has identified and stabilised for growth as part of its transformation journey.

This will set the Group on a path to realise its goals of transforming into an integrated solutions provider for marine and on-shore industries with multiple capabilities covering R&D, engineering, clean technology, cyber security and high quality imaging solutions, and unlocking long-term shareholder value.

Board of Directors and Key Management

Front row sitting from left to right:
Mr Patrick Lim Hui Peng, Mr Vincent Lim Hui Eng, Mr Loh Weng Whye, Mr Henry Tan Song Kok.

Back row standing from left to right:

Ms Eileen Lim Chye Hoon, Mr Bryan Koh Tong Seng, Mr Johnny Lim Huay Hua, Ms Jasmin Lim Rui Li, Mr Leonard Lim Siang Soon, Mr Winston Kwek Choon Lin, Mr Ken Soh Lee Meng, Mr Dennis Tan Ka Woon.

Board of Directors

MR VINCENT LIM HUI ENG

Executive Chairman and Chief Executive Officer

Mr Vincent Lim Hui Eng is BH Global's Chief Executive Officer. He was appointed as a Director since April 2004 and was appointed as Acting Executive Chairman on 8 July 2016. Subsequently, he was appointed as Executive Chairman on 14 September 2016.

Mr Vincent Lim is responsible for the Group's strategic business planning and development. He has over 30 years of working experience, all of which has been in the supply chain management business of the marine electrical industry. Prior to joining BH Global, Mr Vincent Lim was an executive director of Beng Hui Electrical Trading Pte Ltd from 1987 to 2003. Since 1994, he has also been an executive director of SOPEX Innovations Pte Ltd.

MR PATRICK LIM HUI PENG

Executive Director and Chief Operating Officer

Mr Patrick Lim Hui Peng graduated from Ngee Ann Polytechnic with a Diploma in Electrical and Electronic Engineering in 1986. Prior to joining the marine business in 1992, Mr Patrick Lim served in the Republic of Singapore Navy as chief technician for Underwater Systems.

Mr Patrick Lim has over 26 years of experience in the electrical business for the Marine & Offshore industries. He was appointed as Executive Director of BH Global in 2004, and has served as the Chief Operating Officer of the Group since 2008. Mr Patrick Lim is responsible for the Group's operations and strategic planning of the Group's various divisions – Supply Chain Management, Manufacturing, Engineering Services and Security divisions. Together, the four divisions are synergized for growth by leveraging on the collective expertise and market networks. This helps to create a platform for BH Global to be the market leader in a highly competitive environment.

MR HENRY TAN SONG KOK

Non-Executive and Independent Director

Mr Henry Tan Song Kok was appointed a Director of BH Global on 24 April 2017. He is the Group CEO of Nexia TS and was previously the Asia Pacific Regional Chairman and board member of Nexia International. Mr Tan holds directorships in several companies, including YHI International Limited, China New Town Development Co Ltd & Yinda Infocomm Limited. He is also Chairman of the Nanyang Business School Alumni Advisory Board of NTU.

Mr Tan graduated with First Class Honors 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. He is also a member of Singapore Institute of Internal Auditors, Singapore Institute of Directors and Singapore Institute of Accredited Tax Professional.

MR LOH WENG WHYE

Non-Executive and Lead Independent Director

Mr Loh Weng Whye was appointed as Director of BH Global on August 3 2005 and further appointed as the Lead Independent Director in February 2007. He is a veteran in energy/power industry and infrastructure development in Singapore and the region, with over 45 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 building up a world-class power generation infrastructure in Singapore in terms of technologies, reliability and efficiency. He was also the founding General Manager (Projects) of Tuas Power Ltd. He played a contributive role in establishing the Asia-first liberalized competitive electricity market in Singapore.

Mr Loh was formerly President/CEO of ST Energy Pte Ltd and SembCorp Energy Pte Ltd who spearheaded power industry investment overseas. He was later appointed Advisor to Green Dot Capital, an investment and holding company under Temasek Holdings. He was directors of several SGX-listed companies: China New Town Development Ltd, Leeden Ltd, United Envirotech Ltd and XinRen Aluminum Holdings Ltd, and Senior Advisor to YTL Power International Bhd (Malaysia) etc. 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. Eng.) 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 WINSTON KWEK CHOON LIN

Non-Executive and Independent Director

Mr Winston Kwek Choon Lin was appointed a Director of BH Global on 3 August 2005. He is a partner of Rajah & Tann Singapore LLP. Specializing in admiralty and shipping law, Mr Kwek 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, and in 2019 was appointed by the Singapore Academy Law as a Senior Accredited Specialist on its inaugural panel of Maritime and Shipping Specialists.

Mr Kwek 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.

Key Management

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

Mr Johnny Lim Huay Hua is BH Global's Director of Operations since April 2004. He is responsible for managing the logistics and distribution functions within the Group. Mr Johnny Lim has over 25 years of working experience, of which over 18 years are related to the marine electrical supply industry. He was an executive director of BHET from 1993 to 2003, as well as an executive director of SOPEX since 1994.

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

Ms Eileen Lim Chye Hoon is BH Global's Director of Human Resource and Administration since April 2004. She is responsible for overseeing all human resource and administration related matters. Ms Lim has more than 36 years of working experience involving finance, personnel and administrative functions. She was an executive director of BHET from 1998 to 2003.

MR DENNIS TAN KA WOON
Chief Financial Officer

Mr Dennis Tan Ka Woon was appointed BH Global's Chief Financial Officer on 1 October 2018, covering all aspects of the Group's financial and operational matters, both domestically and overseas.

Prior to joining BH Global, Mr Tan held a senior executive role in a Canadian based MNC and was responsible for financial and strategic initiatives at the shareholder level in various jurisdictions including Singapore, Canada and the Middle East. Before that, he served 14 years with Arthur Andersen, Ernst & Young and PwC in various disciplines including assurance, forensic accounting and crisis management.

Mr Tan holds a Bachelor of Accountancy degree from Nanyang Technological University and is a member of the Institute of Singapore Chartered Accountants, Institute of Chartered Accountants in England and Wales and Singapore Institute of Directors.

MR BRYAN KOH TONG SENG
Managing Director for
BOS Offshore & Marine Pte Ltd

Mr Bryan Koh Tong Seng is the Managing Director of 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. Mr Koh holds a Bachelor of Electrical Engineering degree from Ryerson University in Toronto Canada. Over the years, he has accumulated 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. Mr Koh also brings to the Board his supply chain experience in running cost effective operations in fulfilling mission oriented and highly efficient business costing requirements in addressing today's challenging market environment. BOS, under the parent company of BH Global, is a Project management and engineering company which supports both Offshore and Onshore Oil & Gas, Energy and Critical infrastructure markets.

MR KEN SOH LEE MENG
Chief Information Officer and
CEO for Athena Dynamics Pte Ltd

Mr Ken Soh Lee Meng holds concurrent appointments 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 since 15 July 2014.

Mr Soh has more than 28 years of working experience in the ICT industry. Prior to joining BH Global, Mr Soh 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, Mr Soh has also initiated and driven the transformation of BH Global's IT department from a cost center to a profit center, spinning it off as a subsidiary company, Athena Dynamics. The company has since been awarded numerous projects in cyber protection of classified and critical info-infrastructures (CIIs) in both the governmental and commercial sectors.

Mr Soh has been an avid industry speaker and writer. Since the inception of Athena Dynamics in mid 2014, he has contributed more than 100 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 (UK); and a Master of Business Administration (eMBA) from the Nanyang Business School (a Nanyang Technological University and University of California, Berkeley joint programme).

MR LEONARD LIM SIANG SOON
CEO for Omnisense Systems 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, Mr Leonard Lim specialised in international sales and marketing, having 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. Mr Leonard Lim is passionate about product development work and offers a unique market perspective that heavily influences OMS's product design. As the CEO of OMS, Mr Leonard Lim believes in capability building. He has in the past ten years, developed significant technical capabilities within the company. These efforts have enabled OMS to develop technically advanced products that are competitive in the global marketplace.

MS JASMIN LIM RUI LI
Business Development Director

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 graduated from Singapore Institute of Management- RMIT University with a Bachelor of Marketing Degree in 2012. Jasmin Lim is responsible for the Group's Marketing and Strategic Development in the Marine and Offshore markets. She brings a genuine passion for building valuable long-term relationships with customers, partners and employees. Jasmin Lim believes that Digitalisation is key in the transformation of the Maritime Industry and is actively spearheading various E-initiatives for the Group. 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.

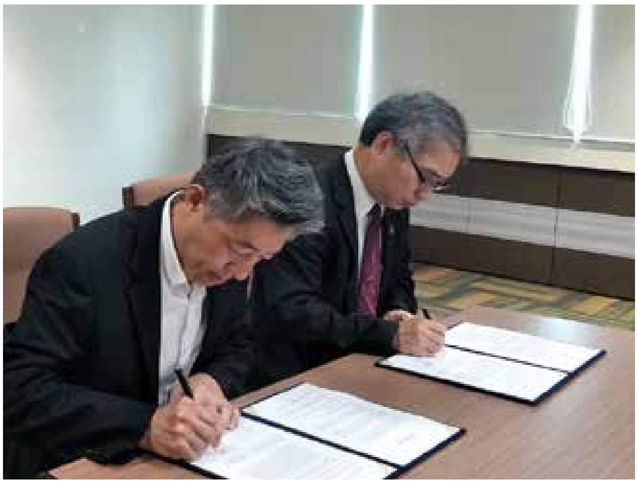
Investor Relations

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 organizes semi-annual result briefings with analysts, fund managers and investors to update them on the Group's activities and developments, investment merits, financial highlights and business outlook.

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.

The Group's website at www.bhglobal.com.sg provide timely updates on the Group's key developments and activities, including participation at trade shows, contract wins and media releases. Background information on the Group's Directors and Key Management personnel, business units and activities as well as investor relations contact details can also be found on the Group's website.

The Board of Directors reaffirms its commitment to maintaining a high level of transparency and accountability to 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.

TRAINING AND DEVELOPMENT: Training and Development play an instrumental role in securing the future success of BH Global by creating an environment where employees can thrive and are enabled to deliver sustainable organizational performance. Investment in skills and accelerating employees' professional and personal development are essential components to enable our employees to meet their full potential. We encourage our employees to attend programs and seminars aimed at broadening their 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. This allows employees to develop the skills necessary to take up new roles within the organization, and BH Global supports internal, cross-department career mobility by identifying redeployment opportunities and offering further training and development.

BH Global takes a holistic approach to leadership development, which encompasses the following elements: a strong focus on corporate culture, individual leadership capabilities, a growth mindset and continuous learning. 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 2018, the Event Committee organized Festive Celebrations where employees mingled over food and drinks at the company premises and Corporate Social Responsibility (CSR) event: Back to School- a joint collaboration local Community Centres to identify students from lower-income families and to sponsor their purchase of necessary stationery and books for the coming school year.

We also held a Dinner & Drinks event at the company premises. 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.

Our Engagement and Training principles and priorities have sharpened in the face of changing demographics and Governmental Policies. BH Global seeks to retain, develop and continue to attract employees with the requisite skills to help shape a better BH Global and to foster employees' engagement and motivation throughout the implementation process.

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 2018, BH Global continued its tradition of organizing and participating in the "Back-to-School" event, in collaboration with Woodlands and Taman Jurong community centre on 9th December 2018, Sunday at Bras Brasah Complex's Popular Bookstore. "Back-to-School" is an annual event organised by the Company to assist students from lower-income families purchase needed items such as stationery and assessment books in preparation for their new school term. 2018 marks the tenth year that BH Global has participated in this meaningful event. Our participation 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 and snacks. Over 50 employees and volunteers spent their Sunday morning being actively involved in helping more than 200 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.

Sustainability Report

Sustainability Report

ABOUT THIS SUSTAINABILITY REPORT

This sustainability report presents the annual sustainability performance of the Group for the period 1 January 2018 to 31 December 2018. The information in this report is organised and presented in accordance with the GRI Standards: Core option published in 2016, established by the Global Reporting Initiative ("GRI").

This report aims to disclose Economic, Environmental, Social and Governance ("EESG") performance against the issues that are considered most material to our Group's stakeholders and this includes shareholders, suppliers, customers, management and employees. The objective of preparing this report is to inform our stakeholders of the initiatives and strategies related to sustainability that we are currently embarking on.

This report is the second sustainability report issued and it provides an update of the performance and targets on sustainability as set out in the inaugural report in FY2017 dated 31 March 2018.

This report is also prepared in accordance with SGX-ST Listing Rules 711A and 711B and the relevant SGX Practice Notes on Sustainability Reporting Guide. Our data is reported in good faith and to the best of our knowledge. Currently, there is no external assurance for this report.

Mission and Vision

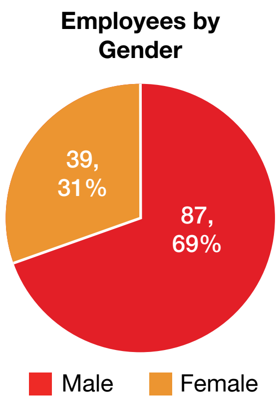
We pursue excellence and aim to be the market leader in our fields of expertise and we commit to be a trusted and valued partner, delivering best value to our customers and stakeholders.

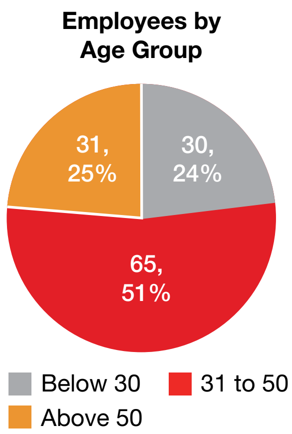
We believe in the following 5 core values for all our employees.

Integrity and Disciplin	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.

Human Resources of the Group

As at 31 December 2018, the Group has 126 employees (full-time) in its employment who fall under the following categories:

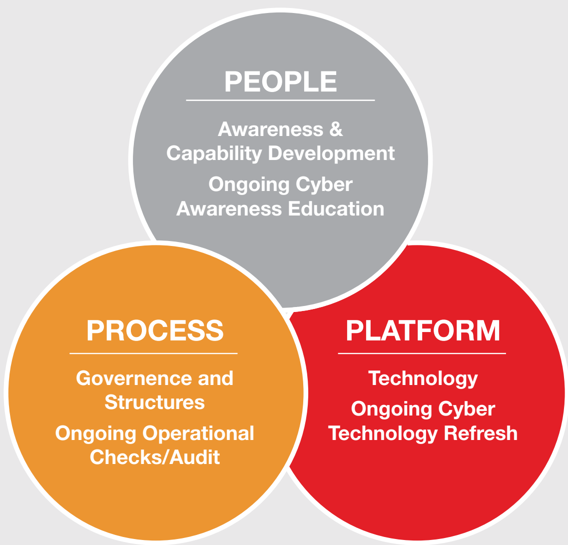




Cybersecurity

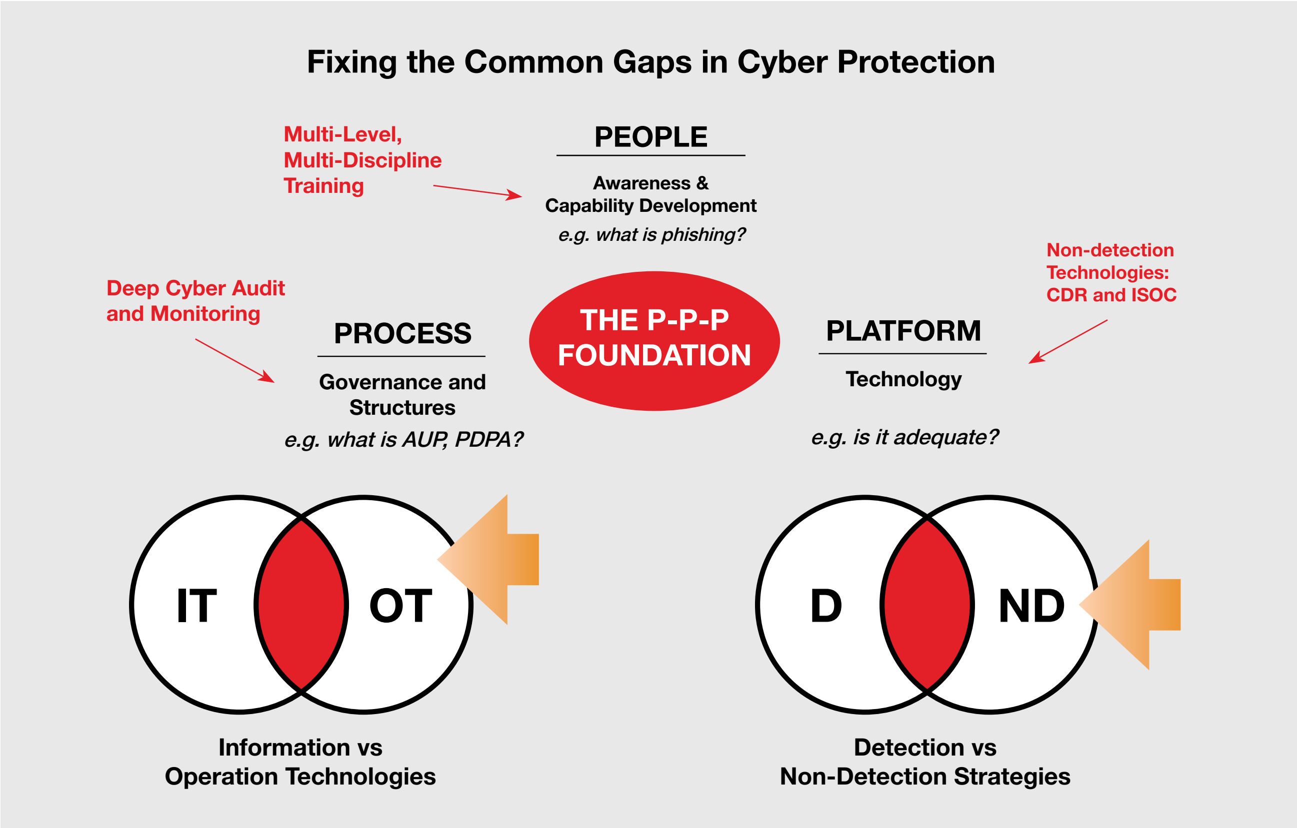
The Group takes a pro-active approach to maintaining its cyber security infrastructure and systems to safeguard the continuity of the Group's operations and confidential information. To protect against cyber security threats and attacks, the Group adopts a multi-layered cyber security defence approach which we term as the People-Process-Platform ("P-P-P") Foundation.

The P-P-P Foundation



Sustainability Report

Cybersecurity (cont'd)



Sustainability Governance

The Sustainability Governance Structure of the Group is as follows:

The Sustainability Working Committee, comprising discipline-specific working groups, identifies possible material topics and to reach an agreement on the action plan for the reporting process.

The Sustainability Steering Committee, comprising key management executives, provides guidance on the Group's sustainability strategies. The Steering Committee reviews and reports progress for delivering targets and plans to the Board of Directors on the sustainability management performance of the Group and key material issues identified by stakeholders. The Board will then review and endorse the targets and plans accordingly.

Feedback

We welcome feedback 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 or at the following address:

BH Global Corporation Limited
8 Penjuru Lane
Singapore 609189
Tel: +65 6291 4444

Sustainability Report

Reporting Scope and Boundaries

The content of this report is defined by the 4 Content Reporting Principles established by GRI as follows:

Principles	Objectives
Stakeholder Inclusiveness	Defining stakeholders and explain how the Group has responded to their expectations and interests.
Sustainability Context	Presenting the Group's performance in the wider context of sustainability.
Materiality	Identifying the Group's significant EESG factors.
Completeness	Disclosing significant EESG factors and boundaries to assess the Group's performance in the reporting period.

Stakeholder Engagement & Material Topics

The Sustainability Consultants (the "Consultants") worked with the Steering Committee to conduct a materiality assessment to identify the relevant EESG topics of which the Group considered important to stakeholders. Stakeholders includes shareholders, suppliers, customers, management and employees. The Group engages shareholders through annual general meetings, customers and suppliers through industry forums and employees through regular internal meetings.

The material topics were evaluated for its potential impact on the environment and society, its influence on the stakeholders and impact on the Group's operations.

The Sustainability Committee aims to conduct an annual review of the Group's material topics as well as monitor the performance of the topics as part of the Group's sustainability strategy.

The Group adopts a four-step process to define the material topics:

Identification

Identify material topics that are important to the Group.

Prioritisation

Prioritise material topics under the respective GRI Topic-specific Standards and identifies key sustainablity factors to be reported upon.

Validation

Validate completeness of the key sustainability factors to finalise report content.

Review

Re-examine the material topics taking into consideration changing business landscape and emerging trends.

Sustainability Report

Material Topics and Boundaries

The topics reported in the FY2017 Sustainability Report were re-evaluated by the Steering Committee and they were deemed to be material to the Group. The Steering Committee recommended, and the Board approved the following topics to be the material topics to be reported in FY2018.

Material Topics		
GRI 203-1	Infrastructure investments and services supported	Product Quality and Reliability
GRI 302-4	Reduction of energy consumption	Energy Consumption
GRI 404-1	Average hours of training per year per employee	Working Environment

The area of EESG which the above material topics fall under are given in the GRI Content Index on page 31 - 32.

Product Quality and Reliability (GRI 203-1)

Digitalisation is key to the transformation of vessel operations in the maritime industry. Beng Hui Marine Electrical Pte Ltd ("BHM"), the supply chain management arm of the Group, pride ourselves as being the leader in the field of marine & offshore electrical supplies with our niche in cables, lightings and accessories.

We launched BH e-store (bh-estore.com) in 2013 which consists of a comprehensive electrical and technical online guide for 13,000 products together with stock availability, list pricing, specification sheets, certification, videos and 3D models. The key initiative of our online platform was to educate the marine community and thus deemed it as an important topic as it was an opportunity to use this platform to promote our products.

Transparency through content on the platform will allow end users to purchase the right products at the right price with the right quality (compliance to marine standards) through their management companies or appointed chandlers. To further enhance efficiency, the e-store also has a live technical helpdesk where an engineer is tasked to assist with all technical questions and enquiries. We have chosen this topic to report as a portion of our revenue come from the online store and we are hopeful of attracting more customers in Singapore.

Getting the correct product on board is vital to ensure vessels' operations are at optimal levels. Incorrect or defective products can result in substantial product return charges or departure delays. At BH Global, we believe in supplying the right products and giving our customers and their end users a peace of mind during the voyage.

We hope to continue this initiative to widen our reach to new customers 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 achieved around S$100,000 of sales revenue made through our e-store for the year, which was the same as FY2017. With the rise of digitalisation, we envisage more customers procuring from our e-store.

	FY2018 Performance	FY2019 Target
Revenue generated by E-Store	S$100,000	S$150,000

Sustainability Report

Energy Consumption (GRI 302-4)

One of the primary business activities of the Group is the manufacture of light-emitting diodes ("LED") lighting as is therefore deemed to be a material topic. The Group 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.

The rapid development of the current lighting industry has led to commercially available LEDs breaking the 220 lumens (lm) per watt barrier.

Beyond pushing the technology to even greater efficiencies, customers are now switching their focus to lighting quality and design.

Additionally, our in-house Brand SOP LED Lightings has achieved certification in IEC 60533 EMC Compliance which indicates the lightings as being safe to use on-board vessels and maritime conditions.

Beng Hui Marine Warehouse LED Upgrade

We emphasise to implement sustainability measures for our operations and have set targets at the beginning of FY2018 to achieve reduction of energy consumption of at least 50% for the warehouse.

During the year ended 31 December 2018, we have replaced the conventional fluorescent tubes in the key areas of our 20,000m2 warehouse and logistics facility with highly energy efficient and reliable SOP linear LED modules in order to reap significant savings from energy bills and maintenance cost.

The large facility originally needed 196 4-feet fluorescent fixtures. Each fixture was fitted with two 36W T8 fluorescent tubes working with a ballast that causes some power lost. As SOP linear LED module is brighter than fluorescent tube, only a single 24W linear LED module is needed now in every fixture to provide adequate lighting for the warehouse operations. The company can now do away with the inefficient fluorescent ballasts to save even more energy.

After the improvement, the warehouse uses 190 pcs of LED lighting fixtures - 180 of 24W, 4 Feet SOP LED linear module and 10 LED panel lights. This amounts a total electrical consumption of 13,478 kWh/year.

With a long L70 service life of 50,000 hours at high ambient temperature, the SOP linear LED modules are designed to operate maintenance-free for 16 years. The L70 service life only implies the LED's brightness degrades to 70% of its original lumens after 50,000 hours, but does not fail immediately after that. But fluorescent tubes generally fail right after their 20,000 hours service life and require immediate replacement. The choice to convert to LED is obvious.

This translates to a substantial 76% of energy savings and significant cost savings of SGD 7,481 (approximate cost of electricity at S$ 0.18/kWh).

With the above, we are pleased to report the achievement of the targets set out above.

Calculation on Energy Savings

Electricity Consumption for Traditional Lighting									
No	**Type**	**Description**	**Total Qty of Lamp**	***System Power (W)**	**Total Power (W)**	**Operation Hours**	**kWh/ day**	****kWh/ year**
	Luminaires: Fluorescent Lights							
1	4 Feet Fluorescent tubes	36W 4FT T8 Fluorescent tube	392	45	17,640	12	212	55,037
						Total:	**212**	**55,037**

* Ballast loss based on magnetic ballast
** Based on 260 workdays per year

Electicity Consumption for LED Lighting								
No	**Type**	**Description**	**Total Qty of Lamp**	**System Power (W)**	**Total Power (W)**	**Operation Hours**	**kWh/ day**	****kWh/ year**
	Luminaires: Watertight, Surface mounted linear LED							
1	4 Feet LED Linear Lamp	24W, 4 Feet SOP LED Linear Module	180	24	4,320	12	52	13,478
2	LED Panel Light	Panel Light	10	47	470	12	6	1,466
						Total:	**52**	**13,478**

Summary of Energy Savings per Year

	Fluorescent Tubes	LED Linear Modules
Total Energy Consumption (kWh) per Year	55,037	13,478
Energy Savings (kWh) per Year	**41,558**	
Energy Cost Savings per Year	**SGD 7,480.51**	
Unit rate (S$/kWh)	SGD 0.18	

* Above calculation is based on energy cost S$0.18 per kWh.

Sustainability Report

Working Environment (GRI 404-1)

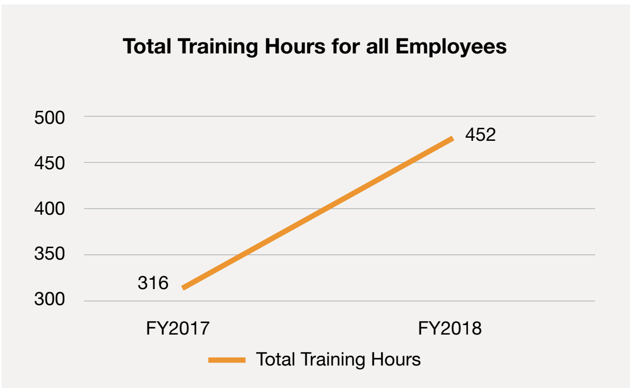
We regularly make plans for all employees to attend customized training programmes. These programmes are aimed at broadening employees' knowledge and skill sets in various areas such as finance, accounting, marketing, information technology, technical and operational fields. These programmes include in-house training by our technical employees and training programmes provided by third parties. All employees are valued and the Group strives to provide a conducive working environment that emphasises the enrichment and empowerment of every individual, in order to achieve organisational growth, and therefore deem it to be a material topic.

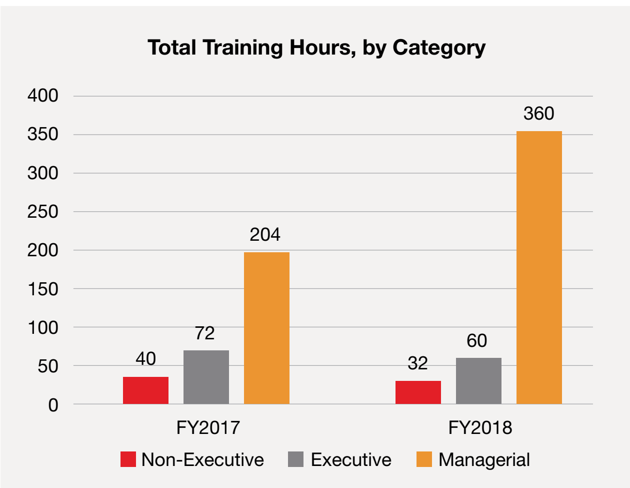
Potential future leaders of the Group also went through programmes such as talent management workshops and leadership training to prepare them for management and leadership roles.

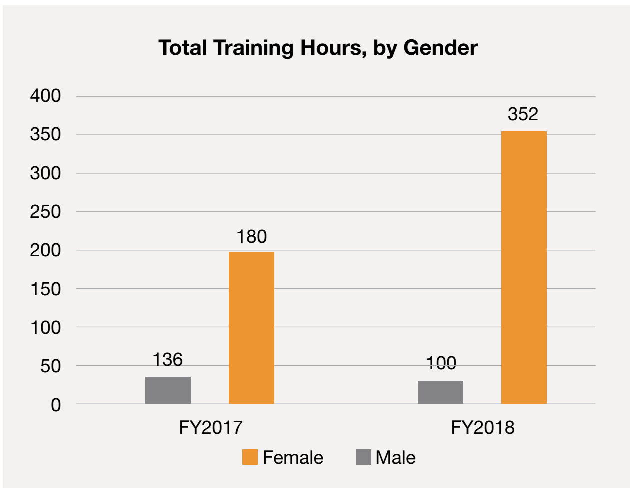
All these training programmes are recorded and monitored by the Human Resource Department. We allow all Head of Departments to suggest any suitable training programmes that can improve the skill sets of their employees.

The training process is as follows:

The training hours (total and average) provided to employees in the Group can be found in the following graphs below:

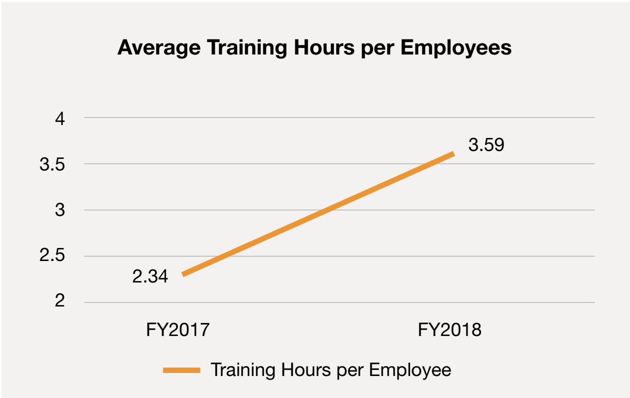


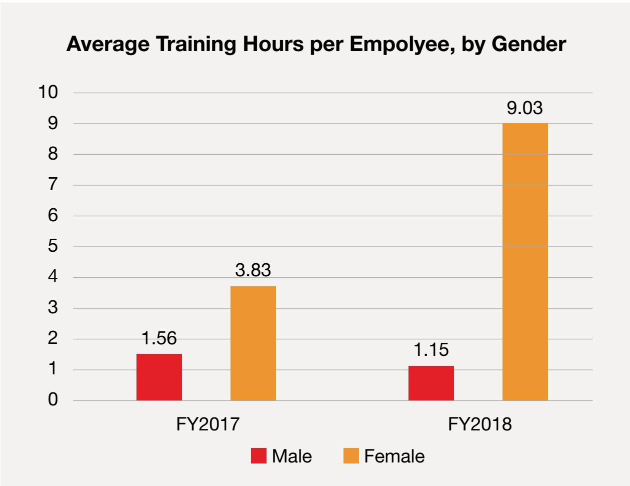


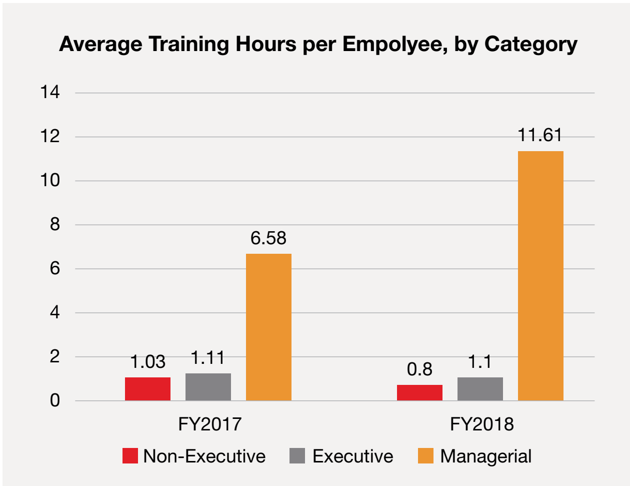


Sustainability Report

Working Environment (GRI 404-1) (cont'd)







The increase in training hours for FY2018 is due to the need for managers and employees to familiarise themselves with new business and regulatory requirements.

The increase in training hours is mainly attributed to the managers and management of the Group who attended more courses in the areas of human resources and finance so as to create value and a competitive advantage for the Group.

Some examples of training courses offered to employees are as follows:

- Safety (First Aid Refresher, Shipyard Safety)
- IT business continuity
- SGX regulatory updates
- Human Resources (Diversity, branding, HR strategies)
- Finance (Financial reporting standards, financial statements)

	FY2018 Performance	FY2019 Target
Average hours of training that the employees have undertaken during the reporting period	3.6 hours	3.8 hours

Sustainability Report

GRI Standards Content Index

Disclosure Reference	Disclosure Title	Header	Page Reference
Organizational Profile			
102-1	Name of the organization	Corporate Profile	1
102-2	Primary brands, product and services	Corporate Profile	1
102-3	Location of Headquarters	Corporate Profile	1
102-4	Location of operations	At a Glance	2
102-5	Ownership and legal form	Corporate Structure	3
102-6	Market served	At a Glance	2
102-7	Scale of the organization	Business Profile	4-7
102-8	Workforce figures	Human Resources of the Group	24
102-9	Organisation's supply chain	Business Profile	4-7
102-10	Significant changes during the reporting period	Corporate Milestone Chairman's Statement	8, 10-12
102-11	Precautionary Principle or approach	Corporate Governance	33
102-12	External Initiatives	None	NA
102-13	Memberships of associations	www.bhglobal.sg/page/corporate_profile	NA
Strategy			
102-14	Statement from senior decision-maker	Chairman's Statement	10-12
Ethics and Integrity			
102-16	Values, principles, standards, and norms of behaviour	Mission and Vision	24
Governance			
102-18	Governance structure	Sustainability Governance	25
Stakeholders Engagement			
102-40	List of stakeholder groups	Stakeholder Engagement & Material Topics	26
102-41	Collective bargaining agreements	None	NA
102-42	Identifying and selecting stakeholders	Stakeholder Engagement & Material Topics	26
102-43	Approach to stakeholder engagement	Stakeholder Engagement & Material Topics	26
102-44	Key topics and concerns raised through stakeholder engagement	Stakeholder Engagement & Material Topics Material Topics and Boundaries	26 27

Sustainability Report

GRI Standards Content Index (cont'd)

Disclosure Reference	Disclosure Title	Header	Page Reference
Reporting Practice			
102-45	Entities included in the organisation's consolidated financial statements	Corporate Structure	3
102-46	Defining report content and topic boundaries	About This Sustainability Report	24
102-47	List of material topics	Material Topics and Boundaries	27
102-48	Effect of any restatements of information provided in previous reports	None	NA
102-49	Significant changes from previous reports in the material topics and boundaries	Material Topics and Boundaries	27
102-50	Reporting Period	About This Sustainability Report	24
102-51	Date of previous report	About This Sustainability Report	24
102-52	Reporting cycle	About This Sustainability Report	24
102-53	Contact point	Feedback	25
102-54	Claims of reporting in accordance with GRI Standards	About This Sustainability Report	24
102-55	GRI Content Index	GRI Content Index	31-32
102-56	Assurance	None	NA
Management Approach			
103-1	Explanation of the material topic and its Boundary	Stakeholder Engagement & Material Topics Material Topics and Boundaries	26 27
103-2	The management approach and its components		
103-3	Evaluation of the management approach		
Topic Specific GRI Standard Disclosures			
GRI 203 Indirect Economic Impacts			
203-1	Infrastructure investments and services supported	Product Quality and Reliability	27
GRI 302 Energy			
302-4	Reduction of energy consumption	Energy Consumption	28
GRI 404 Training and Education			
404-1	Average hours of training per year per employee	Working Environment	29-30

Corporate Governance Report

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

The Board noted the revised Code of Corporate Governance issued on 6 August 2018 ("Revised Code"), which is only effective from the Company's financial year commencing 1 January 2019, and will endeavor to comply with the Revised Code once it is effective.

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 48 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.

Corporate Governance Report

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 2005. 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 page 18 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

Corporate Governance Report

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 2018, 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	19.04.2018	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	19.04.2018	Non-executive/ Independent
Winston Kwek Choon Lin	Director	03.08.2005	19.04.2017	Non-executive/ Independent

Corporate Governance Report

Principle 3: Chairman and Chief Executive Officer

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

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

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

Guideline 3.2 of the Code: Chairman's role

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

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

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

The NC comprises the following Directors:-

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

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

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

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

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

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

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

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

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

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

Corporate Governance Report

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 2005. 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 affairs 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 page 18.

Guideline 4.7 of the Code: Key information regarding directors

Corporate Governance Report

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.

Corporate Governance Report

BOARD COMMITTEES

Principle 7: Remuneration Matters/Procedures for Developing Remuneration Policies

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

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

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.

Corporate Governance Report

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 FY2018. 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.

Corporate Governance Report

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 2018 are as follows:

Name of Directors	Salary	Bonus / Profit-Sharing	Fees
Below S$250,000			
Mr Loh Weng Whye	–	–	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%

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 Eight (8) Key Executives for the financial year 31 December 2018 are as follows:

Name of Key Executives	Salary	Bonus	Fees
Below S$250,000			
Mr Dennis Tan Ka Woon*	100%	–	–
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	95%	–	5%
S$250,000 to S$499,999			
Mr Johnny Lim Huay Hua#	90%	–	10%
Ms Eileen Lim Chye Hoon#	90%	–	10%

* *Appointment of Mr Dennis Tan Ka Woon as the Chief Financial Officer of the Group in place of Mr Keegan Chua Tze Wee with effect from 1 October 2018. Mr Keegan Chua Tze Wee had continued to work with the Group through a transition period to 14 November 2018.*

\# *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.*

Corporate Governance Report

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 $1,539,299 in FY 2018.

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 Dennis Tan Ka Woon	(Chief Financial Officer)

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

Corporate Governance Report

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

Risk Management (cont'd)

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

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

- Identifying, assessing, and managing the Group's risks 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 the Group's related companies to its internal control environment and compliance standards in order to strengthen the internal checks and balances.

The IA conducted periodic audits of the Group's 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 actions 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.

In today's cyber landscape, advanced threats are highly stealthful and are difficult to detect. With a mindset of "zero trust" world in the cyberspace, the Group's Information Technology department has 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 operational staff, but also for senior management and members of the Board. On Processes, the Group has engaged deep cyber audits on top of compliance exercises and has also included cyber considerations in the Group's BCM/ERM/DR framework. On Technologies, the Group has not only embraced good and well-proven mainstream technologies, but has also deployed radically differentiated technologies that fits the Group's requirements.

Corporate Governance Report

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.

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

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

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

Corporate Governance Report

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 three KAMs presented in the Independent Auditor's Report on the Financial Statements as representing those audit and accounting matters during the year which required significant judgement and use of subjective assumptions.

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. In addition, the AC was also briefed and updated on the Group's assessment of impairment of trade receivables, in particular the application of the Expected Credit Loss Model arising from the adoption of SFRS(I) 9 – Financial Instruments.

Corporate Governance Report

Principle 12: Audit Committee (cont'd)

The AC and the Group's auditor have had meetigs on a few occasions, and once without the presence of Management, to consider and discuss on 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 and also how these were identified as KAMs AC also reviewed the other issues highlighted by the Auditor to determine together with the Auditor if these require to be highlighted as KAMs. In relation to the 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 AC also considered and debated on the assumptions and inputs used in the Expected Credit Loss Model employed by Management. 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

Corporate Governance Report

Principle 13: Internal audit

The Group outsourced its internal audit function to Virtus Assure Pte Ltd, an independent assurance service provider which specializes 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 disclosures 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 communications with shareholders and the investment community. The Company also ensures that timely and adequate disclosures 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 notices of book closure are announced via SGXNET or issued within the prescribed period under the Listing Manual.

The Group does not presently have a prescribed dividend policy.

Corporate Governance Report

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

(b) Communications with Shareholders (cont'd)

No dividend was declared and paid for the financial year ended 31 December 2018 as the Group was loss-making.

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

Principle 16 : Conduct of Shareholder Meetings

At general meetings, shareholders of the Company will be given the opportunity to present their views and to put questions regarding the Group to Directors and Management. The Directors and Management will be present at these meetings to address any questions that shareholders may have. The external auditors will also be present to assist the Board in addressing queries by shareholders 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 2018 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	4	4	4	4	–	–	2	2

Corporate Governance Report

ADDITIONAL INFORMATION

Sustainability Committee

The SC comprises:

Mr Vincent Lim Hui Eng (Chairman)
Mr Patrick Lim Hui Peng (Member)
Mr Dennis Tan Ka Woon (Member)

The Group Sustainability Committee ('SC') 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 regulations. The Group's Sustainability Report for the financial year ended 31 December 2018 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 announcements and one month before full year announcements, as the case may be, and ending on the date of announcements 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

The interested person transactions during FY2018 are as follows:-

Name of Interested Persons	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual)	Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
Beng Hui Holding (S) Pte Ltd (Shareholder)		
Loan from shareholder	S$11,500,000	-
Interest expenses on loan	S$259,433	-

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

Directors' Statement

The directors present their statement to the members together with the audited consolidated financial statements of BH Global Corporation Limited (the "Company") and its subsidiary corporations (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2018.

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 59 to 141 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 2018 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 Singapore Financial Reporting Standards (International); 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)

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 1.1.2018	At 31.12.2018	At 1.1.2018	At 31.12.2018
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	–	–

Directors' Statement

	Number of ordinary shares			
	Shareholdings registered in their own names		Shareholdings in which a director is deemed to have an interest	
	At 1.1.2018	At 31.12.2018	At 1.1.2018	At 31.12.2018
Subsidiary corporations				
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. BH Marine & Offshore Engineering				
(In the process of liquidation)				
Vincent Lim Hui Eng	–	–	2,000	2,000
Patrick Lim Hui Peng	–	–	2,000	2,000
SASA APAC Pte. Ltd.				
Vincent Lim Hui Eng	–	–	–	1
Patrick Lim Hui Peng	–	–	–	1
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	–	–	500,000	500,000
Patrick Lim Hui Peng	–	–	500,000	500,000
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	274,353
Patrick Lim Hui Peng	–	–	91,451	274,353
BOS Engineering International Pte. Ltd.				
Vincent Lim Hui Eng	–	–	450,009	450,009
Patrick Lim Hui Peng	–	–	450,009	450,009

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 2018, 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.

Directors' Statement

The directors' interests in the shares of the Company at 21 January 2019 were the same as those as at 31 December 2018.

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

28 March 2019

Independent Auditor's Report

To the Members of BH Global Corporation Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of BH Global Corporation Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 59 to 141, which comprise the statements of financial position of the Group and of the Company as at 31 December 2018, 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 Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 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.

<u>Impairment assessment of trade receivables</u>

Refer to Note 2(bb), 21 and 35(c) to the consolidated financial statements.

The key audit matter:

The impairment assessment of trade receivables is considered to be significant to our audit as it requires the application of significant judgement and use of assumptions by management. As at 31 December 2018, the carrying amount of the Group's trade receivables, net of allowance for expected credit loss ("ECL") of $7,029,000, amounted to $9,922,000, which represented 23% of its current assets.

Due to the inherent risk surrounding the offshore and marine industry which the Group operates in, the credit quality of the Group's customers may have deteriorated, giving rise to increased risks in collection of trade receivables. The Group determines the ECL of trade receivables by making debtor-specific assessment of expected impairment loss for overdue trade receivables and using a provision matrix for remaining trade receivables that is based on its historical credit loss experience, debtors' ability to pay and forward-looking information specific to the debtors and economic environment.

This assessment requires assumptions on segmentation of the debtors with different loss patterns, probability of default and loss given default. A small change in the assumptions can have a significant impact on the carrying amount of the trade receivables.

Independent Auditor's Report

To the Members of BH Global Corporation Limited

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

Key Audit Matters (cont'd)

How the matter was addressed in our audit:

Our audit procedures include understanding the Group's processes and key controls relating to the monitoring of trade receivables and considering their aging to identify collection risks. In addition, we also reviewed the reasonableness of significant judgement used by the management in assessing the recoverability of trade receivables and reviewed management's assessment of the recoverability of long outstanding and overdue trade receivables. We tested the reasonableness of management's assumptions and inputs used in the ECL model by comparing to historical credit loss rates, and reviewed data and information that management has used, including consideration of forward-looking information.

Our audit procedures also include checking the arithmetic accuracy of management's computation of ECL, reviewing the debtor ageing analysis and checking to subsequent receipts from major long outstanding debtors. We obtained documentary evidence, representation and explanations from management to assess the recoverability of long outstanding debts, where applicable. In addition, we also considered the adequacy of the disclosure made in the financial statements.

<u>Assessment of recoverable amount of investment in an associated company</u>

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. 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. We have performed a look-backward analysis to compare the 2018 forecast made by the management to the actual year-to-date 2018 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. In addition, we also considered the adequacy of disclosure made in the financial statements.

Independent Auditor's Report

To the Members of BH Global Corporation Limited

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

Key Audit Matters (cont'd)

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

Refer to Notes 11, 15 and 17 to the consolidated financial statements.

The key audit matter:

Omnisense Systems Private Limited ("OMS") incurred a net loss of $2,864,000 during the financial year ended 31 December 2018 and as at that date, its total liabilities exceeded its total assets by $1,070,000.

Impairment charges of $825,000 on maintenance contracts and development costs was recognised in the statement of comprehensive income of the Group for the financial year ended 31 December 2018. The Company also recognised impairment charge of $2,195,000 on cost of investment in equity shares of OMS and fair value loss of $1,307,000 on investment in convertible loan notes in OMS 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 eight 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. Assessment on risk of default on the convertible loan notes also involves significant judgement.

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 2018 forecast made by the management to the actual year-to-date 2018 results to assess management's ability to perform accurate forecast. We have also considered the risk of default on the convertible loan notes due payable by OMS in financial year 2019.

Our audit procedures also include critical evaluation of the various inputs used by the management to estimate the WACC rate. In addition, we also considered the adequacy of disclosure made in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2018 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.

Independent Auditor's Report

To the Members of BH Global Corporation Limited

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

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), 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.

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.

Independent Auditor's Report

To the Members of BH Global Corporation Limited

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

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

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

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

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

28 March 2019

Consolidated Income Statement

For the Financial Year ended 31 December 2018

	Note	Group 2018 $'000	2017 $'000
Revenue	4	**40,413**	38,345
Cost of sales		**(26,710)**	(25,942)
Gross profit		**13,703**	12,403
Other operating income/(expenses)			
- Interest		**238**	132
- Others		**2,046**	(19)
Selling and distribution expenses		**(9,561)**	(10,687)
Administrative expenses		**(8,846)**	(25,025)
Finance costs	5	**(875)**	(377)
Net impairment losses on financial assets		**(1,301)**	(4,349)
Share of results of joint ventures		**271**	762
Share of results of associated companies		**(1,162)**	(1,244)
Loss before tax		**(5,487)**	(28,404)
Tax (expense)/credit	6	**(20)**	1,441
Loss for the financial year	7	**(5,507)**	(26,963)
Loss attributable to:			
Equity holders of the Company		**(4,017)**	(24,844)
Non-controlling interests		**(1,490)**	(2,119)
		(5,507)	(26,963)
Loss per share (expressed in cents per share)	9		
Basic		**(3.35)**	(20.70)
Diluted		**(3.37)**	(20.77)

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

Consolidated Statement of Comprehensive Income

For the Financial Year ended 31 December 2018

	Group	
	2018	2017
	$'000	$'000
Loss for the financial year	**(5,507)**	(26,963)
Other comprehensive (loss)/income:		
Items that are or may be reclassified subsequently to profit or loss:		
Currency translation differences arising on consolidation	**(530)**	554
Share of other comprehensive loss of associated companies	**(45)**	(74)
Share of other comprehensive loss of joint ventures	**(135)**	(183)
Other comprehensive (loss)/income for the financial year, net of tax	**(710)**	297
Total comprehensive loss for the financial year	**(6,217)**	(26,666)
Total comprehensive loss attributable to:		
Equity holders of the Company	**(4,630)**	(24,608)
Non-controlling interests	**(1,587)**	(2,058)
	(6,217)	(26,666)

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

Statements of Financial Position

As at 31 December 2018

		Group			Company		
		31.12.2018	31.12.2017	1.12.2017	**31.12.2018**	31.12.2017	1.12.2017
	Note	**$'000**	$'000	$'000	**$'000**	$'000	$'000
Non-current assets							
Property, plant and equipment	10	**11,378**	12,572	15,827	**–**	–	–
Investment in subsidiaries	11	**–**	–	–	**12,337**	11,337	14,654
Investment in joint ventures	12	**2,431**	2,504	2,705	**912**	912	912
Investment in associated companies	13	**1,963**	3,260	11,982	**2,485**	3,085	12,748
Deferred tax assets	14	**11**	15	11	**–**	–	–
Intangible assets	15	**428**	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	**28**	42	–	**–**	1,307	–
Loan to an associated company	18	**4,000**	–	–	**4,000**	–	–
Total non-current assets		**20,239**	22,162	40,856	**19,734**	16,690	28,363
Current assets							
Inventories	19	**22,260**	24,772	27,179	**–**	–	–
Contract assets	20	**1,019**	1,655	8	**–**	–	–
Trade receivables	21	**9,922**	8,910	14,222	**–**	–	–
Other receivables	22	**3,467**	2,234	5,044	**569**	3,222	5,126
Tax recoverable		**97**	1,708	–	**–**	–	–
Cash and cash equivalents	23	**6,373**	7,219	8,409	**3,266**	194	180
		43,138	46,498	54,862	**3,835**	3,416	5,306
Disposal group assets classified as held for sale	24	**–**	2,274	–	**–**	–	–
Total current assets		**43,138**	48,772	54,862	**3,835**	3,416	5,306
Total assets		**63,377**	70,934	95,718	**23,569**	20,106	33,669
Non-current liabilities							
Deferred tax liabilities	14	**281**	434	1,463	**–**	–	–
Convertible loan notes	25	**–**	690	–	**–**	–	–
Other payables		**–**	–	765	**–**	–	765
Bank borrowings	29	**3,467**	–	–	**3,467**	–	–
Finance lease liabilities	27	**31**	95	207	**–**	–	–
Total non-current liabilities		**3,779**	1,219	2,435	**3,467**	–	765

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

Statements of Financial Position

As at 31 December 2018

		Group			Company		
		31.12.2018	31.12.2017	1.12.2017	**31.12.2018**	31.12.2017	1.12.2017
	Note	**$'000**	$'000	$'000	**$'000**	$'000	$'000
Current liabilities							
Contract liabilities	20	**322**	25	3,645	**–**	–	–
Convertible loan notes	25	**715**	–	–	**–**	–	–
Trade payables		**1,823**	2,576	2,504	**–**	–	–
Other payables	26	**17,635**	2,195	2,351	**26,625**	5,118	1,300
Provisions	28	**529**	17,621	12,351	**–**	16,410	12,351
Bank borrowings	29	**13,077**	13,486	14,090	**533**	–	–
Finance lease liabilities	27	**64**	119	147	**–**	–	–
Tax payable		**548**	2,125	495	**232**	184	51
		34,713	38,147	35,583	**27,390**	21,712	13,702
Liabilities directly associated with disposal group classified as held for sale	24	**–**	498	–	**–**	–	–
Total current liabilities		**34,713**	38,645	35,583	**27,390**	21,712	13,702
Total liabilities		**38,492**	39,864	38,018	**30,857**	21,712	14,467
Net assets/(liabilities)		**24,885**	31,070	57,700	**(7,288)**	(1,606)	19,202
Equity							
Share capital	30	**43,461**	43,461	43,461	**43,461**	43,461	43,461
Currency translation reserve		**(345)**	268	–	**–**	–	–
Equity component of convertible loan notes		**36**	36	–	**–**	–	–
Capital reserves	31	**(2,010)**	–	–	**–**	–	–
(Accumulated losses)/retained earnings		**(11,471)**	(7,454)	17,390	**(50,749)**	(45,067)	(24,259)
Reserve of disposal group classified as held for sale	24	**–**	(32)	–	**–**	–	–
Equity attributable to equity holders of the Company, total		**29,671**	36,279	60,851	**(7,288)**	(1,606)	19,202
Non-controlling interests		**(4,786)**	(5,209)	(3,151)	**–**	–	–
Total equity		**24,885**	31,070	57,700	**(7,288)**	(1,606)	19,202

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

Statements of Changes in Equity

For the Financial Year ended 31 December 2018

	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
Effect of transition to SFRS(I) (Note 3)	–	(602)	–	602	–	–	–	–
At 1 January 2017, restated	43,461	–	–	17,390	–	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	–	32	–	–	(32)	–	–	–
At 31 December 2017	43,461	268	36	(7,454)	(32)	36,279	(5,209)	31,070

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

Statements of Changes in Equity

For the Financial Year ended 31 December 2018

	Attributable to equity holders of the Company								
	Share capital $'000	Currency translation reserve $'000	Equity component of convertible loan notes $'000	Capital reserves $'000	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 2018	43,461	268	36	–	(7,454)	(32)	36,279	(5,209)	31,070
Loss for the financial year	–	–	–	–	(4,017)	–	(4,017)	(1,490)	(5,507)
Other comprehensive loss									
Currency translation differences arising on consolidation	–	(433)	–	–	–	–	(433)	(97)	(530)
Share of other comprehensive loss of associated companies	–	(45)	–	–	–	–	(45)	–	(45)
Share of other comprehensive loss of joint ventures	–	(135)	–	–	–	–	(135)	–	(135)
Other comprehensive loss for the financial year, net of tax	–	(613)	–	–	–	–	(613)	(97)	(710)
Total comprehensive loss for the financial year	–	(613)	–	–	(4,017)	–	(4,630)	(1,587)	(6,217)
Effects of acquiring part of non-controlling interests in subsidiaries (Note 11(d))	–	–	–	(2,010)	–	–	(2,010)	2,010	–
Disposal of a subsidiary	–	–	–	–	–	32	32	–	32
At 31 December 2018	**43,461**	**(345)**	**36**	**(2,010)**	**(11,471)**	**–**	**29,671**	**(4,786)**	**24,885**

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

Statements of Changes in Equity

For the Financial Year ended 31 December 2018

	Share capital $'000	Accumulated losses $'000	Total $'000
Company			
At 1 January 2017	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)
Loss and total comprehensive loss for the financial year	–	(5,682)	(5,682)
At 31 December 2018	**43,461**	**(50,749)**	**(7,288)**

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

Consolidated Statement of Cash Flows

For the Financial Year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Loss before tax		**(5,487)**	(28,404)
Adjustments for:			
Amortisation of intangible assets		**152**	702
Exchange difference		**(699)**	485
Depreciation of property, plant and equipment		**1,278**	1,344
Loss/(gain) on disposal of property, plant and equipment		**1**	(4)
Fair value gain on contingent consideration payable		**–**	(765)
Fair value loss on financial assets at fair value through profit or loss		**14**	14
Impairment loss on investment in an associated company		**–**	7,663
Impairment loss on intangible assets		**825**	2,482
Impairment loss on goodwill		**–**	1,236
Interest expense		**875**	377
Interest income		**(238)**	(132)
Provisions, net		**1,619**	7,717
Share of results of associated companies		**1,162**	1,244
Share of results of joint ventures		**(271)**	(762)
Gain on disposal of a subsidiary	11(g)	**(1,581)**	–
Loss on disposal of intangible asset		**6**	–
Operating cash flows before working capital changes		**(2,344)**	(6,803)
Inventories		**2,512**	2,407
Contract assets and contract liabilities		**933**	(5,258)
Receivables		**(189)**	7,702
Payables		**(657)**	(101)
Currency translation adjustments		**(237)**	650
Provision for claims and vendor costs		**(913)**	1,211
Cash used in operations		**(895)**	(192)
Income tax (paid)/refund		**(189)**	847
Net cash (used in)/from operating activities		**(1,084)**	655

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

Consolidated Statement of Cash Flows

For the Financial Year ended 31 December 2018

	Note	**2018** **$'000**	2017 $'000
Cash flows from investing activities			
Dividend received from a joint venture		**392**	781
Interest received		**90**	132
Loan to an associated company		**(4,000)**	–
Proceeds from disposal of a subsidiary	11(g)	**3,000**	–
Investment in an associated company		**–**	(257)
Investment in quoted equity shares		**–**	(56)
Repayment of purchase deposit from a supplier		**1,501**	2,339
Proceeds from disposal of property, plant and equipment		**1**	4
Purchase of property, plant and equipment		**(366)**	(488)
Settlement of provision for liabilities		**(17,798)**	(3,658)
Development costs		**(358)**	(262)
Government grant received		**279**	–
Proceeds from disposal of intangible assets		**43**	–
Net cash used in investing activities		**(17,216)**	(1,465)
Cash flows from financing activities			
Net repayment of short term borrowings		**(1,933)**	(1,384)
Drawdown of bank borrowings		**6,000**	2,500
Repayment of bank borrowings		**(1,009)**	(1,720)
Repayment of finance lease liabilities		**(119)**	(140)
Interest paid		**(806)**	(363)
Decrease in fixed deposits under pledge and restricted cash		**635**	479
Proceeds from issuance of convertible loan notes		**–**	727
Proceeds from shareholder loan		**11,500**	–
Share application money received		**3,800**	–
Net cash from financing activities		**18,068**	99
Net decrease in cash and cash equivalents		**(232)**	(711)
Cash and cash equivalents at beginning of financial year		**6,329**	7,040
Effects of exchange rate changes on cash and cash equivalents		**21**	–
Cash and cash equivalents at end of financial year	23	**6,118**	6,329

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

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

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.

2 Summary of significant accounting policies

a) Basis of preparation

The financial statements are presented in Singapore Dollars ($), which is the Company's functional currency and all financial information presented in Singapore Dollars are rounded to the nearest thousand ($'000) except when otherwise indicated. The financial statements have been prepared in accordance with the provisions of the Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International) ("SFRS(I)"). 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 SFRS(I) 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(bb) 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.

New and revised standards

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

The adoption of these new and revised SFRS(I) and SFRS(I) INT did not have any material effect on the financial results or position of the Group and the Company except as disclosed in Note 3.

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 2018 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.

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

b) Revenue recognition

Trading in goods- marine cables, lighting equipment and accessories

The Group transfers control and recognises a sale when they deliver goods to their customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Revenue from these sales is recognised based on the price specified in the contract. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Marine surveillance systems and thermal scanners

The Group manufactures and sells marine surveillance systems and thermal scanners and provide preventive or ad-hoc maintenance services in relation to the products sold. Revenue from these sales is recognised based on the price specified in the contract.

The Group transfers control and recognises a sale when they deliver goods to their customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Revenue from ad-hoc maintenance services is recognised when the maintenance service is performed. A receivable is recognised when the goods are delivered or when ad-hoc maintenance services are performed as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Revenue from preventive maintenance services is recognised as performance obligations satisfied over time using input method, based on the stage of completion determined as the proportion of the total time expected to perform the service that has elapsed at the end of the reporting period. The transaction price allocated to preventive maintenance service is recognised as a contract liability at the time of the initial sales transaction and is released on a straight-line basis over the period of service.

Cybersecurity solutions

The Group sells and distributes cybersecurity platform solutions to corporate customers. The performance obligations of the Group include the delivery of hardware and licenses, the completion of training and professional services in the implementation of cybersecurity solutions, and the completion of ad-hoc professional services not related to the implementation of cybersecurity solutions. Revenue from these sales is recognised based on the price specified in the contract.

Revenue and receivables are recognised when the hardware and licenses are delivered, and when the provision of training and ad-hoc professional services have been completed and accepted by customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Professional services related to the implementation of cybersecurity solutions are recognised over time by reference to the Group's progress towards completion of the implementation services using input method, based on the proportion of contract costs incurred to date over the estimated total costs. Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred.

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

b) Revenue recognition (cont'd)

Engineering services

The Group provides engineering services for marine pipe installation, as well as procurement and construction management for electrical, instrumentation and telecommunications systems for onshore and offshore facilities. At contract inception, the Group assesses the scope of works required and determine whether revenue is to be recognised over time or at a point in time by determining if (a) its performance does not create an asset with an alternative use to the Group; and (b) the Group has an enforceable right to payment for performance completed to date. For contracts where revenue is to be recognised over time, the amount of revenue recognised is measured by reference to the Group's progress towards completion of the contract works, based on the proportion of contract costs incurred to date to the estimated total costs. Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred. For contracts where the Group does not have an enforceable right to payment, revenue is recognised only when the services are performed, and the customers have accepted in accordance with the sales contract.

Sales to customers are made with a credit term of 30-90 days.

Interest income

Interest income is recognised using the effective interest method.

Dividend income

Dividend income is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

c) Subsidiaries

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

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

d) Basis of consolidation

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

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the group uses accounting policies other than adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

The financial statements of the parent and its subsidiaries used in the preparation of the consolidated financial statements are prepared as of the same reporting date. When the reporting dates of the parent and a subsidiary are different, the subsidiary prepares, for consolidation purposes, additional financial statements as of the same date as the financial statements of the parent unless it is impracticable to do so.

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

d) Basis of consolidation (cont'd)

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.

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 (i.e. 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 SFRS(I).

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

d) Basis of consolidation (cont'd)

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.

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.

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

f) Goodwill (cont'd)

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

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
Motor vehicles	2 - 5
Warehouse equipment and fittings	5
Computer and office equipment	3
Furniture, fittings and renovation	5
Plant and machinery	5

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

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

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

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

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

h) Intangible assets

Club membership

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

Research and development costs

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

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

Intangible assets acquired in a business combination

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

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

Technology	10 years
Maintenance contracts	1 to 3 years

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

Trademarks and licenses

Acquired trademarks and licences are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licenses over 20 years, which is the shorter of their estimated useful lives and periods of contractual rights.

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.

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

i) Impairment of non-financial assets excluding goodwill

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

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

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

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

j) Inventories

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

Cost is determined on the following basis:

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

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

k) 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.

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

k) Leases (cont'd)

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.

l) 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.

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.

m) Financial assets

The accounting policy for financial assets before 1 January 2018 are as follows:

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.

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

m) Financial assets (cont'd)

The accounting policy for financial assets before 1 January 2018 are as follows (cont'd):

Classification **(cont'd)**

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.

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.

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.

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.

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.

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.

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

m) Financial assets (cont'd)

The accounting policy for financial assets before 1 January 2018 are as follows (cont'd):

Impairment **(cont'd)**

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.

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.

Offset

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

The accounting policy for financial assets from 1 January 2018 onwards are as follows:

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets on initial recognition. Transaction costs directly attributable to acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss. Trade receivables without a significant financing component is initially measured at transaction prices.

Classification and measurement

All financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

The Group classifies its financial assets in the following measurement categories:
- Amortised cost; and
- Fair value through profit or loss ("FVTPL").

The classification is based on the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial assets.

The Group reclassifies financial assets when and only when its business model for managing those assets changes.

2 Summary of significant accounting policies (cont'd)

m) Financial assets (cont'd)

The accounting policy for financial assets from 1 January 2018 onwards are as follows (cont'd):

Subsequent measurement

Debt instruments

Debt instruments include cash and cash equivalents and trade and other receivables (excluding prepayments, advance payment to suppliers and tax recoverable). The subsequent measurement categories, depending on the Group's business model for managing the asset and cash flow characteristics of the asset are as follows:

Amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Interest income from these financial assets is included in interest income using the EIR method.

Equity instruments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVTPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other operating income".

On disposal of an equity investment, the difference between the carrying amount and sales proceed amount would be recognised in profit or loss. Dividends from equity investments are recognised in profit or loss and presented in "other operating income".

Impairment

The Group recognises an allowance for expected credit losses ("ECLs") for financial assets carried at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

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

For trade receivables and contract assets that do not have a significant financing component, the Group applies a simplified approach to recognise a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted as appropriate for current conditions and forward-looking factors specific to the debtors and the economic environment.

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

m) Financial assets (cont'd)

The accounting policy for financial assets from 1 January 2018 onwards are as follows (cont'd):

Impairment (cont'd)

If the Group has measured the loss allowance for a financial asset at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

Offset

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

n) 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.

o) 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 guarantees 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.

p) 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 in accordance with the original or modified terms of a debt instrument.

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 loss computed using the impairment methodology under SFRS(I) 9. Financial guarantee contracts are amortised in profit or loss over the period of the guarantee.

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

p) Financial guarantees (cont'd)

Prior to 1 January 2018, financial guarantees were subsequently measured at the higher of the initial fair value less cumulative amortisation and the expected amount payable to the holder.

q) 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.

r) 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.

s) Provisions for other liabilities

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

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

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

t) Contingencies

A contingent liability is:

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

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

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

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

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

u) Borrowing costs

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

v) Employee benefits

Defined contribution plans

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

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.

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

w) Foreign currencies

Functional and presentation currency

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

x) Dividends

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

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

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

y) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the grant is presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset and is recognised in profit or loss over the life of the depreciable asset as a reduced depreciation expense.

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

z) Segment reporting

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

aa) 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.

bb) 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 with in the subsequent paragraphs).

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

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.

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

2 Summary of significant accounting policies (cont'd)

bb) 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.

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.

Calculation of loss allowance

When measuring expected credit loss ("ECL"), the Group uses reasonable and supportable forward-looking information, which is based on assumptions and forecasts of future economic conditions. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

As the calculation of loss allowance on trade receivables is subject to assumptions and forecasts, any changes to these estimations will affect the amounts of loss allowance recognised and the carrying amounts of trade receivables. Details of ECL measurement and carrying amount of trade receivables at 31 December 2018 are disclosed in Notes 21 and 35.

A reasonably possible change in the default rate would not result in any significant impact to the loss allowance recognised.

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.

The carrying amount of inventories at 31 December 2018 was $22,260,000 (2017: $24,772,000) after provision for stock obsolescence of $1,004,000 (2017: $3,075,000) during the year.

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

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)

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 2018 were $97,000, $548,000, $11,000 and $281,000 (2017: $1,708,000, $2,125,000, $15,000 and $434,000) respectively.

3 Adoption of Singapore Financial Reporting Standards (International) (SFRS(I))

In December 2017, the Accounting Standards Council ("ASC") issued the SFRS(I). SFRS(I) comprises the standards and interpretations that are identical to the International Financial Reporting Standards. As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018. These financial statements for the year ended 31 December 2018 are the first set of financial statements the Group prepared in accordance with SFRS(I). The Group's previously issued financial statements for periods up to and including the financial year ended 31 December 2017 were prepared in accordance with Singapore Financial Reporting Standards ("SFRS").

In adopting SFRS(I) on 1 January 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of SFRS(I)*.

Under SFRS(I) 1, these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 December 2018. The same accounting policies are applied throughout all periods presented in these financial statements, subject to mandatory exceptions and optional exemptions under SFRS(I) 1.

The Group has also presented statement of financial position as at 1 January 2017, which is the Group's date of transition to SFRS(I) ("date of transition").

In addition to the adoption of the new framework, the Group also concurrently applied all new and revised SFRS(I) and SFRS(I) Interpretations ("SFRS(I) INT") that are effective for the current financial year. The application of these new and revised SFRS(I) and SFRS(I) INT do not have a material effect on the financial statements.

Summary of quantitative impact

The following reconciliations summarise the impacts on initial application of SFRS(I), SFRS(I) 15 and SFRS(I) 9 on the Group's financial position as at 1 January 2017, 31 December 2017 and 1 January 2018. There were no material adjustments to the Company's financial position as at 1 January 2017, 31 December 2017 and 1 January 2018 and the Group's profit or loss and other comprehensive income and statement of cash flows for the year ended 31 December 2017 arising on transition to SFRS(I).

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

3 Adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

Statements of financial position

Group

	31 December 2017			
	FRS Frame-Work $'000	SFRS(I) 1 $'000	SFRS(I) 15 $'000	SFRS(I) Frame-Work $'000
Current assets				
Due from customers on construction contracts	1,655	–	(1,655)	–
Contract assets	–	–	1,655	1,655
Current liabilities				
Due to customers on construction contracts	25	–	(25)	–
Contract liabilities	–	–	25	25
Equity				
Currency translation reserve	1,784	(1,516)	–	268
Retained earnings	(8,056)	602	–	(7,454)
Reserve of disposal group classified as held for sale	(946)	914	–	(32)

	1 January 2017			
	FRS Frame-Work $'000	SFRS(I) 1 $'000	SFRS(I) 15 $'000	SFRS(I) Frame-Work $'000
Current assets				
Due from customers on construction contracts	8	-	(8)	-
Contract assets	-	-	8	8
Current liabilities				
Due to customers on construction contracts	3,645	-	(3,645)	-
Contract liabilities	-	-	3,645	3,645
Equity				
Currency translation reserve	602	(602)	–	–
Retained earnings	16,788	602	–	17,390

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

3 Adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

Exemptions applied on adoption of SFRS(I)

SFRS(I) 1 allows the exemption from application of certain requirements under SFRS(I) on a retrospective basis. The Group has applied the following exemptions in preparing this first set of financial statements in accordance with SFRS(I):

Cumulative foreign currency translation reserve

The Group elected to reset its cumulative foreign currency translation reserve for all foreign operations to nil as at the date of transition to SFRS(I) on 1 January 2017. As a result, other reserves decreased by $602,000 and retained earnings increased by the same amount 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.

During the financial year ended 31 December 2018, gain on disposal of subsidiary increased by $914,000 as a result of the reduction in the cumulative translation reserve attributable to the subsidiary recognised as at 1 January 2017.

New or revised SFRS(I) and SFRS(I) INT effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under SFRS except that in the current financial year, the Group has adopted all the new and revised SFRS(I) and SFRS(I) Interpretations ("SFRS(I) INT") which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 *Financial Instruments* and SFRS(I) 15 *Revenue from Contracts with Customers* described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

A. SFRS(I) 9 Financial instruments

SFRS(I) 9 replaces FRS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018. It 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 expected credit loss model and replace FRS 39 incurred loss model.

The Group and the Company applied SFRS(I) 9 using a modified retrospective approach, with date of initial application on 1 January 2018. The Group and the Company have not restated the comparative information. The comparative information was prepared in accordance with the requirements of FRS 39. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018.

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

3 Adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

<u>New or revised SFRS(I) and SFRS(I) INT effective on 1 January 2018</u> (cont'd)

A. SFRS(I) 9 Financial instruments (cont'd)

The impact upon adoption of SFRS(I) 9 as at 1 January 2018 was as follows:

i) Classification and measurement

Under SFRS(I) 9, the Group and the Company classify its financial assets based on entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The assessment of the Group's and the Company's business model was made as of the date of initial application on 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

There were no significant changes to the measurement basis arising from the adoption of the new classification and measurement model under SFRS(I) 9:

- Loans and receivables (including trade and other receivables (excluding prepayments and advance payment to suppliers) and cash and cash equivalents) as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortised cost beginning 1 January 2018.

- Investment in equity securities continues to be measured at fair value through profit or loss (FVTPL), and therefore, no change to the classification and measurement.

The Group and the Company have not designated any financial liabilities as at FVTPL. There are no changes in classification and measurement for the Group's and the Company's financial liabilities.

ii) Impairment

SFRS(I) 9 requires the Group and Company to record expected credit losses on all of its financial assets at amortised cost, either on a 12-month or lifetime basis. Upon adoption of SFRS(I) 9, there is no additional impairment required on the Group's financial assets at amortised cost. The retained earnings remain unchanged as at 1 January 2018.

B. SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 replaces FRS 18 'Revenue', FRS 11 'Construction contracts' and other revenue related interpretations. It applies to all contracts with customers, except for leases, financial instruments, insurance contracts and certain guarantee contracts and non-monetary exchange contracts. 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 entity is required to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model; to contracts with their customers. The standard also specifies the accounting for incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

3 Adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

New or revised SFRS(I) and SFRS(I) INT effective on 1 January 2018 (cont'd)

B. SFRS(I) 15 Revenue from Contracts with Customers (cont'd)

The Group adopted SFRS(I) 15 using the full retrospective approach. The Group has elected to apply the transitional provisions under paragraph C5 of SFRS(I) 15 at 1 January 2017 and have used the following practical expedients provided under SFRS(I) 15:

- For completed contracts, the Group has not restated contracts that began and ended in the same comparative reporting period, as well as completed contracts at the beginning of the earliest period presented;

- For completed contracts with variable consideration, the Group has used the transaction price at the date the contract was completed, rather than estimating the variable consideration amounts in the comparative reporting period.

The Group is in the business of providing goods or services to customers. The key impact of adopting SFRS(I) 15 is detailed as follows:

Performance obligations

The Group offers customers the options to separately purchase preventive maintenance packages for its thermal imaging products. The preventive 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 preventive maintenance packages as multi-element contracts under FRS 18.

There is no material impact to the financial statements for the financial year ended 31 December 2018 upon the adoption of SFRS(I) 15.

Presentation of contract assets and liabilities

Upon adoption of SFRS(I) 15, the Group has also changed the presentation of the following amounts:

i) Due from customers on construction contracts of $1,655,000 as at 31 December 2017 and $8,000 as at 1 January 2017 were reclassified to contract assets; and

ii) Due to customers on construction contracts of $25,000 as at 31 December 2017 and $3,645,000 as at 1 January 2017 were reclassified to contract liabilities.

3 Adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

New or revised SFRS(I) and SFRS(I) INT issued at the reporting date but not yet effective

SFRS(I) 16 Leases

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.

The Group plans to adopt the new standard on the required effective date using the modified retrospective approach and recognises any differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 16 at the date of initial application in the opening retained earnings as at 1 January 2019. Right-of-use assets are recognised at an amount equal to the lease liability (adjusted for any prepaid or accrued lease payments) on adoption.

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 $14,374,000 (Note 33). The Group expects to recognise right-of-use assets of approximately $13,514,000 and lease liabilities of approximately $13,514,000 on 1 January 2019.

4 Revenue

	Group	
	2018	2017
	$'000	$'000
Timing of revenue recognition		
At a point in time	**39,626**	37,722
Over time	**787**	623
	40,413	38,345
Amounts included in contract liability at the beginning of the financial year	420	150

The Group applies the practical expedient in SFRS(I) 15 and does not disclose information about its remaining performance obligation that is part of a contract that has an original expected duration of one year or less.

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

5 Finance costs

	Group 2018 $'000	Group 2017 $'000
Interests on borrowings		
- finance leases	**17**	20
- bank loans	**426**	243
- loan from ultimate holding company	**259**	–
- trust receipts	**104**	100
- convertible loan notes	**44**	8
- accretion of interest on convertible loan notes (Note 25)	**25**	6
	875	377

6 Tax expense/(credit)

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

	Group 2018 $'000	Group 2017 $'000
Current income tax	**223**	142
Deferred tax (Note 14)	**(154)**	(516)
	69	(374)
Over provision of income tax in prior year	**(49)**	(1,067)
	20	(1,441)

The income tax expense/(credit) 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 2018 $'000	Group 2017 $'000
Loss before tax	**(5,487)**	(28,404)
Tax calculated at a tax rate of 17% (2017: 17%)	**(933)**	(4,829)
Singapore statutory stepped income exemption	**(26)**	–
Income not subject to tax	**(456)**	(131)
Over provision of taxes in prior year	**(49)**	(1,067)
Expenses not deductible for tax purposes	**937**	3,188
Effect of different tax rates in other countries	**7**	(45)
Deferred tax assets not recognised	**419**	1,291
Tax incentive	**(12)**	(36)
Tax effect of share of results of associated companies and joint ventures	**136**	204
Others	**(3)**	(16)
	20	(1,441)

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

7 Loss for the financial year

	Group	
	2018	2017
	$'000	$'000
Loss for the year is arrived at after charging:		
Allowance for impairment of trade receivables (Note 21)	**1,301**	4,349
Audit fees paid to:		
- auditors of the Company	**168**	200
- other auditors	**5**	12
Non-audit fees paid to:		
- auditors of the Company	**23**	40
- other auditors*	**1**	62
Cost of inventories included in cost of sales	**24,424**	24,359
Depreciation of property, plant and equipment (Note 10)	**1,278**	1,344
Foreign exchange loss	**–**	1,468
Provision for stock obsolescence	**1,004**	3,075
Impairment loss on intangible assets (Note 15)	**825**	3,718
Impairment loss on investment in an associated company (Note 13)	**–**	7,663
Loss on disposal of property, plant and equipment	**1**	–
Provision for liabilities and claims and vendor costs (Note 28)	**2,563**	8,928
Rental expenses		
- Land and warehouse	**584**	560
- Other	**78**	50
Staff costs (Note 8)	**8,267**	7,870
Amortisation of intangible assets (Note 15)	**152**	702
Research cost	**285**	182
Fair value loss on financial assets at fair value through profit or loss	**14**	14
and crediting:		
Foreign exchange gain	**244**	–
Gain on disposal of a subsidiary (Note 11(g))	**1,581**	–
Reversal of provision for liabilities and claims and vendor costs	**944**	–
Gain on disposal of property, plant and equipment	**–**	4
Interest income	**238**	132
Management fee income	**89**	29
Rental income	**20**	143
Fair value gain on contingent consideration payable	**–**	765
Legal claim	**–**	300

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

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

8 Staff costs

	Group 2018 $'000	Group 2017 $'000
Key management personnel		
- Directors' fees	**390**	369
- Salaries and related costs	**2,190**	2,007
- CPF	**115**	115
Close family members of key management personnel		
- Salaries and related costs	**91**	153
- CPF	**13**	24
Other staff		
- Salaries and related costs	**4,676**	4,485
- CPF	**625**	522
Staff training and welfare	**167**	195
	8,267	7,870

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 2018 $'000	Group 2017 $'000
Net loss attributable to equity holders of the Company ($'000)	**(4,017)**	(24,844)
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share ('000)	**120,000**	120,000
Basic loss per share (cents per share)	**(3.35)**	**(20.70)**
Diluted loss per share (cents per share)	**(3.37)**	**(20.77)**

10 Property, plant and equipment

	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
Group								
2018								
Cost								
At 1.1.2018	6,247	11,082	1,450	963	2,672	1,687	243	24,344
Additions	–	–	4	86	80	79	117	366
Disposals	–	–	(5)	–	–*	–	–	(5)
Written-off	(42)	–	(44)	–	(99)	(32)	–	(217)
Grant receipt	–	–	–	(279)	–	–	–	(279)
Currency translation differences	(10)	–	(2)	–	–*	(3)	(1)	(16)
At 31.12.2018	6,195	11,082	1,403	770	2,653	1,731	359	24,193
Accumulated depreciation								
At 1.1.2018	1,851	4,232	1,288	660	2,341	1,311	89	11,772
Depreciation charge	305	323	154	64	207	160	65	1,278
Disposals	–	–	(3)	–	–*	–	–	(3)
Written-off	(42)	–	(44)	–	(99)	(32)	–	(217)
Currency translation differences	(7)	–	(4)	–	(1)	(3)	–	(15)
At 31.12.2018	2,107	4,555	1,391	724	2,448	1,436	154	12,815
Net carrying value								
At 31.12.2018	4,088	6,527	12	46	205	295	205	11,378

* less than $1,000

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

10 Property, plant and equipment (cont'd)

	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
Group								
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

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

10 Property, plant and equipment (cont'd)

	Computer
	$'000
Company	
2018	
Cost	
At 1.1.2018 and 31.12.2018	4
Accumulated depreciation	
At 1.1.2018 and 31.12.2018	4
Net carrying value	
At 31.12.2018	–
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	–

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

	2018	2017
	$'000	$'000
Leasehold property	**4,088**	4,396
Extension, addition and alteration works	**6,527**	6,850
	10,615	11,246

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 $Nil (2017: $121,000) (Note 27).

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

11 Investment in subsidiaries

	Company 2018 $'000	Company 2017 $'000
Unquoted equity shares, at cost		
At 1 January	**17,674**	17,674
Incorporation of a subsidiary	**–**	450
Additional investment in a subsidiary	**3,195**	–
Disposal during the financial year	**–**	(450)
At 31 December	**20,869**	17,674
Movement of allowance for impairment:		
At 1 January	**6,337**	3,020
Impairment charge [Note 11(f)]	**2,195**	3,317
At 31 December	**8,532**	6,337
Net carrying amount	**12,337**	11,337

(a) Details of subsidiaries:

Name of subsidiary (Country of incorporation)	Principal activities	Group's effective equity interest held 2018 %	2017 %
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)	Investment holding	**90**	90
BH Marine & Offshore Engineering Pte Ltd * ("BHE") (Singapore)	System integration contractor providing turnkey electrical and instrumentation installation services	**90**	90
Genesis Environtech Pte. Ltd. * ("GEN") (Formerly known as Sky Holding Pte. Ltd.) (Note 11(d)(ii)) (Singapore)	Manufacture and repair of other special purpose machinery	**100**	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

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

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** 2018 %	2017 %
Athena Dynamics Pte. Ltd.* ("ADPL") (Singapore)	Provision of IT electronics products and solutions	**95**	95
Omnisense Systems Private Limited ("OMS") * (Note 11(d)(i)) (Singapore)	Research and development, manufacture and sale of medical, professional, engineering, scientific and precision	**76**	51
ONE BHG Pte. Ltd.*## ("ONE BHG") (Note 11(c)) (Singapore)	Manufacture and repair of other special purpose machinery and engineering design and consultancy services in energy management and clean energy system	**100**	–
Subsidiary held by BHE			
PT. BH Marine & Offshore Engineering ("PTE")**@ (Note 11(b)) (Indonesia)	Provision of engineering and installation services in the marine and offshore sector	**90**	90
Subsidiary held by PTE			
PT. Dwi Utama Mandiri Sukses^^ (Note 24) (Indonesia)	Investment holding	**–**	90
Subsidiary held by BHM			
BH Global Marine India Private Limited#(India)	Wholesale trade in marine equipment and accessories	**90**	90
Subsidiary held by BOSI			
BOS Offshore & Marine Pte Ltd ("BOS")* (Singapore)	Providing marine and offshore related services and products	**90**	90
Subsidiary held by ADPL			
SASA APAC Pte. Ltd.*^ (Note 11(e)) (Singapore)	Provision of software consultancy services	**95**	–
Subsidiary held by ONE BHG			
NGSS Marine Pte. Ltd.^ (Note 11(e)) (Name change to Athena International Holdings Pte. Ltd. subsequent to financial year) (Singapore)	Manufacture and repair of engineering and scientific instruments	**100**	–
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

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

11 Investment in subsidiaries (cont'd)

(a) Details of subsidiaries: (cont'd)

*	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
##	Held directly by the Company after restructuring during the financial year
^	Incorporated during the financial year
^^	Disposed during the financial year (Note 24)
@	In the process of liquidation

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

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

Name of subsidiary	Principal place of business/ Country of incorporation	Ownership interest held by NCI	
		2018	2017
		%	%
BH Marine & Offshore Engineering Pte Ltd and its subsidiaries ("BHE Group")	Singapore	**9.9**	9.9
Omnisense Systems Private Limited ("OMS")	Singapore	**24.3**	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	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Non-current assets	**–**	2	**382**	**1,120**
Current assets	**35**	2,751	**2,152**	**1,714**
Non-current liabilities	**–**	–	**(2,728)**	**(2,668)**
Current liabilities	**(45,270)**	(49,795)	**(876)**	**(418)**
Net liabilities	**(45,235)**	(47,042)	**(1,070)**	**(252)**
Net liabilities attributable to NCI	**(4,478)**	(4,657)	**(260)**	**(123)**

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

11 Investment in subsidiaries (cont'd)

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

Summarised statement of comprehensive income

	BHE Group		OMS	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Revenue	**–**	–	**1,458**	1,373
Other income/(expenses)	**620**	(1,004)	**(4,338)**	(7,154)
Profit/(loss) before tax	**620**	(1,004)	**(2,880)**	(5,781)
Income tax (expense)/credit	**–**	(109)	**16**	485
Profit/(loss) for the year	**620**	(1,113)	**(2,864)**	(5,296)
Other comprehensive loss	**–**	(72)	**–**	–
Total comprehensive income/(loss)	**620**	(1,185)	**(2,864)**	(5,296)
Profit/(loss) allocated to NCI	**61**	(117)	**(1,403)**	(1,989)

Summarised statement of cash flows

	$'000	$'000	**$'000**	$'000
Cash flows used in operating activities	**(35)**	(259)	**(2,455)**	(1,615)
Cash flows from/(used in) investing activities	**3,000**	–	**(437)**	(429)
Cash flows (used in)/from financing activities	**(3,034)**	280	**2,388**	2,767
Net (decrease)/increase in cash and cash equivalents	**(69)**	21	**(504)**	723

c) Acquisition of ONE BHG Pte. Ltd.

During the financial year, the Company acquired the equity interests in the share capital of the Company's indirect subsidiary, One BHG Pte. Ltd., from its previous shareholders. The acquisition resulted in ONE BHG Pte. Ltd. being a wholly-owned subsidiary by the Company.

d) Acquisition of non-controlling interests without change in control

(i) Omnisense Systems Private Limited

In December 2018, the Company acquired an additional 25% equity interest in Omnisense Systems Private Limited ("OMS") on subscribing to rights issue of OMS by way of offsetting loans and advances made by the Company to OMS of $2,195,000. Not all shareholders chose to subscribe to the rights issue. As a result of this rights issue, OMS is now 76% held by the Group. The carrying value of the net liabilities of OMS before and after the rights issue were $3,406,000 and $1,211,000 respectively and the carrying value of the additional interest acquired was $820,000. The difference of $1,375,000 between the consideration and the carrying value of the additional interest acquired has been recognised within capital reserves as premium paid for acquisition of non-controlling interests.

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

11 Investment in subsidiaries (cont'd)

d) Acquisition of non-controlling interests without change in control (cont'd)

(i) Omnisense Systems Private Limited (cont'd)

The following summarises the effect of the change in the Group ownership interest in OMS on the equity attributable to equity holders of the Company.

	$'000
Consideration paid for acquisition of non-controlling interests	2,195
Carrying amount of non-controlling interests acquired	(820)
Decrease in equity attributable to equity holders of the Company	1,375

(ii) Genesis Environtech Pte. Ltd.

In November 2018, the Company acquired an additional 40% equity interest in Genesis Environtech Pte. Ltd. ("GEN") from its non-controlling interests. As a result of this acquisition, GEN is now 100% held by the Group. The carrying value of the net liabilities of GEN at 30 November 2018 was $1,597,000 and the carrying value of the additional interest acquired was $635,000. The difference of $635,000 between the consideration and the carrying value of the additional interest acquired has been recognised within capital reserves as premium paid for acquisition of non-controlling interests.

The following summarises the effect of the change in the Group ownership interest in GEN on the equity attributable to equity holders of the Company.

	$'000
Consideration paid for acquisition of non-controlling interests	–*
Carrying amount of non-controlling interests acquired	635
Decrease in equity attributable to equity holders of the Company	635

* Amount less than $1,000

e) Incorporation of indirect subsidiaries

i) SASA APAC Pte. Ltd.

On 9 March 2018, 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.

ii) NGSS Marine Pte. Ltd.

On 17 April 2018, a subsidiary, ONE BHG Pte. Ltd. ("ONE BHG") incorporated a wholly-owned subsidiary, NGSS Marine Pte. Ltd. ("NGSS") for a consideration of $1. Subsequent to the incorporation, NGSS increased its issued and paid up capital to $500,000 by way of allotment of 499,999 ordinary shares at $1 each. NGSS remained as a wholly-owned subsidiary of ONE BHG.

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

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. While OMS has presented good prospects in the entering of new markets and launch of new products, it has not managed to demonstrate its ability to realise past projections when a look-backward analysis is performed. In addition, there are no clear and verifiable means to support OMS forward looking projections as at the date of this report as OMS requires more time to achieve the finalisation of its product roadmap. The circumstances described have led to management's estimation of the Company's share of recoverable amount of OMS as at 31 December 2018 to be nil. Accordingly, impairment losses of $2,195,000 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	:	2019 to 2023: compound annual growth rate of -1%
Pre-tax discount rate	:	60% (2017: 13.5%)
Terminal growth rate	:	1.5%

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

g) Disposal of PT. Dwi Utama Mandiri Sukses

(i) During the financial year, the Group disposed its entire 90% equity interest in an indirect subsidiary, PT. Dwi Utama Mandiri Sukses ("PTD") in May 2018. Details of the disposal are as follows:

Carrying amounts of assets and liabilities disposed of:

	Group $'000
Property, plant and equipment	1,991
Trade and other payables	6
Deferred tax liabilities	566
Total liabilities	572
Net assets derecognised	1,419
Less: Non-controlling interests	–
Net assets disposed of	1,419
Gain on disposal of a subsidiary	1,581
Proceeds from disposal	3,000

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

11 Investment in subsidiaries (cont'd)

g) Disposal of PT. Dwi Utawa Mandiri Sukses (cont'd)

Net cash inflow arising on disposal:

	Group $'000
Proceed from disposal (as above)	3,000
Less: cash and cash equivalents in subsidiary disposed of	–
Net cash inflow on disposal of a subsidiary	3,000

h) Deconsolidation of PT. BH Marine & Offshore Engineering

During the financial year, a liquidator was appointed to liquidate an indirect subsidiary of the Group, PT. BH Marine & Offshore Engineering ("PTE"). In accordance with SFRS(I) 10, the Group has assessed that it has lost control of PTE upon the appointment of the liquidator. Accordingly, PTE was deconsolidated during the financial year.

Carrying amounts of net assets disposed of:

	Group $'000
Other receivables	151
Cash and cash equivalents	6
Total assets	157
Net assets derecognised	157
Less: Non-controlling interests	–
Net assets disposed of	157
Loss on disposal of a subsidiary	(151)
Proceeds from disposal	6

Net cash inflow arising on disposal:

	Group $'000
Proceed from disposal (as above)	6
Less: cash and cash equivalents in subsidiary disposed of	(6)
Net cash outflow on deconsolidation of a subsidiary	–

12 Investment in joint ventures

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

	Group	
	2018 $'000	2017 $'000
Carrying amount		
Dream Marine Ship Spare Parts Trading LLC ("DMS")	**2,431**	2,504
Gulf Specialty Steel Industries LLC ("GSSI")	**–**	–
	2,431	2,504

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

12 Investment in joint ventures (cont'd)

b) Included in investment in joint ventures of the Company and the Group is an amount of $828,000 (2017: $828,000) being equity loan due from a joint venture. This amount is unsecured, interest-free and has no fixed repayment term.

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

Name of joint venture (Country of incorporation)	Principal activities	Group's effective equity interest held 2018 %	2017 %
Dream Marine Ship Spare Parts Spare Parts Trading LLC# (Dubai, UAE)	Trading in electrical components and spare parts of ships and boats	**34**	34
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

^ In the process of liquidation

Audited by other firms of certified public accountants

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 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 2018 $'000	DMS 2017 $'000	GSSI 2018 $'000	GSSI 2017 $'000
Income Statement items:				
Revenue	**2,452**	2,845	**352**	21,439
Profit/(loss) after tax from continuing operations	**378**	1,121	**(8,781)**	(11,301)
Other comprehensive income/(loss)	**64**	(261)	**–**	849
Total comprehensive income/(loss)	**442**	860	**(8,781)**	(10,452)
Dividend received from joint ventures	**392**	781	**–**	–

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

12 Investment in joint ventures (cont'd)

d) Summarised financial information for material joint ventures based on their 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	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
The above profit/(loss) for the financial year include the following:				
Depreciation and amortisation	**34**	27	**738**	1,448
Impairment of property, plant and equipment	**–**	–	**226**	–
Interest expense	**–**	–	**986**	2,290
	$'000	$'000	**$'000**	$'000
Statement of financial position items:				
Non-current assets	**66**	99	**–**	6,353
Current assets	**3,512**	3,687	**–**	11,279
Non-current liabilities	**–**	–	**–**	(1,483)
Current liabilities	**(1,288)**	(1,392)	**–**	(43,348)
Net assets/(liabilities)	**2,290**	2,394	**–**	(27,199)

The above amounts of assets and liabilities include the following:

	$'000	$'000	**$'000**	$'000
Cash and cash equivalents	**677**	592	**–**	7,200
Current financial liabilities (excluding trade and other payables and provisions)	**–**	–	**–**	41,605

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

	DMS		GSSI	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Net assets/(liabilities) of the joint ventures	**2,290**	2,394	**–**	(27,199)
Group's share of net assets based on proportion of ownership interest	**1,603**	1,676	**–**	–
Equity loan to a joint venture	**828**	828	**–**	–
Carrying amount of investment	**2,431**	2,504	**–**	–

The Group has not recognised its share of losses of GSSI amounting to $27,174,000 (2017: $17,454,000) because the Group's cumulative share of losses has exceeded its interest in GSSI. However, the Group and the Company has provided for liabilities that are necessary to complete the liquidation of GSSI [Note 28(a)(i)].

Notes to the Financial Statements
For the Financial Year ended 31 December 2018

13 Investment in associated companies

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

	Group 2018 $'000	Group 2017 $'000
<u>Carrying amount</u>		
GL Lighting Holding Pte Ltd ("GLH") and its subsidiaries ("GLH Group")	**1,963**	3,049
BOS Marine Offshore Engineering Corporation ("BOSMEC")	**–**	211
	1,963	3,260

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

	2018	2017
<u>Accumulated impairment losses:</u>		
At beginning of financial year	**9,663**	2,000
Impairment charge for the financial year (Note 7)	**–**	7,663
At end of financial year	**9,663**	9,663

b) The following information relates to the associated companies:

Name of associates (Country of incorporation)	Principal activities	Group's effective equity interest held 2017 %	Group's effective equity interest held 2016 %
GL Lighting Holding Pte Ltd* (Singapore)	Investment holding	**43**	43
<u>Subsidiaries held by GLH</u>			
General Luminaire (Shanghai) Co., Ltd ("SGL")** (People's Republic of China)	Research and development, manufacturing and selling LED lighting modules and fixtures	**43**	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

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

13 Investment in associated companies (cont'd)

b) The following information relates to the associated companies: (cont'd)

Name of associates (Country of incorporation)	**Principal activities**	**Group's effective equity interest held**	
		2017	2016
		%	%
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**	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.

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

13 Investment in associated companies (cont'd)

d) Summarised financial information for GLH Group and BOSMEC based on its 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		BOSMEC	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Income Statement items:				
Revenue	**14,077**	14,343	**1,268**	38
Loss after tax	**(1,879)**	(2,786)	**(855)**	(131)
Other comprehensive loss	**(308)**	(171)	**–**	–
Total comprehensive losses	**(2,187)**	(2,957)	**(855)**	(131)
Statement of financial position items:				
Non-current assets	**13,507**	9,584	**142**	48
Current assets	**7,049**	7,045	**598**	553
Non-current liabilities	**(530)**	–	**(618)**	–
Current liabilities	**(15,461)**	(9,537)	**(380)**	(20)
Net assets	**4,565**	7,092	**(258)**	581
Group's share on net assets based on proportion of ownership interest	**1,963**	3,049	**–**	211
Goodwill on acquisition	**9,663**	9,663	**–**	–
Less: accumulated impairment losses	**(9,663)**	(9,663)	**–**	–
Carrying amount of investment	**1,963**	3,049	**–**	211

The Group has not recognised its share of losses of BOSMEC amounting to $90,000 (2017: $nil) because the Group's cumulative share of losses has exceeded its interest in BOSMEC and the Group has no obligation in respect of these losses.

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 2018 based on value-in-use method and determined that no reversal of impairment charge needs to be recognised in the current financial year.

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

Revenue growth rates	:	2019 to 2023: compound annual growth rate of 14%
Pre-tax discount rate	:	18.0% (2017: 17.7%)
Terminal growth rate	:	2.5%

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

13 Investment in associated companies (cont'd)

e) Impairment review of investment (cont'd)

The management has considered the most significant assumption used in the value-in-use calculations is the projected revenue from years 2019 to 2023. 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	**(Reversal of)/ increase in impairment charge $'000**
5% higher than the management's projections	3,452	(1,489)
5% lower than the management's projections	1,255	708

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	
	2018 $'000	2017 $'000
At 1 January	**(419)**	(1,452)
Tax credited to profit or loss (Note 6)	**154**	516
Exchange difference	**(5)**	26
Liability component of convertible loan notes	**–**	(7)
Reclassified to held for sale (Note 24)	**–**	498
At 31 December	**(270)**	(419)

Presented on the statement of financial position:

Non-current		
Deferred tax assets	**11**	15
Deferred tax liabilities	**(281)**	(434)
	(270)	(419)

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

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**
2018				
At 1 January 2018	(4)	(73)	(342)	(419)
Charged to profit or loss	16	55	83	154
Exchange difference	–	–	(5)	(5)
At 31 December 2018	**12**	**(18)**	**(264)**	**(270)**
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)

	Group	
	2018 $'000	2017 $'000
Unrecognised deductible temporary differences:		
Unabsorbed capital allowances	**300**	459
Unutilised tax losses	**16,747**	30,965
Other deductible temporary differences	**–**	10,721
	17,047	42,145

Deferred tax assets of $2,898,000 (2017: $9,162,000) 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 $ Nil (2017: $14,249,000) which will expire progressively over the next 5 years up till 2023, subject to the conditions imposed by the Indonesian tax authorities.

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

15 Intangible assets

	Goodwill $'000	Acquired technology $'000	Maintenance contracts $'000	Development costs $'000	Club membership $'000	License Fee $'000	Total
Group							
Cost							
At 1 January 2017	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
Additions	–	–	–	318	–	40	358
Disposals	–	–	–	–	(49)	–	(49)
At 31 December 2018	**4,733**	**2,920**	**141**	**2,460**	**–**	**40**	**10,294**
Accumulated amortisation							
At 1 January 2017	–	146	7	1,004	–	–	1,157
Charge for the year	–	292	63	347	–	–	702
At 31 December 2017	–	438	70	1,351	–	–	1,859
Charge for the year	–	–	47	105	–	–	152
At 31 December 2018	**–**	**438**	**117**	**1,456**	**–**	**–**	**2,011**
Accumulated impairment							
At 1 January 2017	3,312	–	–	–	–	–	3,312
Impairment charge	1,236	2,482	–	–	–	–	3,718
At 31 December 2017	4,548	2,482	–	–	–	–	7,030
Impairment charge	–	–	24	801	–	–	825
At 31 December 2018	4,548	2,482	24	801	–	–	7,855
Net carrying amount							
At 31 December 2018	**185**	**–**	**–**	**203**	**–**	**40**	**428**
At 31 December 2017	185	–	71	791	49	–	1,096

	Company 2018 $'000	Company 2017 $'000
Club membership	**–**	**49**

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

15 Intangible assets (cont'd)

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 during the financial year, the carrying amount of the goodwill is allocated as follows:

	Group	
	2018	2017
	$'000	$'000
Security segment:		
Omnisense Systems Private Limited ("OMS")	**–**	1,236
Athena Dynamics Pte Ltd ("ADPL")	**185**	185
	185	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% (2017: 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 ADPL 13.9% (2017: 13.9%).

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 maintenance contracts and development costs

During the financial year, the Company performed an impairment review by estimating the recoverable amount of maintenance contracts and development costs because of continuing losses incurred by a subsidiary, OMS. The recoverable amount of the maintenance contracts and development costs were determined on the basis of value-in-use calculations. While OMS has presented good prospects in the entering of new markets and launch of new products, it has not managed to demonstrate its ability to realise past projections when a look-backward analysis is performed. In addition, there are no clear and verifiable means to support OMS's forward looking projections as at the date of this report as OMS requires more time to achieve the finalisation of its product roadmap. The circumstances described have led to management's estimation of the recoverable amount of maintenance contracts and development costs to be nil. Accordingly, impairment losses of $825,000 was recognised in profit or loss for the financial year ended 31 December 2018.

Key assumptions used in the value-in-use calculations:

Revenue growth rates	:	2019 to 2026: compound annual growth rate of -1%
Pre-tax discount rate	:	60%

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

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

16 Purchase deposit to a supplier

	Group	
	2018	2017
	$'000	$'000
Purchase deposit to a supplier	**1,911**	**3,341**
Less: presented as current (Note 22)	**(1,911)**	**(668)**
Non-current	**–**	**2,673**

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	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Unquoted convertible loan notes (1)	**–**	–	**–**	1,307
Quoted equity shares (2)	**28**	42	**–**	–
Total financial assets, at fair value through profit or loss	**28**	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 $1,307,000 (2017: $733,000) during the financial year.

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

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

18 Loan to an associated company

The loan to an associated company is provided by the Company to support the associated company's working capital. The loan bears variable interest rate ranging from 5.76% to 7.45% per annum, unsecured and repayable on demand.

The Company has undertaken not to demand repayment of this loan within the next 12 months from the reporting date.

19 Inventories

	Group	
	2018	2017
	$'000	$'000
Raw material	**937**	534
Work in progress	**58**	–
Finished goods	**21,265**	24,238
	22,260	24,772

Raw materials, consumables and changes in finished goods and work in progress included as cost of sales amounted to $24,422,676 (2017: $24,359,000).

In 2018, the Group recognised a write back of allowance for stock obsolescence of $1,423,000 as the related inventories were sold above their carrying amounts. The write back was included as cost of sales.

20 Contract assets and contract liabilities

The Group receives payments from customers based on a billing schedule as established in contracts. Contract assets relate to the Group's rights to consideration for work completed but not billed at the reporting date. Contract liabilities relate to advance consideration received from customers, billings in excess of revenue recognised to-date and deferred revenue. Contract liabilities are recognised as revenue as (or when) the Group satisfies the performance obligations under its contracts.

The following table provides information about contract assets and contract liabilities from contracts with customers.

	Group	
	2018	2017
	$'000	$'000
Contract assets	**1,019**	1,655
Contract liabilities	**322**	25

There are no significant changes in the basis of preparation of contract assets and liabilities during the financial year.

21 Trade receivables

	Group	
	2018	2017
	$'000	$'000
Trade receivables	**16,951**	17,583
Less: allowance for impairment	**(7,029)**	(8,673)
	9,922	8,910

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

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

21 Trade receivables (cont'd)

Movement in allowance for impairment of trade receivables is as follows:

	Group	
	2018	2017
	$'000	$'000
At 1 January	**8,673**	4,568
Allowance made during the financial year (Note 7)	**1,301**	4,349
Allowance written off during the financial year	**(2,945)**	–
Currency translation differences	**–**	(244)
At 31 December	**7,029**	8,673

Included in trade receivables is an amount of $Nil (2017: $136,000) due from a joint venture company and $7,000 (2017: $Nil) due from its ultimate holding company.

22 Other receivables

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Amount due from joint ventures	**36**	63	**36**	35
Amount due from an associated company	**255**	313	**255**	217
Purchase deposit to a supplier (Note 16)	**1,911**	668	**–**	–
Sundry deposits	**250**	40	**–**	–
Prepayments	**235**	314	**29**	79
Amounts due from subsidiaries (Note 22(a))	**–**	–	**64,173**	67,592
Advance payment to suppliers	**127**	268	**–**	–
Sundry receivables	**653**	568	**247**	–
	3,467	2,234	**64,740**	67,923
Less: allowance for impairment				
- Amounts due from subsidiaries (Note 22(a))	**–**	–	**(64,171)**	(64,701)
	3,467	2,234	**569**	3,222

Movement in allowance for impairment is as follows

At 1 January	**–**	–	**64,701**	72,104
Allowance made during the financial year	**–**	–	**84**	4,583
Allowance written off during the financial year	**–**	–	**(614)**	(11,986)
At 31 December	**–**	–	**64,171**	64,701

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

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

22 Other receivables (cont'd)

(a) Amounts due from subsidiaries

	Company	
	2018	2017
	$'000	$'000
Interest-free advances	**19,277**	21,581
Loans at variable interest rates	**44,896**	46,011
	64,173	67,592
Less: allowance for impairment	**(64,171)**	(64,701)
	2	2,891

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 3.150% to 3.781% (2017: 2.583% to 3.917%) 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 $44,896,000 (2017: $46,011,000).

During the financial year, a net impairment loss of $84,000 (2017: $4,583,000) was recognised to write down the amounts due from subsidiaries to their recoverable amounts.

23 Cash and cash equivalents

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**3,568**	7,182	**516**	194
Fixed deposits	**2,805**	37	**2,750**	–
	6,373	7,219	**3,266**	194

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

	Group	
	2018	2017
	$'000	$'000
Cash and short-term deposits	**6,373**	7,219
Cash restricted in use	**(200)**	(853)
Fixed deposits (pledged)	**(55)**	(37)
Cash and cash equivalents	**6,118**	6,329

Fixed deposits of $55,000 (2017: $37,000) are pledged to banks to cover bankers' letter of guarantees, credit facilities and bank overdraft. The interest rates of fixed deposits at 31 December 2018 was 0.4% to 1.65% (2017: 0.4% to 0.7%) per annum.

In the previous financial year, the cash at bank of $853,000 was restricted in use as it is earmarked by the bank as collateral in respect of a performance bond facilities taken by a former subsidiary. The restriction has been lifted in the current financial year.

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

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 at 31 December 2017, 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	(32)

PTD was disposed during the financial year.

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.

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

25 Convertible loan notes (cont'd)

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

	Group	
	2018	2017
	$'000	$'000
Face value of convertible loan notes subscribed by non-controlling shareholders	**727**	727
Equity component	**(43)**	(43)
Liability component of convertible loan notes at initial recognition	**684**	684
Accumulated amortisation of discount		
At 1 January	**6**	–
Accretion of interests during the year (Note 5)	**25**	6
At 31 December	**31**	6
Liability component of convertible loan notes at end of the financial year	**715**	690
Presented on the statement of financial position:		
Non-current	**–**	690
Current	**715**	–
	715	690

26 Other payables

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Loan from ultimate holding company	**11,500**	–	**11,500**	–
Amount due to ultimate holding company	**322**	80	**259**	–
Accrued operating expenses	**1,170**	630	**163**	266
Provision for directors' fees				
- directors of the Company	**300**	299	**300**	299
- directors of subsidiaries	**90**	70	**–**	–
Amounts due to subsidiaries	**–**	–	**10,488**	4,500
Advance payment from customers	**–**	6	**–**	–
Other creditors	**453**	1,110	**115**	53
Subscription money received in advance from:				
- ultimate holding company	**3,343**	–	**3,343**	–
- other shareholders	**457**	–	**457**	–
	17,635	2,195	**26,625**	5,118

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

Loan from ultimate holding company is non-trade in nature, unsecured and repayable 12 months from the date of disbursement. The loan bears interest rate at 3.92% per annum. Subsequent to the financial year end, loan from ultimate holding company, amounting to $11,500,000, was fully settled by offseting against its subscription of shares of the Company in the rights issue (Note 39).

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

27 Finance lease liabilities

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

	Group 2018 $'000	Group 2017 $'000
Not later than one financial year	**77**	137
Later than one financial year but not later than five financial years	**38**	114
Total minimum lease payments	**115**	251
Less: Future finance charges	**(20)**	(37)
Present value of finance lease liabilities	**95**	214
Representing finance lease liabilities:		
- Non-current	**31**	95
- Current	**64**	119
	95	214

The weighted average effective interest rate of the finance lease liabilities at the end of the reporting period was 5.70% (2017: 4.99%) 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 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Provision for liabilities [Note 28(a)]	**514**	16,410	**–**	16,410
Provision for claims and vendor costs [Note 28(b)]	**15**	1,211	**–**	–
	529	17,621	**–**	16,410

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

	Group 2018 $'000	Group 2017 $'000
At 1 January	**16,410**	12,351
Provision made during the financial year (Note 7)	**2,563**	7,717
Settlement of liabilities during the financial year	**(17,798)**	(3,658)
Reversal of provision made	**(661)**	–
At 31 December	**514**	16,410

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

28 Provisions (cont'd)

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

	Group	
	2018	2017
	$'000	$'000
Gulf Specialty Steel Industries LLC [Note 28(a)(i)]	**514**	15,749
A former subsidiary [Note 28(a)(ii)]	**–**	661
	514	16,410

(i) In the previous financial year, the Company has provided corporate guarantee of $21,219,000 (Omani Rial 6,121,000) ("Guarantee") to a joint venture, Gulf Specialty Steel Industries LLC ("GSSI") for banking facilities taken by GSSI. 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.

During the financial year ended 31 December 2018, GSSI has disposed of its operating assets to a third party for a total consideration of $6,710,000 (Omani Rial 1,900,000), settled almost all of its outstanding liabilities, and have commenced liquidation proceedings. Accordingly, the corporate guarantee and financial support issued by the Company has been released in the financial year ended 31 December 2018. The Group has made necessary provision in relation to liquidation of GSSI.

(ii) The Company has provided corporate guarantees to certain subsidiaries for banking facilities taken by these subsidiaries. In the previous financial year, the Group and Company have assessed and provided an amount of $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. In the current financial year, the corporate guarantees have been discharged.

(b) Movements in provision for claims and vendor costs are as follows:

	Group	
	2018	2017
	$'000	$'000
At 1 January	**1,211**	–
Provision made during the financial year (Note 7)	**–**	1,211
Settlement of liabilities during the financial year	**(913)**	–
Reversal of provision made	**(283)**	–
At 31 December	**15**	1,211

In the previous financial year, an engineering contract in progress undertaken by a subsidiary of the Company was terminated by the customer. In relation to the same contract, the subsidiary had however, not officially terminated the contracts between the Company and certain subcontractors who were awarded certain related contract works by the Company.

As at 31 December 2018, a total sum of $913,000 has been billed by the subcontractors and a reversal of provision of $283,000 was recognised during the current financial year due to the cancellation of invoices by the subcontractors.

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

29 Bank borrowings

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Term loan I (unsecured)	**–**	410	**–**	–
Term loan II (secured)	**4,000**	–	**4,000**	–
Working capital loans (secured)	**10,400**	7,000	**–**	–
Working capital loans (unsecured)	**–**	2,000	**–**	–
Trust receipts	**2,144**	4,076	**–**	–
Total borrowings	**16,544**	13,486	**4,000**	–
Presented on the statement of financial position:				
Non-current	**3,467**	–	**3,467**	–
Current	**13,077**	13,486	**533**	–
	16,544	13,486	**4,000**	–

Term loan I is repayable over 48 monthly instalments of $42,000 each commencing October 2014. The loan was fully repaid during the current financial year.

Term loan II is repayable over 59 fixed monthly principal instalments of $66,667 each and a final fixed monthly principal instalment of $66,647 commencing in May 2019. It is secured by legal mortgage of the Group's leasehold property and extension, addition and alteration works (Note 10) and covered by corporate guarantee from its associated companies, GL Lighting Holding Pte. Ltd. and GL Lighting International Pte. Ltd.

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 I - Fixed rate at Nil (2017: 3.00%) per annum.

Term loan II - Variable rates ranging from 4.26% to 4.40% per annum.

Working capital loans - Variable rates ranging from 2.26% to 3.96% (2017: 2.15% to 3.14%) per annum.

Trust receipts - Variable rates ranging from 2.50% to 3.78% (2017: 2.5% to 3.31%) per annum.

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 Term loan II, 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 rate 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.

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

29 Bank borrowings (cont'd)

Breach of bank covenants

As at the end of the reporting period, a subsidiary is in breach of a covenant imposed by a bank for credit lines of $7,200,000 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 2018 is $6,144,000.

Due to this breach of the covenant clause, the bank is contractually entitled to request for immediate repayment of the outstanding loan amount of $6,144,000 and this amount is included as current liabilities under bank borrowings. 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.

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

	Bank loans	Finance lease liabilities (Note 27)	Convertible loan notes (Note 25)	Total
	$'000	$'000	$'000	$'000
Balance at 1 January 2017	14,090	354	–	14,444
Changes 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

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

29 Bank borrowings (cont'd)

Reconciliation of movements of liabilities to cash flows arising from financing activities (cont'd):

	Bank loans	Finance lease liabilities (Note 27)	Convertible loan notes (Note 25)	Loan from ultimate holding company (Note 26)	Amount due to ultimate holding company (Note 26)	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2018	13,486	214	690	–	80	14,470
Changes from financing cash flows:						
- Proceeds	6,000	–	–	11,500	3,343	20,843
- Repayment	(1,009)	(119)	–	–		(1,128)
- Net repayment of short term borrowings	(1,933)	–	–	–	–	(1,933)
- Interest paid	(789)	(17)	–	–	–	(806)
Changes from operating cash flow:						
- Payables	–	–	–	–	242	242
Non-cash changes:						
- Interest expense	789	17	69	–	–	875
- Interest payable	–	–	(44)	–	–	(44)
Balance at 31 December 2018	**16,544**	**95**	**715**	**11,500**	**3,665**	**32,519**

30 Share capital

	Group and Company			
	2018		2017	
	Number of issued shares	**Total share capital**	Number of issued shares	Total share capital
	'000	**$'000**	$'000	$'000
Issued and fully paid up				
- Ordinary shares with no par value				
Balance at 1 January and 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.

31 Capital reserves

The capital reserves relate to excess of consideration paid over net assets attributable to non-controlling interests in subsidiaries acquired. During the financial year, the Company acquired additional equity interest in two of its subsidiaries, OMS and GEN (Note 11(d)).

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

32 Contingent liabilities

Corporate guarantees

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Corporate guarantees for financing facilities granted by financial institutions to:				
- Subsidiaries	**–**	–	**12,544**	13,486
- Joint venture [Note 28(a)(i)]	**–**	21,219	**–**	21,219
- a former subsidiary [Note 28(a)(ii)]	**–**	853	**–**	853
	–	22,072	**12,544**	35,558

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 is in breach of a covenant imposed by a bank which requires the subsidiary to maintain minimum net tangible worth of $45 million throughout the facilities validity period. 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. Management has commenced renegotiation of the terms of the loan agreement with the bank subsequent to year end. 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. The subsidiary is in a net asset position, hence there is no cash shortfall under the guarantee.

Except as disclosed in Note 28(a), the financial effects of SFRS(I) 9 relating to financial guarantee contracts issued by the Company are not material to the financial statements of the Company and therefore are not recognised.

33 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	
	2018	2017
	$'000	$'000
Within 1 financial year	**655**	721
Between 2 to 5 financial years	**2,324**	2,270
Over 5 financial years	**11,395**	6,161
	14,374	9,152

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

34 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	
	2018	2017
	$'000	$'000
With ultimate holding company		
Loan interest charged by	**259**	–
Sales of services	**90**	36
Purchase of services	**92**	–
With jointly controlled entities		
Sales of goods	**238**	226
With associated companies		
Sales of goods	**545**	15
Management fee income	**89**	29
Purchase of goods	**–**	2,943
Research and development cost charged by an associated company	**29**	60
Other related parties		
Upkeep of motor vehicles charged by a related party	**–**	12
Sales of goods and services to a related party	**–**	17
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.

35 Financial instruments

Categories of financial instruments

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

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	**–**	22,897	**–**	4,165
Financial assets at amortised cost	**24,996**	–	**8,634**	–
	24,996	22,897	**8,634**	4,165
Financial assets, at fair value through profit or loss	**28**	42	**–**	1,307
Financial liabilities				
Trade and other payables	**18,784**	4,223	**26,050**	5,029
Borrowings	**16,544**	13,486	**4,000**	–
Finance lease liabilities	**95**	214	**–**	–
Convertible loan notes	**715**	690	**–**	–
At amortised cost	**36,138**	18,613	**30,050**	5,029

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

35 Financial instruments (cont'd)

Financial risk management

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

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

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

a) Market risk

Foreign exchange risk

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

The Group's foreign currency exposure is as follows:

	USD $'000	EUR $'000	AED $'000	SGD $'000	Others $'000
At 31 December 2018					
Financial assets					
Cash and cash equivalents	1,066	174	–	–	60
Trade and other receivables	5,767	1	864	–	164
	6,833	175	864	–	224
Financial liabilities					
Trade payables	(120)	(187)	–	–	(57)
Net exposure	**6,713**	**(12)**	**864**	**–**	**167**
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

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

35 Financial instruments (cont'd)

Financial risk management (cont'd)

a) Market risk (cont'd)

Foreign exchange risk (cont'd)

The Company's foreign currency exposure based on the information provided by key management is $864,000 (2017: $863,000) included in amount due from joint ventures 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), convertible loan notes (Note 25) and loan from ultimate holding company (Note 26).

The Company's exposure to interest rate risk is minimal as the impact of interest rate fluctuations on loans to subsidiaries (Note 22(a)) and term loan (Note 29) 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 is its main raw materials. Copper is a traded commodity and its prices are subject to the fluctuations of the world commodity markets. Any significant increases in the prices for copper 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).

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

35 Financial instruments (cont'd)

Financial risk management (cont'd)

b) Liquidity risk (cont'd)

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			
2018			
Trade and other payables	18,784	–	18,784
Bank borrowings	13,450	3,965	17,415
Finance lease obligations	77	38	115
Convertible loan notes	749	–	749
	33,060	**4,003**	**37,063**
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
Company			
2018			
Trade and other payables	26,050	–	26,050
Bank borrowings	558	3,965	4,523
Financial guarantee contracts (Note 32)	12,544	–	12,544
	39,152	**3,965**	**43,117**
2017			
Trade and other payables	5,029	–	5,029
Contingent consideration of business combination	–	4,400	4,400
Financial guarantee contracts (Note 32)	35,558	–	35,558
	40,587	4,400	44,987

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

35 Financial instruments (cont'd)

Financial risk management (cont'd)

c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history and obtaining sufficient security where appropriate to mitigate credit risk.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Group Finance department based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the Group Finance department.

The following sets out the Group's internal credit evaluation practices and basis for recognition and measurement of expected credit losses (ECL):

Description of evaluation of financial assets	Basis for recognition and measurement of ECL
Counterparty has a low risk of default and does not have any past due amounts	12-month ECL
Debts that are less than 300 days past due or where there has been a significant increase in credit risk since initial recognition. The presumption of significant increase in credit risk after 30 days past due is not suitable for application in the industries that the Group operates in.	Lifetime ECL - not credit-impaired
Debts that are more than 300 days past due or there is evidence of credit impairment	Lifetime ECL - credit-impaired
There is evidence indicating that the Group has no reasonable expectation of recovery of payments such as when the debtor has been placed under liquidation or has entered into bankruptcy proceedings	Write-off

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information, such as future economic and industry outlook, that is available without undue cost or effort.

In particular, the Group considers the following information when assessing whether credit risk has increased significantly since initial recognition:

- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results / key financial performance ratios of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

35 Financial instruments (cont'd)

Financial risk management (cont'd)

c) Credit risk (cont'd)

Significant increase in credit risk (cont'd)

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Regardless of the evaluation of the above factors, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 300 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group also assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if it has an internal or external credit rating of "investment grade" as per globally understood definition, or the financial asset has a low risk of default; the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- When there is a breach of financial covenants by the counterparty; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 300 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred such as evidence that the borrower is in significant financial difficulty, there is a breach of contract such as default or past due event; there is information that it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Estimation techniques and significant assumptions

There has been no change in the estimation techniques or significant assumptions made during the current financial year for recognition and measurement of credit loss allowance.

The Group's 3 (2017: 3) largest trade receivables amounted to $6,848,000 (2017: $3,014,000) and this represented 69% (2017: 33%) of total trade receivables and of which one major corporate customer represented 32% (2017: 18%) of total trade receivables.

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

35 Financial instruments (cont'd)

Financial risk management (cont'd)

c) Credit risk (cont'd)

Movements in credit loss allowance are as follows:

	Trade receivables $'000
Group	
Balance at 1 January 2018	8,673
Loss allowance measured:	
Lifetime ECL- simplified approach	1,301
Receivables written off as uncollectable	(2,945)
Balance at 31 December 2018	7,029

	Amounts due from subsidiaries $'000
Company	
Balance at 1 January 2018	64,701
Loss allowance measured:	
Lifetime ECL- credit impaired	84
Receivables written off as uncollectable	(614)
Balance at 31 December 2018	64,171

The credit loss for cash and cash equivalents and other receivables are immaterial as at 31 December 2018.

Trade receivables

Due to the inherent risk surrounding the offshore and marine industry which the Group operates in, the credit quality of the Group's customers may have deteriorated, giving rise to increased risks in collection of trade receivables. The Group determines the ECL of trade receivables by making debtor-specific assessment of expected impairment loss for overdue trade receivables and using a provision matrix for remaining trade receivables that is based on its historical credit loss experience, debtors' ability to pay and forward-looking information specific to the debtors and economic environment.

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

35 Financial instruments (cont'd)

Financial risk management (cont'd)

c) Credit risk (cont'd)

Trade receivables (cont'd)

Trade receivables that shared the same credit risk characteristics and days past due are grouped together in measuring the expected credit losses.

Age brackets of '0-360 days' and 'more than 360 days' were used as it is common for invoices to be repaid anytime within 360 days from invoice date in the offshore and marine industry. Management does not expect any significant improvement or deterioration in market conditions in the near future.

The Group estimates the expected credit loss rates for each category of past due status of the debtors based on historical credit loss experience adjusted as appropriate to reflect current conditions and forecasts of future economic conditions.

There has been no change in the estimation techniques or significant assumptions made during the current financial year.

The Group has recognised a loss allowance of 100% against all trade receivables over 360 days past due because historical experience has indicated that these receivables are generally not recoverable. A trade receivable is written off when there is information indicating that there is no realistic prospect of recovery from the debtor.

The Group's credit risk exposure in relation to trade receivables under SFRS(I) 9 as at 31 December 2018 are set out in the provision matrix below:

		Past due			
	Not past due	**0 to 360 days**	**More than 360 days**	**Credit impaired**	**Total**
Supply chain management					
Expected loss rate	1.06%	1.06%	100%	89.52%	
Gross receivables	3,466	5,290	958	6,677	16,391
Loss allowance	37	56	958	5,978	7,029
Security					
Expected loss rate	0%	0%	0%	0%	
Gross receivables	211	327	–	–	538
Loss allowance	–	–	–	–	–
Engineering services					
Expected loss rate	0%	0%	0%	0%	
Gross receivables	19	3	–	–	22
Loss allowance	–	–	–	–	–
Total gross receivables	3,696	5,620	958	6,677	16,951
Total loss allowance	(37)	(56)	(958)	(5,978)	(7,029)
Net carrying amount	3,659	5,564	–	699	9,922

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

35 Financial instruments (cont'd)

Financial risk management (cont'd)

c) Credit risk (cont'd)

Other financial assets at amortised cost

The table below details the credit quality of the Group and Company's financial assets:

	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Due from subsidiaries	Lifetime ECL	64,173	(64,171)	2
Cash and cash equivalents with financial institutions	N.A. Exposure Limited	6,373	–	6,373
Loan to an associated company	12-month ECL	4,000	–	4,000
Other receivables	N.A. Exposure Limited	3,467	–	3,467

Financial guarantee

The Company has issued financial guarantees to banks for borrowings of its subsidiaries. These guarantees are subject to the impairment requirements of SFRS(I) 9. The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual cash flow obligations and does not expect significant credit losses arising from these guarantees.

Loan to an associated company

The Company provided a loan to its associated company. The Company has assessed that the associated company has adequate financial capacity and does not expect significant credit losses arising from the loan to an associated company.

Previous accounting policy for impairment of financial assets

The Group has credit policies in place to ensure that sale of products are made to customers with appropriate credit histories and 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 2017 $'000	Company 2017 $'000
Corporate guarantee provided to banks on subsidiaries' loans		
- subsidiaries	–	28,700
- joint venture	21,219	21,219
- a former subsidiary	853	853
	22,072	50,772

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

35 Financial instruments (cont'd)

Financial risk management (cont'd)

c) Credit risk (cont'd)

Previous accounting policy for impairment of financial assets (cont'd)

The table below is an analysis of trade receivables as at 31 December:

	Group
	2017
	$'000
Not past due and not impaired	4,020
Past due but not impaired (i)	3,884
	7,904
Impaired receivables - individually assessed (ii)	9,679
Less: allowance for impairment	(8,673)
	1,006
Total trade receivables, net	8,910

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

Past due 0 to 3 months	1,784
Past due 3 to 6 months	797
Past due over 6 months	1,303
	3,884

(ii) Impaired receivables

Included in trade receivables in 2017 was an amount due from a customer of $2.91 million (Rp29,469,828,000). The customer claimed against a subsidiary in Indonesia, PT. BH Marine & Offshore Engineering ("PTE") for alleged non-delivery of three vessels. 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.

36 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).

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

36 Fair value of assets and liabilities (cont'd)

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
Group				
2018				
Recurring fair value measurements				
Financial assets				
Financial assets, at fair value through profit or loss	**28**	**–**	**–**	**28**
2017				
Recurring fair value measurements				
Financial assets				
Financial assets, at fair value through profit or loss	42	–	–	42
Company				
2018				
Recurring fair value measurements				
Financial assets				
Financial assets, at fair value through profit or loss	–	–	–*	–
2017				
Recurring fair value measurements				
Financial assets				
Financial assets, at fair value through profit or loss	–	–	1,307	1,307

* the fair value of financial assets at fair value through profit or loss at the Company level is $Nil as at the end of the reporting period.

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:

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.

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

36 Fair value of assets and liabilities (cont'd)

d) Determination of fair values (cont'd)

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 -1% from FY 2019 to FY 2023
- Pre-tax discount rate - 60%

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

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	
	2018	2017
	$'000	$'000
Contingent consideration		
At beginning of financial year	–	(765)
Total gain for the period included in profit or loss:		
- Fair value gain	–	765
At end of financial year	–	–

	Company	
	2018	2017
	$'000	$'000
Investment in convertible loan notes		
At beginning of financial year	**1,307**	–
Investment during the year	**–**	2,040
Total loss for the period included in profit or loss:		
- Fair value loss	**(1,307)**	(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.

37 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.

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

37 Segment information (cont'd)

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.

	Supply Chain Management									
	Marine cables $'000	Marine lighting $'000	Others $'000	Total $'000	Manu-facturing $'000	Security $'000	Engineering services $'000	Corporate $'000	Elimi-nations $'000	Total $'000
2018										
Segment revenue:										
Sales to external customers	20,823	10,146	4,473	35,442	–	4,623	348	–	–	40,413
Intersegment sales	36	31	54	121	–	16	–	–	(137)	–
Total revenue	**20,859**	**10,177**	**4,527**	**35,563**	**–**	**4,639**	**348**	**–**	**(137)**	**40,413**
Segment results	**428**	**209**	**92**	**729**	**(70)**	**(2,703)**	**(735)**	**(1,817)**	**–**	**(4,596)**
Share of profit from equity - accounted joint ventures and associates	159	78	34	271	(953)	–	(209)	–	–	(891)
Depreciation and amortisation	657	321	141	1,119	–	299	12	–	–	1,430
Impairment loss	–	–	–	–	63	825	–	–	–	888
Other significant non-cash expense	1,843	900	396	3,139	2,564	–	(835)	–	–	4,868
Segment assets	28,843	14,077	6,199	49,119	1,989	3,860	562	7,847	–	63,377
Segment assets includes										
Investment in joint ventures and associates	1,427	697	307	2,431	1,963	–	–	–	–	4,394
Additions to non-current assets	104	51	22	177	–	495	52	–	–	724
Segment liabilities	8,547	4,171	1,837	14,555	520	2,342	379	20,696	–	38,492

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

37 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**	**Corporate $'000**	**Elimi-nations $'000**	**Total $'000**
2017										
Segment revenue:										
Sales to external customers	14,274	9,433	4,934	28,641	–	2,657	7,047	–	–	38,345
Intersegment sales	37	24	13	74	–	26	–	–	(100)	–
Total revenue	14,311	9,457	4,947	28,715	–	2,683	7,047	–	(100)	38,345
Segment results	(3,208)	(2,220)	(1,158)	(6,586)	(13,390)	(5,853)	(1,091)	(1,002)	–	(27,922)
Share of results of associates and joint ventures	380	251	131	762	(1,198)	–	(46)	–	–	(482)
Depreciation and amortisation	536	369	193	1,098	–	698	128	–	–	1,924
Impairment loss	–	–	–	–	7,663	3,718	–	–	–	11,381
Other significant non-cash expense	3,583	2,469	1,288	7,340	7,717	84	–	–	–	15,141
Segment assets	28,380	19,554	10,201	58,135	3,082	3,791	5,569	357	–	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	8,902	6,133	3,200	18,235	16,416	1,995	2,414	804	–	39,864

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

	Group	
	2018 $'000	2017 $'000
Allowance for impairment of receivable	**1,301**	4,349
Provision for stock obsolescence	**1,004**	3,075
Provision for liabilities	**2,563**	7,717
	4,868	15,141

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.

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

37 Segment information (cont'd)

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.

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	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Singapore	**22,228**	20,836	**11,690**	13,651
China	**512**	5	**2,069**	3,049
Japan	**5,798**	11,097	**–**	211
Vietnam	**925**	996	**–**	–
United Arab Emirates	**297**	650	**2,431**	2,504
Indonesia	**1,604**	1,529	**–**	2
Malaysia	**5,730**	1,204	**–**	–
Other countries	**3,319**	2,028	**10**	15
	40,413	38,345	**16,200**	19,432

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, loan to an associated company and other financial assets.

Information about major customer

Revenue of approximately $4,942,000 (2017: $6,551,000) are derived from one external customer that contributes more than 10% of the Group revenue and are attributable to the Supply Chain Management Segment (2017: Engineering Services Segment).

38 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 2017.

Notes to the Financial Statements

For the Financial Year ended 31 December 2018

39 Subsequent events

On 14 February 2019, the Company undertook a renounceable non-underwritten rights issue (the "Rights Issue") of 179,999,992 new ordinary shares in the capital of the Company ("Rights Shares"), at an issue price of $0.085, for each Rights Share, on the basis of three Rights Shares for every two existing ordinary shares in the issued and paid up capital of the Company. As a result of the Rights Issue, the ultimate holding company, Vincent Lim Hui Eng, Patrick Lim Hui Peng, Johnny Lim Huay Hua and Eileen Lim Chye Hoon have a total interest in approximately 82.57% of the enlarged share capital of the Company.

The aggregate payment for the subscription of its ultimate holding company's pro-rata entitlement of the Rights Shares and subscription of the balance of excess Rights Shares pursuant to an undertaking by the ultimate holding company under the Rights Issue was satisfied by offsetting the entire outstanding amount of loan due to its ultimate holding company, amounting to $11,500,000 and cash payment of $2,697,000.

40 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 2018 were authorised for issue in accordance with a resolution of the directors dated 28 March 2019.

Statistics of Shareholdings

SHARE CAPITAL INFORMATION AS AT 15 MARCH 2019

Number of Shares	:	299,999,987
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDING AS AT 15 MARCH 2019

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	28	1.36	1,280	0.00
100 - 1,000	184	8.97	87.989	0.03
1,001 - 10,000	1,319	64.28	5,764,041	1.92
10,001 - 1,000,000	512	24.95	28,726,858	9.58
1,000,001 AND ABOVE	9	0.44	265,419,819	88.47
GRAND TOTAL	2,052	100.00	299,999,987	100.00

TWENTY LARGEST SHAREHOLDERS AS AT 15 MARCH 2019

	SHAREHOLDER'S NAME	NUMBER OF SHARES HELD	%
1	Beng Hui Holding (S) Pte Ltd	238,692,444	79.56
2	Citibank Nominees Singapore Pte Ltd	8,616,373	2.87
3	Poh Choo Bin	4,338,050	1.45
4	Maybank Kim Eng Securities Pte Ltd	3,556,825	1.19
5	Lim Hui Peng	2,392,930	0.80
6	Lim Hui Eng	2,392,930	0.80
7	Lim Huay Hua	2,392,930	0.80
8	Lim Chye Hoon Eileen	1,823,212	0.61
9	CGS-CIMB Securities (Singapore) Pte Ltd	1,214,125	0.40
10	United Overseas Bank Nominees Pte Ltd	851,750	0.28
11	DBS Nominees Pte Ltd	804,800	0.27
12	Raffles Nominees (Pte) Ltd	711,075	0.24
13	Goh Leh Hua Josephine	623,232	0.21
14	Goh Bing Ling	600,000	0.20
15	Lim Jing Loong Allan	598,232	0.20
16	Lim Rui Li Jasmine	598,232	0.20
17	Lim Cui Xuan Jean	598,232	0.20
18	Phillip Securities Pte Ltd	596,875	0.20
19	See Yong Hai	537,500	0.18
20	Chan Kwan Bian	527,000	0.18
	Total	272,466,747	90.84

Statistics of Shareholdings

SUBSTANTIAL SHAREHOLDERS AS AT 15 MARCH 2019

NAME OF SUBSTANTIAL SHAREHOLDER	DIRECT INTEREST	%	DEEMED INTEREST	%
BENG HUI HOLDING (S) PTE. LTD.	238,692,444	79.56	–	–
LIM HUI ENG	2,392,930	0.80	238,692,444	79.56
LIM HUI PENG	2,392,930	0.80	238,692,444	79.56
LIM HUAY HUA	2,392,930	0.80	238,692,444	79.56
LIM CHYE HOON EILEEN	1,823,212	0.61	238,712,444	79.57

Rule 723 of the SGX Listing Manual - Free Float

Based on the information available to the Company as at 15 March 2019, approximately 17.37% 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, 18 April 2019 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 2018 and the Auditors' Report thereon. **(Resolution 1)**

2. To approve the Directors' Fees of S$300,000 for the financial year ended 31 December 2018 (2017: S$299,333). **(Resolution 2)**

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

4. To re-elect Mr Patrick Lim Hui Peng, a Director retiring pursuant to Article 104 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;

Notice of Annual General Meeting

(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
3 April 2019

Notice of Annual General Meeting

Explanatory Notes:-

1. Mr Loh Weng Whye (Independent Non-executive) will, upon re-election as Director of the Company, continue to serve as the Chairman of the Remuneration Committee as well as a member of the Audit Committee and Nominating 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 Loh Weng Whye can be found under the “Directors’ Profile” and “Additional Information on Director seeking re-election pursuant to Rule 720(6) of the Listing Manual of the SGX-ST” sections in the Company’s Annual Report 2018.

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

   Detailed information on Mr Patrick Lim Hui Peng can be found under the “Directors’ Profile” and “Additional Information on Director seeking re-election pursuant to Rule 720(6) of the Listing Manual of the SGX-ST” sections in the Company’s Annual Report 2018.

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.

Notice of Annual General Meeting

(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.

Additional Information on Director Seeking Re-Election Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST (the "Listing Manual")

Mr Loh Weng Whye, the Director seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 18 April 2019 ("**AGM**") (the "**Retiring Director**").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the following is the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST:

Date of Appointment	3 August 2005
Date of last re-appointment	15 April 2015
Age	73
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Loh Weng Whye for re-appointment as Independent Non-Executive Director of the Company. The Board have reviewed and concluded that Mr Loh Weng Whye possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board. In addition, the Board, having reviewed independence of Mr Loh Weng Whye and taking into account the deliberations of the NC, is of the view that he is able to exercise independent and objective judgement considering that there are no relationships or circumstances which may affect his judgement and ability to discharge his duties and responsibilities as independent director.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Lead ID, Chairman of the Remuneration Committee and member of the Audit Committee and Nominating Committee.
Professional qualifications	Mr Loh Weng Whye 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.
Working experience and occupation(s) during the past 10 years	Company Director of: BH Global Corporation Ltd (SGX listed) Hatten Land Limited (SGX listed) Leeden Limited (SGX listed) XinRen Aluminum Holdings Ltd (SGX listed) China New Town Development Co Ltd (SGX listed) United Envirotech Limited (SGX listed) Layar Positif Sdn Bhd (Malaysia) Senior Adviser to: Greendot Capital Pte Ltd (under Temasek Holdings) YTL Power International Bhd (KLSE listed, Malaysia) OTM 21 (Singapore) Pte Ltd

Additional Information on Director Seeking Re-Election Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST (the "Listing Manual")

Shareholding interest in the listed issuer and its subsidiaries	Direct Interest: 135,000
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No
Conflict of Interest (including any competing business)	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes
Other Principal Commitments* Including Directorships # Past (for the last 5 years) Present	Present Board Director of: Kwong Wai Shiu Hospital Limited (IPC) Moral Home for the Aged Sick Limited (IPC) Yangzheng Foundation Hatten Land Limited Vice Chairman of: Society of Engineers for Community Services Past: XinRen Aluminum Holdings Ltd China New Town Development Co Ltd United Envirotech Limited Leeden Limited

(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No
(c)	Whether there is any unsatisfied judgment against him?	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No

Additional Information on Director Seeking Re-Election Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST (the "Listing Manual")

(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No
(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:- (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No
(k)	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).		N.A.

Additional Information on Director Seeking Re-Election Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST (the "Listing Manual")

Mr Patrick Lim Hui Peng, the Director seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 18 April 2019 ("**AGM**") (the "**Retiring Director**").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the following is the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST:

Date of Appointment	23 April 2004
Date of last re-appointment	15 April 2015
Age	53
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Patrick Lim Hui Peng for re-appointment as Executive Director and Chief Operating Officer of the Company. The Board have reviewed and concluded that Mr Patrick Lim Hui Peng possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director and Chief Operating Officer and member of the Risk Management Committee and Group Sustainability Committee.
Professional qualifications	Mr Patrick Lim Hui Peng graduated from Ngee Ann Polytechnic with a Diploma in Electrical and Electronic Engineering in 1986.
Working experience and occupation(s) during the past 10 years	Company Director of: BH Global Corporation Limited (SGX Listed) BH Marine & Offshore Engineering Pte. Ltd. Beng Hui Holding (S) Pte Ltd Beng Hui Marine Electrical Pte. Ltd. BH Auto Services Pte. Ltd. Sopex Innovations Pte. Ltd. BOS Offshore & Marine Pte. Ltd. Genesis Environtech Pte. Ltd. Tung Hong Pte Ltd Ji Zong Trading Pte Ltd GL Lighting International Pte. Ltd. Athena Dynamics Pte. Ltd. Global Steel Industries Pte. Ltd. PT. O&G Solutions PT. BH Marine & Offshore Engineering Omnisense Systems Private Limited One BHG Pte. Ltd. BOS Engineering International Pte. Ltd. SASA Apac Pte. Ltd. Athena International Holdings Pte. Ltd.

Additional Information on Director Seeking Re-Election Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST (the "Listing Manual")

Shareholding interest in the listed issuer and its subsidiaries	Direct Interest: 2,392,930 Deemed Interest: 238,692,444
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr Patrick Lim Hui Peng is the sibling of the Executive Director, Mr Vincent Lim Hui Eng.
Conflict of Interest (including any competing business)	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes
Other Principal Commitments* Including Directorships # Past (for the last 5 years) Present	No

(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No
(c)	Whether there is any unsatisfied judgment against him?	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No

Additional Information on Director Seeking Re-Election Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST (the "Listing Manual")

(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No
(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:- (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No
(k)	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).		N.A.

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK.

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 2018 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 3 April 2019.

I/We____(Name)

_______________________________ (NRIC No./Passport No./Company Registration No.)

of ____ (Address)

being a member/members of **BH GLOBAL CORPORATION LIMITED** (the "Company"), hereby appoint:-

Name	Address	NRIC/ Passport No	Proportion of Shareholdings (%)

*and/or

Name	Address	NRIC/ Passport No	Proportion of Shareholdings (%)

or failing *him/her/them, the Chairman of the Annual General Meeting ("AGM") of the Company as *my/our *proxy/proxies* to vote for *me/us* on *my/our* behalf and, if necessary, to demand a poll, at the AGM of the Company to be held at the Boardroom, 8 Penjuru Lane, Singapore 609189 on Thursday, 18 April 2019 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 2018.		
2.	To approve the Directors' Fees of S$300,000 for the financial year ended 31 December 2018.		
3.	To re-elect Mr Loh Weng Whye as Director.		
4.	To re-elect Mr Patrick Lim Hui Peng 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 ____________________ 2019

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

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

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM

Notes:

1 Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Cap 289) of Singapore), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2 (a) A member of the Company who is entitled to attend and vote at the Annual General Meeting and who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend and vote on his behalf. Where such member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. A proxy need not be a member of the Company. If the appointer is a corporation, the proxy must be executed 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.

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 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

8 Penjuru Lane, Singapore 609189
Tel: +65 6291 4444 Fax: +65 6291 5777
Email: sales@bhglobal.com.sg
www.bhglobal.com.sg