BH GLOBAL
CORPORATION LTD

BUILDING A SUSTAINABLE FUTURE

ANNUAL REPORT 2019

Environment • Electrification • Digitalisation

Contents

Corporate Overview

Established in 1963 and listed on the SGX mainboard since September 2005, BH Global Corporation Ltd ("BH Global") is an established group providing solutions internationally through five key divisions:

1. Electrical and Technical Supply
2. Green LED Lighting
3. Integration Engineering
4. Cyber Security
5. Infrared Thermal Sensing Technology

The Group is focused on continual transformation through sustainable Environment, Electrification and Digitalisation initiatives.

VISION

We embrace technology, adapt and transform to build a sustainable future.

MISSION

We are positive, focused and committed to deliver values to all stakeholders.

1

Electrical and Technical Supply

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.

BENG HUI 明輝
MARINE ELECTRICAL PTE LTD

Comprehensive range of premium electrical products and solutions for marine and other industries.

2 Green LED Lighting

3 Integration Engineering

GL LIGHTING INTERNATIONAL

Research and Development, Design and Manufacture of innovative and technologically advanced Green LED Lighting solutions.

BOS OFFSHORE & MARINE PTE LTD

Engineering, procurement, integration and project management solutions and turn-key Glass Reinforced Epoxy (“GRE”) piping solutions for the Marine & Offshore and Oil & Gas sectors.

Electrification of marine propulsion systems and development and management of Energy Storage Systems.

4 Cyber Security

5 Infrared and Thermal Sensing Technology

athena dynamics

gha good hackers alliance®

Critical infrastructure protection and cyber threat management via the deployment of advanced and innovative solutions.

Ethical white-hat hacker vulnerability assessments and other consulting services through the Good Hackers Alliance (gha).

Omnisense systems

Mass Fever Screening Systems for medical, border control and people management deployments.

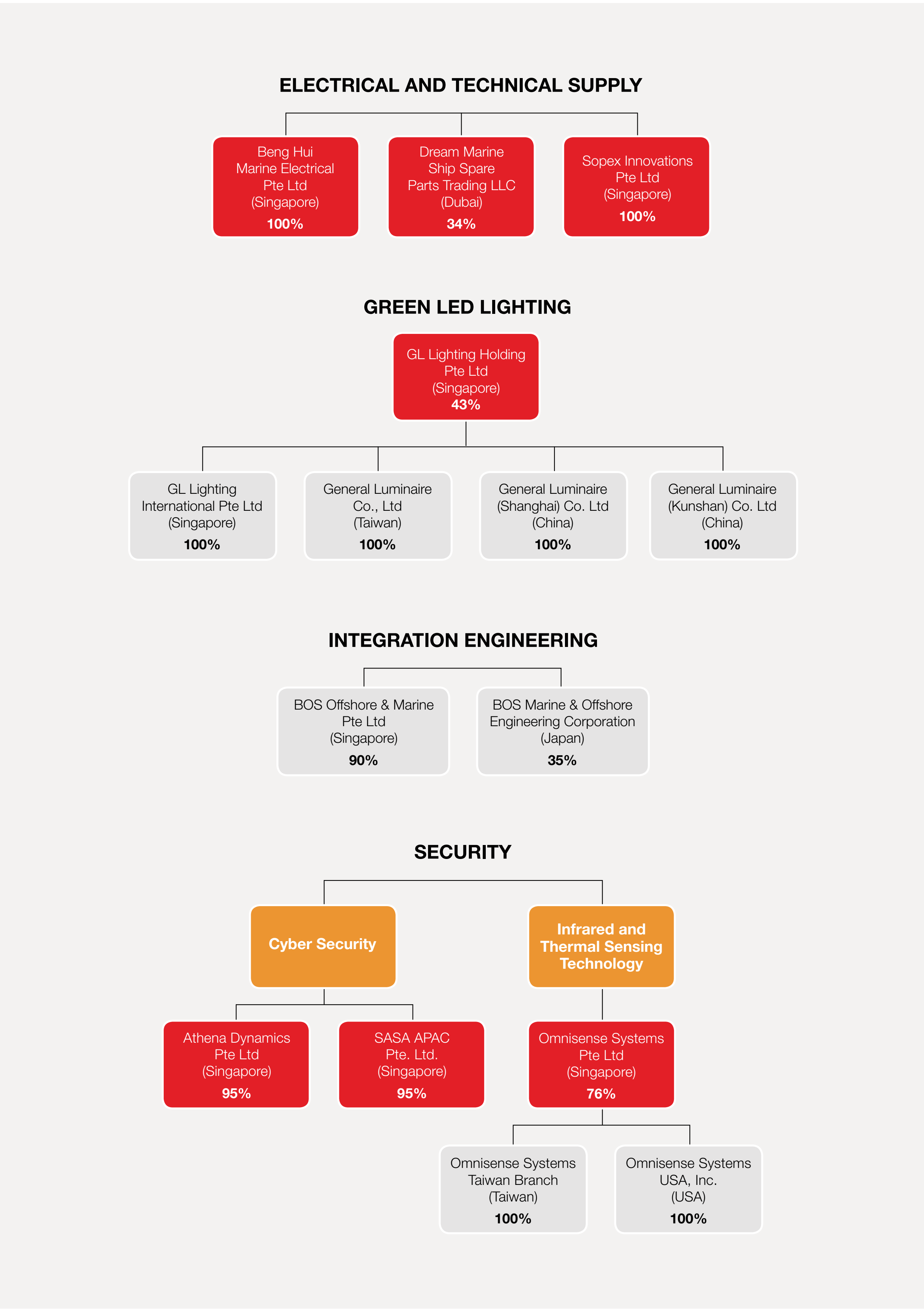
Night vision technologies for various marine and land-based applications including law enforcement, surveillance and commercial pleasure crafts.

Our Geographical Presence

Headquartered in Singapore, we manage our businesses across Asia, the Middle East and North America.

Where we operate

Business Segments



Business Profile:

Electrical and Technical Supply

BENG HUI MARINE ELECTRICAL

A market leader in marine and offshore electrical supplies

Beng Hui Marine Electrical Pte Ltd ("BHM") is a one stop marine and offshore electrical stockiest and supplier, with a wide portfolio of technically certified premium electrical products such as cables, lighting systems and electrical consumables by international renowned brand partners.

BHM is the preferred supplier of choice around the world for new-build, repair and retrofitting projects. Its diversified client base comprises of shipyards, ship chandlers, ship owners, vessel management companies, system integrators, fabrication contractors and offshore EPC.

Occupying over 200,000 square feet of warehousing and logistics facilities, BHM operates an inventory management hub fully equipped with material handling, testing and storage capabilities. The Digital Warehouse Management System further enhances productivity through the accurate prioritization of inventory preparation and deliveries using set rules. BHM owns and operates a fleet of delivery vehicles and maintains a strong partner network of international freight forwarders to provide timely and reliable deliveries both locally and globally.

Total Inventory Management

Interim inventory management and Just-In-Time ("JIT") delivery solutions. Customers enjoy valuable efficiencies and cost savings through JIT deliveries and progressive billings according to their project schedules.

Quality Component Integration

Customises products in accordance with customer's technical specifications, including the identification, sourcing and assembly of complementary components to provide a true total product solution.

Complete Support Solutions

Comprehensive suite of services comprising sales support with a dedicated team of customer representatives; technical & engineering support providing on-site services and technical evaluations; and global logistics mobility supported by an impeccable distribution network and strong alliances with international freight forwarders.

Focus on the Environment

BHM works with shipowners and ship chandlers to contribute to environmental sustainability through the retrofitting of LED lightings on vessels. Customers benefit from attractive Returns on Investments ("ROI") derived from long-term energy savings and the elimination of maintenance and replacements associated with conventional lighting systems. The Group owns and manufactures its in-house proprietary brand of marine LED lightings - SOP (Save our Planet). BHM encourages customer adoption by performing onboard assessments of lighting requirements, generating inspection reports on ROI and Total Cost of Ownership, and providing recommendations on the technical specifications appropriate for each vessel. These value adding services help customers play their part towards long-term environmental sustainability.

Focus on Digitalisation

BHM continues to expand its e-Commerce strategy to serve customers with enhanced efficiency and transparency. The BH eStore is an online information platform that provides customers with a one-stop engagement portal for all their electrical supply needs.

- S$30 million of marine electrical supply inventories under management
- Over 30,000 product line items from international brands
- Products with marine & offshore specifications that meet stringent safety standards
- Fully equipped inventory management facilities
- Dedicated Sales & Engineering team providing on and off-site support
- Just-In-Time deliveries and interim inventory storage services
- Global logistics mobility
- 24/7 online presence through the **BH eStore**

It offers concise information and functionalities such as price, online request for quotations, real-time inventory status, online order and payment processes, and a comprehensive database of technical information which includes catalogues, product specifications, certifications, 3D drawings and even product videos. Being the subject matter expert in marine and offshore electrical supplies, BHM has taken a leadership role in encouraging transparency and trading efficiency in the market through the listing of price and product information on the BH eStore which currently carries a comprehensive listing of 12,000 line items.

Ship owners and maritime users can now procure the right products at the right price with the right quality that complies with marine and safety standards. The BH eStore serves as an excellent technical guide for marine and offshore electrical supplies, accessible by users internationally.

BHM stands ready to evolve to stay current and relevant with global market developments. The initiatives towards Environmental and Digitalisation forms the core of its business strategy. Together with its traditional strengths in inventory management and distribution, BHM is the trusted partner to its customers globally.

Business Profile:

Green LED Lighting

GL LIGHTING HOLDING

A specialist in R&D, Design and Manufacturing of Green LED solutions

There is an urgent need for energy saving solutions to tackle Green House Gas emissions and global warming. LED lighting technologies play an important role in global Green efforts addressing climate change.

BH Global entered into a strategic partnership in 2011 to form GL Lighting Holding Pte Ltd ("GLH") to enhance its portfolio in LED technologies. GLH prides itself on having one of the most advanced luminaire factories in Asia. The manufacturing facility comprise of a 11,000m^2 mechanical plant and a 11,500m^2 electronic plant, with cutting-edge capabilities including fully automated SMT lines, cloud enabled electronics manufacturing, advanced powder coating lines, CNC equipment, laser and plastic injections, cold forged and aerospace welding equipment.

With dozens of patents to its name, GLH houses a strong research and development team equipped with technical knowledge in optic design, thermal management, electronic, electrical, mechanical, and software development capabilities. The integration of cross industry expertise gives GLH a leadership position in the design and development of innovative and effective LED lightings and solutions for commercial, industrial, marine and offshore industries. GLH's proprietary Smart Lighting Controls enables optimal lighting controls and management, which enhance energy savings leading to cost reductions. GLH's LED products comply with stringent EMC requirements and are subject to 100% ICT, burn-in, ingress protection, hi-pot and vibration tests before delivery to customers.

GLH is committed to make full use of its leadership position in the LED market to drive technology and innovation towards new solutions to help address pressing concerns with the Environment.

GLH products are poised to lead the way towards a Brighter and Greener future.

- R&D specialist of innovative electronics and LED lighting technologies
- ODM and OEM for renowned international lighting companies
- Cutting edge factory in Kunshan, China
- More than 20 years of experience in LED lighting
- Established track record in LED modules, controls, electronic, power management, optical and luminaire designs
- Delivered more than 500 projects in mainland China
- Iconic projects include Canton Tower in Guangzhou and Shanghai Centre, the tallest building in China

Business Profile:

Integration Engineering

BOS OFFSHORE & MARINE

An accomplished turnkey engineering services provider

With a forward-looking mindset and a clear eye on identifying international maritime trends and developments, BOS Offshore & Marine Pte Ltd ("BOS") has transformed its operations to provide marine engineering solutions that help maritime industry players meet decarbonisation objectives.

GRE Pipe Systems

BOS is a material stockist of Glass Reinforced Epoxy ("GRE") pipes for the region. GRE pipes have become increasingly sought after for marine scrubber and ballast water management system installations due to its Green characteristics:

- 75% lighter than traditional mild steel pipes, contributing to reduced fuel consumption
- immune to sea water corrosion and does not require maintenance and replacements

BOS also specializes in turnkey solutions for GRE pipe supplies, pre-fabrications, engineering designs, installations and commissioning.

Electric Propulsion

The battery-assisted vessel (full electric, chargeable and non-chargeable hybrids) will be a key transitional tool for global efforts in eliminating the use of fossil fuels. BOS has embarked on its Electrification journey, developing strong systems integration and testing capabilities to interface Energy Storage / Management Systems and Power Drive Trains with vessel designs to derive optimal performance in energy savings and emission reduction.

BOS has entered into a MoU with strategic partners for the development of a comprehensive eco system to support the adoption of hybrid and full electric propulsion systems in Singapore.

Marine Scrubber Integration Engineering

Marine scrubbers are increasingly employed on vessels to reduce emissions from their exhaust systems to comply with sulphur emission caps imposed by the International Maritime Organisation. BOS supplies comprehensive marine scrubber integration engineering services for vessel retrofits and new builds.

EIT Project and Procurement Management

BOS provides a full range of project management services specializing in Marine & Offshore and Oil & Gas projects, including Front End Engineering Design (FEED) services.

In 2017, BOS entered into a joint venture with strategic Japanese partners Taiyo Electric Co Ltd and Sanshin Electric Corporation, to form BOS Marine Offshore Engineering Corporation (BOSMEC) which is headquartered in Tokyo with an engineering office in Kobe. Leveraging on the partners' vast networks and connections in Japan, BOS will continue to explore and introduce its Green initiatives in the Japanese and regional maritime markets.

Business Profile:

Cyber Security

ATHENA DYNAMICS

A trusted Consultant and Distributor of IT & OT Cyber Protection Technologies

Established in 2014, Athena Dynamics Pte Ltd ("Athena Dynamics") sources and bridges proven technologies to Singapore and the Asia Pacific region. Athena Dynamics has achieved numerous success stories in protection of Critical Info-Infrastructures (CIIs) in the public and private sectors. For that, it has won various industry awards such as the Most Promising Industrial IoT Security Solutions Award, IDG/IBM ASEAN TOP 50 CIO Award, CSA Cyber Security Award 2018 Finalist etc.

Athena Dynamics is a pure-play cyber security consulting arm of BH Global which is fully independent of any state-level relationship. This gives Athena Dynamics neutrality to assist entities with cyber protection of their Enterprise Information Technology platforms (IT) and Industrial Control Operation Technology Systems (OT). This is especially important for Critical National Info-Infrastructures (CNII).

The Good Hackers' Alliance ("gha") formed by Athena Dynamics comprises credible and ethical hacker groups with state-level competencies. gha has performed countless deep vulnerability assessments for sensitive establishments, as well as recovery operations necessitated by cyber related breaches.

Athena Dynamics' unique value proposition is driven by its focus on radically differentiated paradigms to fill the gaps that mainstream protection technologies fail to address.

Going Beyond Security by Design, Fulfilling Security by Operational Practices

Detection-less Technologies

Detection-less sanitization technologies to prevent the undetectable. Advanced threats of today are no longer straightforwardly detectable - cyber breaches continue to occur despite substantial investments in mainstream protection and preventive measures which are based on detection technologies.

True Binary Code Review Technology

Empower users to check vulnerability of applications without the need for source codes. Provide much needed assurance in testing 3rd party applications or applications for which source codes are no longer available.

Unidirectional Diodes

Enhance critical network protection by ensuring 100% unidirectional network traffic via hardware level protection which is stronger than the traditional firewall. Especially important for the protection of CNII.

High Order Packet Capture and Depository

Capture and store high speed network traffic at line-rates without packet loss. Coupled with ultra large storage and high-speed keyword search capabilities, this provides a robust and efficient platform for investigative purposes. It is therefore a well sought-after solution for state-level criminal or terrorist related forensic operations.

Business Profile:

Infrared and Thermal Sensing Technology

OMNISENSE SYSTEMS

A leader in thermal night vision and mass fever screening

Established since 2006, Omnisense Systems Pte Ltd ("Omnisense") was acquired by BH Global in 2016. It develops and manufactures advanced night vision, remote sensing and motion control systems used in industrial, commercial and law enforcement applications. Its core competencies are in advanced motion control and sensing systems, real-time operating systems (RTOS), custom IP cores and digital signal processing.

Omnisense also undertakes specialized projects requiring integrated digital system builds and highly customized mechanical, hardware & software development.

Omnisense commands extensive experience and expertise in vision systems, infrared thermography and advance mechanical design. It invests heavily in Research and Development and has built significant capabilities in the realm of highly integrated digital system design and development. Today, Omnisense boasts of strong and capable manufacturing and maintenance capabilities. Its highly automated infrared temperature calibration laboratory is probably the most advanced privately-owned setup in the region.

In February 2020, Omnisense has established a sales and marketing office in the United States of America to explore and develop business opportunities in the world's biggest commercial night vision camera market.

Mass Fever Screening System ("MFSS")

The Omnisense MFSS is the most advanced in the market, featuring infrared cameras that can identify individuals with mild fever with an accuracy of +/- 0.1°C. The MFSS has served well for many years at all of Singapore's air, land and sea check points, as well as at many hospitals, corporations, learning institutions and government agencies to protect Singaporeans against outbreaks of virus and influenza. The MFSS has taken a prominent and critical role as Singapore's first line of defence in the fight against the COVID-19 pandemic.

Marine Night Vision

High-end marine gyro stabilized night vision infrared cameras which outperform that of the current market leader. References from international customers ranging from coast guards, crew boat operators and pleasure craft owners are testament to the superior quality and reliability of Omnisense's marine night vision products.

Research and Development

Advanced technical capabilities through R&D. Omnisense continues to build on its R&D capabilities with the establishment of a R&D centre in Taipei in 2017.

Chairman Statement

“We believe that by staying focused on embracing technology and on green initiatives, we will be able to continue growing and do well.”

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 2019 (“FY2019”).

A YEAR IN REVIEW 2019

Dear shareholders,

If FY2018 was one where we regained our footing, FY2019 was a year where we firmed up our footing and showed progress. The year may have been fraught with challenges, with geopolitical tensions weighing down on the global markets, but it also presented many opportunities for BH Global. We are pleased to see our efforts bearing fruition, reversing net losses for the past five years to deliver S$1.1 million in profits.

Our revenue climbed to S$49.4 million for FY2019, a 22.3% increase from S$40.4 million for FY2018. The Electrical and Technical Supply division continued to propel our business by accounting for 79.4% of our FY2019 revenue. Nevertheless, we remain steadfast in our revenue diversification efforts through bolstering the scale of operations of our Integration Engineering, Cyber Security and Infrared and Thermal Sensing Technology divisions, as well as in our associate company, GL Lighting Holding Pte Ltd, which performs cutting edge work in the research and development, design and manufacture of light-emitting diode (LED) lightings.

Despite the continual volatility of oil prices and uncertainties resulting from trade tensions between the United States of America and China in FY2019, we observed a steady pick-up in demand for our solutions and services. Such growth was made possible as a result of the Group’s forward-looking disposition in identifying upcoming trends in the maritime sector and building relevant expertise ahead of time. These efforts are part of the Group’s continuing transformation journey, with a focus on initiatives related to the themes of **Environmental**. **Electrification**. **Digitalisation**. representing our commitment to forge ahead towards **Building a Sustainable Future** for both the Group’s operations as well as the environment at large.

GROWING WITH GREEN INITIATIVES

In our core business, the **Electrical and Technical Supply** division, we have developed our proprietary brand of marine LED lights – SOP (Save our Planet) which offers our customers long-term savings on maintenance, replacements and high energy consumption associated with conventional lighting systems. More importantly, SOP empower our customers with the ability to take real and measurable steps towards energy savings and emission reductions in line with Green directions set out by the International Maritime Organisation (“IMO”). To encourage adoption of such Green initiatives, we go so far as to assist ship owners with physical inspections of vessels,

produce technical reports on our findings, and providing consulting and recommendations on ROI (Return of Investments) and TCO (Total Cost of Ownership).

We also continue to participate in marine scrubber related projects through the provision of technical consultation support and the supply of marine cables and peripherals, which has seen an increase in FY2019 driven by regulations for sulphur emission limits set out by the IMO.

Our **Integration Engineering** division holds the sole distributorship of renowned Glass Reinforced Epoxy ("GRE") pipes, Future Pipes Industries ("FPI") in Singapore, Japan and Vietnam. In marine applications, GRE pipes offer long-term savings as well as emission reductions as compared to traditional steel pipes due to its characteristics of being immune to sea water corrosion and being 75% lighter than its steel counterparts, which translates into direct reduction in fuel consumptions. GRE pipes are also maintenance free and do not require any replacement or repairs in its lifetime. We have made steady headway on our GRE pipes supply and installation projects. In FY2019, the Group's Integration Engineering division secured 17 projects in GRE materials supply and turn-key engineering in shipyards in Singapore, Japan and China as compared to 1 in FY2018. This translated to a significant 1,746% increase in revenue from this division in FY2019!

A DIVERSIFICATION PLAY TO SOLIDIFY GROWTH

Even as we continue to grow our core business through the Electrical and Technical Supply division, we are continuing with our transformation journey to evolve into a multi-disciplinary solutions and services provider to enhance our value add to our customers and stakeholders. In addition to the Integration Engineering division, we are continuing to build on the strengths of our Security business segment which comprise of the Cyber Security division and the Infrared and Thermal Sensing Technology division. This revenue diversification strategy is key to ensuring the Group's growth amidst macro-economic challenges.

Our **Cyber Security** division has secured strong and strategic partnerships with international solutions in FY2019 and is starting to make good headway into bringing innovative and powerful solutions to address cyber security issues of the day. We are confident that the preparation work laid out in FY2019 will translate into substantial growth for the Cyber Security division both locally and in the region. Our **Infrared and Thermal Sensing Technology** division's focus in FY2019 has been on the Research and Development of a full product range of thermal sensing cameras and this will also place us in good stead to address the market going forward. In February 2020, we set up a subsidiary in the United States of America to serve as a marketing and distribution centre for infrared and thermal sensing systems, the Group's first foray into the North American market for this division.

Chairman Statement

TOWARDS A SUSTAINABLE FUTURE

With our eyes on the future growth and diversification of the Group, we will continue to focus on Environment, Electrification and Digitalisation initiatives. The IMO has set out clear guidelines on de-carbonization to the international maritime community, and closer to home the Singapore Government has set out clear legislative directions towards emission reductions, starting with electric vehicles. The aviation and maritime sectors will likely follow soon. We will participate in this important global effort on de-carbonization by working relentlessly to bring innovative and technologically advanced solutions to market to address the clear and pressing concerns on the Environment.

On 11 February 2020, the Group's subsidiary BOS Offshore & Marine Pte Ltd, entered into a Memorandum of Understanding with strategic partners to launch Singapore's first plug-in hybrid electric propulsion fast launch in 1H2020. This marks an important milestone to the Group's focus on Electrification and on the Environment and is the first phase of the Group's roadmap towards building a whole eco-system for the operation of hybrid and full electric vessels in Singapore in the future. We are thankful to have formed strong working relationships with local SMEs and with government agencies on this important initiative.

As we embark on the FY2020 journey, the Group is already keeping a close eye on the uncertainties brewing on the horizon. The oil shock and global COVID-19 pandemic in early FY2020 have led to volatility in the financial markets and there are signs of looming recessions in many parts of the world. FY2020 will likely be even more challenging and uncertain compared with past years. Despite this, we remain committed and focused, and will work hard at capturing pockets of opportunities. For instance, the COVID-19 pandemic has led to increased demand for our Mass Fever Screening Systems, and we are working hard to ramp up production activities to address the increased demand. We believe that by staying focused on embracing technology and on green initiatives, we will be able to continue growing and do well.

We are truly grateful for our stakeholders' continued trust and commitment in us, and we will continue to persevere and to work hard to catapult BH Global to the next level, delivering greater value to shareholders.

Vincent Lim Hui Eng
Executive Chairman and Chief Executive Officer

Corporate Milestones

1963

- Established marine electrical solutions business in Singapore

1988

- Founded Beng Hui Electric Trading Pte Ltd, which was subsequently renamed BH Global Marine Limited

2005

- BH Global Marine Limited listed on the mainboard of the Singapore Exchange

2006

- Clinched the Group's first offshore supply project
- Merit award for Best Investor Relations for newly listed companies conferred by the Singapore Corporate Awards

2007

- Silver award for Best Investor Relations for companies with less than $500m in market capitalisation conferred by the Singapore Corporate Awards

2008

- Expanded logistics management capabilities through the acquisition of approximately 124,934 square feet of warehousing facilities
- Winner of the Most Promising Brand conferred by the Singapore Prestigious Brand Awards

2009

- Achieved record turnover of S$101.6 million
- Gold award for Best Investor Relations for companies with less than $300m in market capitalisation conferred by the Singapore Corporate Awards

2010

- Secondary listing on Taiwan Stock Exchange
- Established Integration Engineering business
- Expanded business reach into regional territories including Vietnam, China, India and the Middle East
- Silver award for Best Managed Board for companies with less than $300m in market capitalisation conferred by the Singapore Corporate Awards

2011

- Established GL Lighting Holding Pte Ltd

2013

- Rebranding of SGX listed company to BH Global Corporation Ltd

2014

- Established Athena Dynamics Pte Ltd

2016

- Acquisition of Omnisense Systems Pte Ltd

2017

- Incorporation of BOS Marine & Offshore Engineering Corporation in Japan
- Established Omnisense Systems Pte Ltd, Taiwan Branch
- The Group's E-Commerce Platform (bh-estore.com) achieves S$100,000 of online sales revenue

2018

- BOS Offshore & Marine Pte Ltd completes its first GRE pipe project in Japan

2019

- BOS Offshore & Marine Pte Ltd secures 17 GRE pipe projects in Singapore, Japan and China
- Official opening of GL Lighting Holding LED plant in Kunshan, China

2020

- Memorandum of Understanding between BOS Offshore & Marine Pte Ltd and strategic project partners to launch Singapore's first plug-in hybrid electric propulsion fast launch
- Established Omnisense Systems USA, Inc.

Board of Directors

1. 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.

2. 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 28 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 – Electrical and Technical Supply, Green LED Lighting, Integration Engineering, Cyber Security and Infrared and Thermal Sensing Technology divisions. Together, the five divisions are synergized for growth by leveraging on the collective expertise and market networks. This help to create a platform for BH Global to embrace technology, adapt and transform to build a sustainable future.

3. 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.

4. 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 the power industry in Singapore and 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.

5. 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 international trade 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 of 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

1. MR JOHNNY LIM HUAY HUA
Director, Logistic Operations

Mr Johnny Lim Huay Hua is BH Global's Director of Logistic Operations since April 2004. He is responsible for managing the logistics and distribution functions within the Group. Mr Johnny Lim has over 28 years of working experience, of which over 25 years are related to the marine electrical supply industry. He is an executive director of SOPEX Innovations Pte Ltd since 1994.

2. 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 38 years of working experience involving finance, personnel and administrative functions.

3. 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.

4. 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 25 years of working experience 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. Mr Koh is also very active in fighting climate change starting from the Marine and Offshore sector which he is familiar with. Over the years, he has been contributing his time and efforts in speaking at numerous technical seminars advocating government bodies, business sectors and technology providers to contribute collectively in reducing GHG emissions and carbon intensity here in Singapore.

5. MR KEN SOH LEE MENG

Group 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 March 2014 and as the founding CEO of the Athena Dynamics Pte Ltd ("Athena Dynamics ") 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 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 150 thought leadership speaking engagements 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).

6. MR LEONARD LIM SIANG SOON

CEO for Omnisense Systems Pte Ltd

Mr Leonard Lim Siang 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.

7. 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. She is a Council Member of the Singapore Association of Ship Suppliers and Services, and 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 periodic briefings with analysts, fund managers and investors to update them on the Group's activities and developments, investment merits, financial highlights and business outlook.

Management also participates in relevant media supplements and engages the investment community by speaking to the financial media on topics of interest. BH Global and its various companies have been featured in both the mainstream media and other online media and trade publications. Mainstream media and trade publications are also invited to events such as Memorandum of Understanding signing ceremonies.

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 Group also makes use of social media platforms such as LinkedIn and Facebook to share industrial developments, relevant articles and publications and Group related events and developments to shareholders and potential investors.

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 good training and development programs are key to retaining the right talent, support welfare development and building cohesiveness among team members.

TRAINING AND DEVELOPMENT

Investments in skill upgrades, professional and personal development are essential to unlocking the full potential of our people.

We encourage our employees to attend programs and seminars aimed at broadening their knowledge and expertise in various areas such as finance, accounting, marketing, information technology, engineering and other technical and operational topics. Apart from learning and developing the individual's skill sets, such participation also provides a more holistic overview of the respective field of operation as well as of the current trends and future potential in those respective areas.

BH Global sees training as the means to identifying potential managers and future leaders, helping staff members in developing and upgrading their technical skills and supporting and enhancing career development opportunities for employees.

Through training and development, employees can develop the skills necessary for them to take up new roles within the organization. BH Global supports internal, cross-department career mobility by identifying redeployment opportunities and offering further training and development to prepare our staff for such movements. The benefits of continuous training compound with time - it is through long-term employee training and development that the Group reaps the most significant returns on.

BH Global takes a strategic and systematic approach to training and development by aligning the individual's growth with business goals for leadership development. Such an approach encompasses a strong focus on corporate culture, individual leadership capabilities, a growth mindset and continuous learning.

The Group has benefitted from its approach through reduced employee turnover, stronger succession pipelines, increased employee motivation, and demonstration of enhanced employee engagement, productivity and competency.

WELFARE AND TEAMBUILDING

The Group conducts various welfare and teambuilding events to foster cohesiveness and promote camaraderie between employees and management.

In 2019, the Group hosted an Appreciation event at Wings Over Asia Hangar66's Private Aviators' Lounge - a fully air-conditioned space with a majestic view of Seletar Airport's runways. Staff and their family members were treated to an experiential tour of private and business jet hangars, learning about the various aircrafts and the hangar's daily operations, offering a rare insight to the private aviation lifestyle. Team building activities, inter-department games and a wonderous flow of food and drinks followed. Long service awards were also given out to entitled employees in appreciation and recognition of their valuable contributions to the Group over the years.

Group employees also participated in BH Global's Back-to-School event, a Corporate Social Responsibility ("CSR") initiative of the Group. This annual event is a collaboration with the Woodlands and Taman Jurong Community Centers to help students from lower-income families procure much needed stationery and other items to prepare for the coming school year. Apart from fulfilling its CSR objectives, such events serve to build a strong sense of team spirit and cohesiveness among the Group employees across various teams.

Corporate Social Responsibility

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.

CONTRIBUTIONS TO COMMUNITY

Our commitment to be a good corporate citizen is made possible by the collective efforts of all employees of the Group. We strongly encourage our staff to participate in the Group's CSR initiatives by incorporating CSR values and beliefs into our corporate culture. BH Global strives to make a difference to the community at large by focusing our CSR efforts in the areas of education and community development through staff volunteerism and monetary donations.

In 2019, BH Global continued with its tradition of running the "Back-to-School" event, in collaboration with Woodlands Community Center and Taman Jurong Community Center. The event was held on Sunday, 1st December 2019, at the Popular Bookstore at Bras Brasah Complex.

"Back-to-School" is an annual event hosted by BH Global to assist students from lower-income families purchase much needed items such as stationery and assessment books in preparation for the new school term. 2019 marks the eleventh year that BH Global has organized this meaningful event, taking up sponsorship of Popular Bookstore cash vouchers and costs associated with logistics as well as refreshments served at the event. The Group's Human Resource and Marketing teams contributed valuable efforts in planning, coordinating and executing the event program, and over 40 of the Group's staff from various divisions and their families volunteered at the event itself, helping the invited children with their purchases. The warm smiles and gratitude received by the volunteers has made the sacrifices all worth-while!

The Group also make monetary donations regularly to various community and charitable organizations, such as the Singapore Thong Chai Medical Institution, Sian Chay Medical Institution, Ren Ci Hospital, Cheng Hong Welfare Service Society and Taman Jurong CCC Community Development and Welfare Fund. The Group also supports various charitable events organized by various charities and societies such as those by the Singapore Association for the Deaf.

The Group pledges to continue its efforts in contributing to the community to build a sustainable future for everyone.

SUSTAINABILITY REPORT

Sustainability Report

ABOUT THIS SUSTAINABILITY REPORT

This sustainability report presents the annual sustainability performance of the Group for the period 1 January 2019 to 31 December 2019. 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.

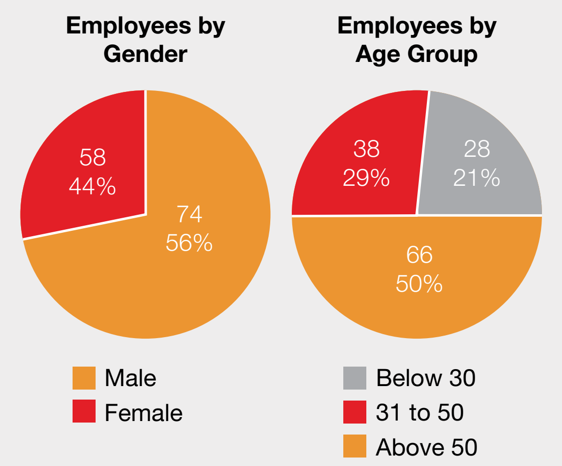
The EESG topics selected in the FY2018 report have been re-evaluated for its materiality to the Group in FY2019. The Board is of the view that for FY2019, the material topics continued to be the same as those in FY2018.

This report is the third sustainability report issued and it provides an update of the performance and targets on sustainability as set out in the previous report in FY2018 dated 28 March 2019.

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.

Human Resources of the Group

As at 31 December 2019, the Group has 132 employees (full-time) in its employment who fall under the following categories:



Mission and Vision

We embrace technology, adapt and transform to build a sustainable future. We are positive, focused and committed to deliver values to all Stakeholders.

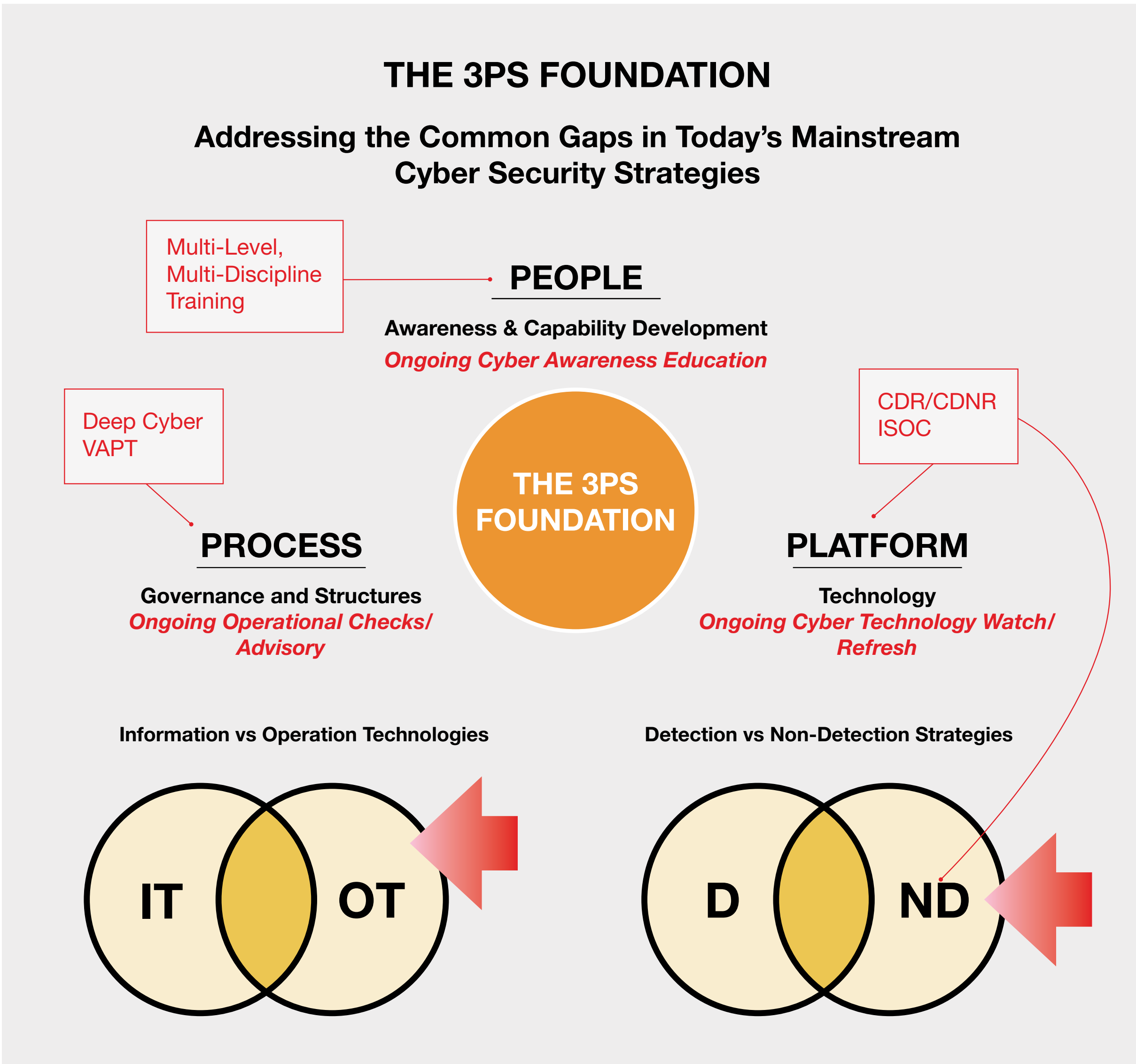
We believe in the following 5 core values for all our employees.

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.

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 the Group terms as the People-Process-Platform ("P-P-P") Foundation. The framework is now revised with situational-blended considerations to form the S(People-Process-Platform) ("3PS") Foundation.

Situational-blended considerations are increasingly critical in today's changing world. To take a recent development as case in hand, the avalanche of scams and phishing activities related to the Covid-19 situation is an example of emerging situational-blended attack vectors. Such attacks ride on the pandemic to entice online eyeballs and mouse-clicks for initiation of its infective kill-chain. This, coupled with a selected mix of socially engineered or technologically vulnerable possibilities, may create unprecedented damages that were unthinkable of in the past. An enhanced security foundation that includes a situational element is therefore required.



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.

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 worked with the Steering Committee to conduct a materiality assessment to identify the relevant EESG topics of which the Group considered important to stakeholders in FY2018.

Based on the Group's internal assessment where there were no significant changes in the business and the operating environment, the Board is of the opinion that the materiality assessment from FY2018 continues to be valid and relevant for the Group in FY2019.

As part of its ongoing engagements with key stakeholders, the Group carries out the following approaches:

Feedback from our key stakeholders form a crucial part of our strategic and business planning and is viewed as valuable insights for the Group to continuously improve its sustainability performance. The material topics were evaluated in FY2019 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.

Stakeholders	Engagement Approach	Key Interests
Employees (including Management)	• Regular dialogue • Training programmes • Work related meetings and discussions	• Working environment • Staff benefits • Skills development
Customers / Vendors	• Site visit & workshops • Phone calls • Email contacts • Formal & informal meetings	• Ensure quality of products and services • Goods and services provided on time
Shareholders	• Shareholders Annual General Meeting • Quarterly and full year results announcements • Disclosures of information on matters of material impact or significance through SGXNET and other information channels • Update of important events and business developments through the corporate website and social media platforms such as LinkedIn and Facebook	• Risk management • Corporate governance • Group operations

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.

Material Topics and Boundaries

The Steering Committee re-evaluated the topics from FY2018 and all topics were deemed to be material to the Group. As such, the Steering Committee recommended to the Board the same topics to be the material topics to be reported in FY2019

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

Sustainability Report

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 Electrical and Technical Supply division of the Group, prides itself as the leader in the field of marine & offshore electrical supplies with its niche in cables, lightings and accessories.

As part of the Group's Digitalisation initiative, the BH eStore, an online e-commerce platform, was launched in 2013. The BH eStore consists of a comprehensive electrical and technical online guide for 12,000 electrical products together with stock availability, pricing, specification sheets, certification, videos and 3D models.

The Group aims to educate maritime users and to serve global buyers with added efficiency and transparency. Getting the correct product on board is vital to ensure vessels' operations are at optimal levels. BH eStore offers transparency – allowing ship owners, management companies, chandlers and end users to procure the right products at the right price with the right quality.

The Group achieved S$136,000 of sales revenue made through our e-store for the year and target to achieve higher revenue the following year. The Group is cognizant of the fact that the identification of sustainable business practices that will enhance efficiency and value to all stakeholders, including customers, is crucial. The Group has determined that the development and implementation of an online sales platform is critical in securing long-term efficiencies and value add to customers. This value is specifically evident in the climate of the COVID-19 pandemic where brick and mortar establishments have been forced to halt business activities while businesses with online platforms are still able to continue providing goods and services despite the macro environment challenges posed by the pandemic.

The Group also adopted an improved Warehouse Management System (WMS) which aims to make logistics operations more productive, efficient and accurate through the utilisation of technology. With the WMS integrated with our in-house ERP System and through the usage of handheld devices and digital process-monitoring dashboards, the accuracy of inventory control is enhanced, productivity has improved significantly, and real-time data tracking is readily available.

Due to the adoption of the WMS, the timing required for receiving inventory reduced by 50% due to supplier information preloaded into WMS with just a need to scan the barcodes to verify that the right inventory was delivered. Picking of inventory was also done automatically by the system using handheld devices with the locations indicated.

Revenue generated by BH e-Store	
FY2018 Performance	**FY2019 Performance**
S$100,000	S$136,000
FY2020 Target	
S$180,000	

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 ("GLH") to enhance its portfolio of LED lightings.

GLH places emphasis in the design and development of innovative and effective LED solutions for commercial, industrial, marine and offshore 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 in maritime conditions.

<u>Beng Hui Marine Warehouse LED Upgrade</u>

The Group is pleased to report a reduction of energy consumption for its warehouse.

In FY2018, the Group has replaced the conventional fluorescent tubes in key areas of its 20,000m^2 warehouse and logistics facility with high energy efficient and reliable

SOP linear LED modules in order to reap significant savings from energy bills and maintenance costs.

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 loss. As SOP linear LED module is brighter than fluorescent tubes, 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 successful project was continued in FY2019 with no lights requiring replacement or maintenance. This translates to cost savings of S$7,481 (approximate cost of electricity at S$0.18/kWh) from reduced electricity consumption, as well as S$1,554 from replacements of fluorescent lamps and electronic ballasts that would have been necessary if LED lights were not installed.

We noted that while the performance for FY2019 has improved from that of FY2018, it is unlikely that the performance can be further improved in the long term. As such, the Group has determined that it will not set any further targets for this topic and will remove this topic from the FY2020 report. A materiality assessment will be performed in FY2020 to identify new and more relevant topics in place of this.

Energy savings / money from LED lightings at Warehouse	
FY2018 Performance	**FY2019 Performance**
13,478 kWh/year	**13,478 kWh/year**
S$7,481	S$9,035

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.

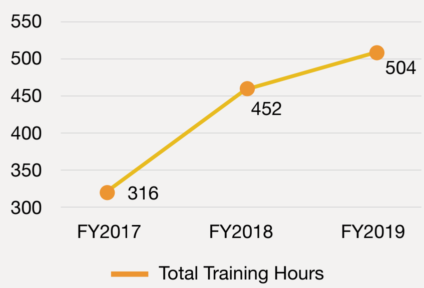
Potential future leaders of the Group also went through programmes such as talent management workshops and leadership training to prepare them for management and leadership roles.

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.

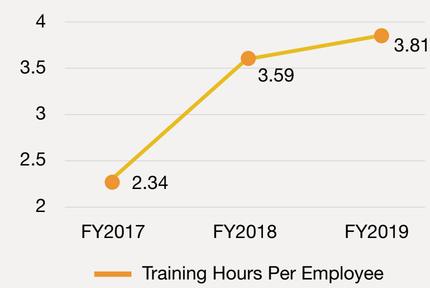
The training process is as follows:

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

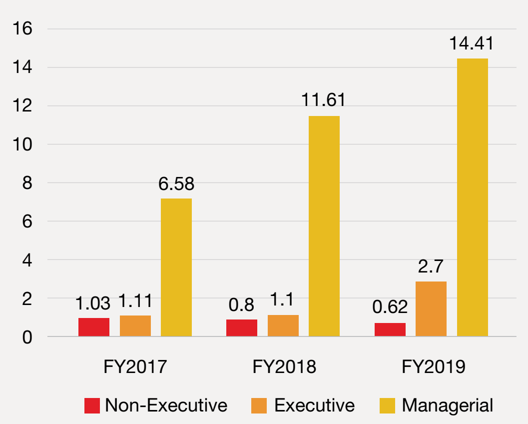
Total Training Hours for all Employees



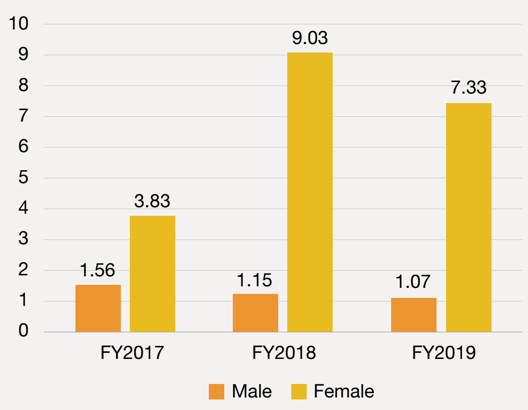
Average Training Hours per Employee



Average Training Hours per Employee, by Category



Average Training Hours per Employee, by Gender



The increase in training hours is mainly attributed to certain executives, managers and management attending the relevant organisational, software, certification, regulatory and cybersecurity trainings to enhance their job capabilities so as to create value for the Group.

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

- Safety (First Aid, Ship Supplier Safety)
- Information Technology (Cybersecurity, Penetration Testing)
- SGX regulatory updates
- Human Resources (Organisational Behaviour, Negotiation, HR strategies)
- Finance (Financial reporting standards, tax, accounting software training)

Average hours of training for employees

FY2018 Performance	FY2019 Performance
3.6 hours **per employee**	3.8 hours **per employee**

FY2020 Target

4.0 hours
per employee

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Operational and Financial Review

The Group's revenue rose by 22% to S$ 49.4 million in FY2019 due to higher revenues from the Electrical and Technical Supply and Integration Engineering divisions.

The Group's gross profit increased by 24% to S$16.9 million in FY2019 mainly due to higher revenue from the Electrical and Technical Supply and Integration Engineering divisions. There was no significant change in the Group's overall gross margin between FY2018 and FY2019.

The Group's operating expenses comprise selling and distribution expenses and administrative expenses. There were no significant differences in selling and distribution expenses while administrative expenses decreased by 42% largely due to lower impairment charges and provision for liabilities in FY2019.

The Group concluded FY2019 with a net profit to equity holders of the Company of S$1.7 million, compared to a net loss of S$4.0 million in the year prior.

Through determination and commitment, the Group has turned around in FY2019, delivering profits after five consecutive years of losses. The Group is committed to the furtherance of its transformation and diversification journey and is optimistic of continuing strong performance in the future.

SEGMENTAL OVERVIEW

Electrical and Technical Supply

The Electrical and Technical Supply division accounted for 79% of the Group's turnover in FY2019. Revenue from the division increased by 11% to S$39.2 million in FY2019 mainly led by an increase in the level of business activities of the Group's customers.

Green LED Lighting

The Green LED Lighting division is driven by the Group's associated company, GL Lighting Holding Pte Ltd ("GLH"), which opened its new LED factory in Kunshan, China in FY2019. GLH has continued to report a loss in FY2019 partly attributable to the initial high operating costs of operating from a new facility.

Security Division

The Security segment comprise of the Cyber Security and Infrared and Thermal Sensing Technology divisions. This segment accounted for 8% of the Group's revenue in FY2019, contributing approximately S$3.8 million in revenue. This represented a 19% decrease compared to FY2018 mainly due to the deliberate focus on research and development and formation of strategic partnerships in preparation for future expansions.

Integration Engineering

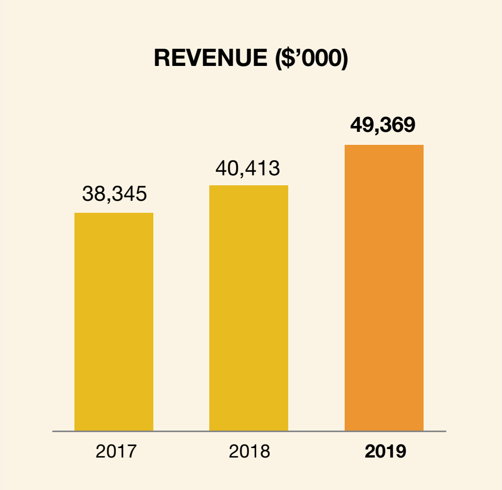
The Integration Engineering division accounted for 13% of the Group's turnover in FY2019. Revenue from this division increased by 1,746% to S$6.4 million in FY2019 driven by new business operations relating to Glass Reinforced Epoxy ("GRE") pipes and related engineering projects.

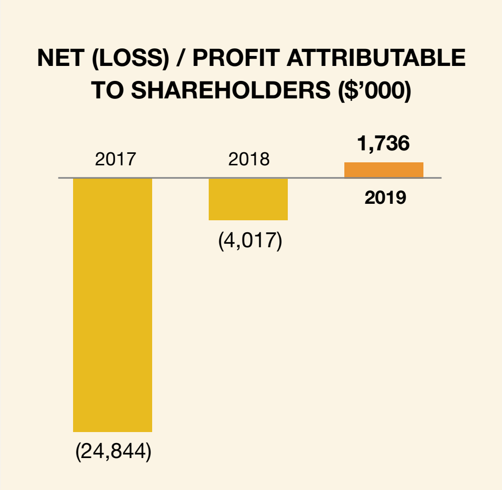
KEY BALANCE SHEET HIGHLIGHTS

(S$'000)	As at 31 Dec 2019	As at 31 Dec 2018
Total Assets	**82,783**	**63,377**
Property, plant and equipment	19,406	11,378
Inventories	28,521	22,260
Cash and bank balances	6,225	6,373
Total Liabilities	**41,794**	**38,492**
Total Equity	**40,989**	**24,885**

Operational and Financial Review

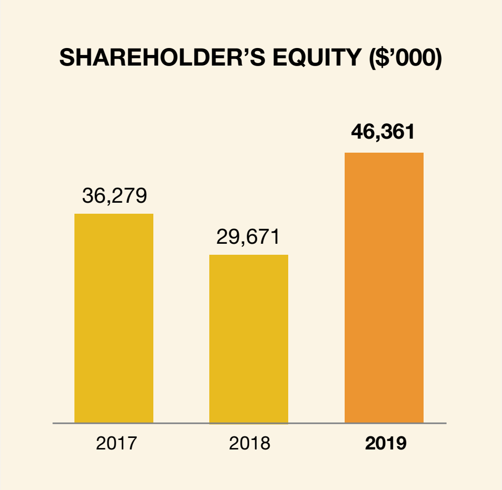
FINANCIAL HIGHLIGHTS





REVENUE BREAKDOWN BY SEGMENTS ($'000)

	2017	2018	2019
ELECTRICAL AND TECHNICAL SUPPLY	28,641	35,442	39,188
INTEGRATION ENGINEERING	7,047	348	6,424
SECURITY	2,657	4,623	3,757



* EPS for 2019 has been calculated based on 278,301,358 shares which is the weighted average number of ordinary shares in the capital of the company for the year following a 3 for 2 rights issue completed on 14 February 2019.

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
See Kai Li

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: Khor Boon Hong
(Appointed in financial year 2019)

CORPORATE GOVERNANCE REPORT

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 ("**Code**"), issued on 6 August 2018, through effective self-regulatory corporate practices to protect and enhance the interests of its shareholders. This report sets out the corporate governance practices that have been adopted by the Company with specific reference to the principles of the Code.

BOARD MATTERS

The Board's Conduct of Affairs

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

The Board's principal functions are:-

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.

Directors are fiduciaries who act objectively in the best interests of the Company and work with Management for the performance and long term success of the Group. The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organizational culture, and ensures proper accountability within the Company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.

The Board has delegated certain specific responsibilities to five (5) board committees, namely, the Audit Committee ("**AC**"), Nominating 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.

The Board meets at least four (4) times in a year. Informal meetings are regularly held to discuss and update on corporate and commercial matters. Article 110 of the Company's Constitution allows for participation in board meetings by means of telephone conference or any other similar communications equipment.

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

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.

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.

Corporate Governance Report

The number of Directors' and board committees' meetings and the record of attendance of each Director during the financial year ended 31 December 2019 are 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	2	4	2	2	1	2	1
Henry Tan Song Kok	4	4	4	4	-	-	2	2

** Mr Loh Weng Whye's absence was due to hospitalisation leave.*

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.

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

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. The appointment and removal of the Company Secretary are subject to the approval of the Board as a whole.

Board Composition and Guidance

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

The Board currently comprises five (5) Directors of whom, three (3) are Non-executive and Independent Directors, with majority of the Board being made up of 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.

The Board has adopted the Code's criteria of an independent director in its review. An "independent" director is one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the directors' independent business judgment in the best interests of the Company. Under this definition, Independent Directors make up a majority of the Board.

The independence of each Independent Director will be reviewed annually by the NC and the Board. Each Independent Director is required to complete a checklist annually to confirm his independence based on the guidelines as set out in the Code. The independence of any Director who has served on the Board beyond nine years from the date of his first appointment will be subject to more rigorous review. The NC and the Board are of the view that all its Independent Non-executive Directors have satisfied the criteria of independence as a result of its review.

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 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.

The Company is in compliance with the relevant provisions as the Independent Directors make up a majority of the Board where the Chairman is not independent.

The Board reviews the composition and size of the Board and each board committee and the skills and core competencies of its members from time to time to ensure they have appropriate balance and diversity of skills, experience and knowledge of the Company to maximize the effectiveness of the Board and board committees. 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 Board considers that its composition of Directors is well-balanced, with each Director having well-mixed knowledge, business network and commercial experience. The profiles of each of the Directors are provided in pages 20 and 21 of this Annual Report. Accordingly, the current Board comprises persons who as a group, have core competencies necessary to lead and oversee the Company.

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 auditor at least once a year and whenever necessary to discuss issues without the presence of Management.

As at 31 December 2019, 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	18.04.2019	Executive/Non-independent
Loh Weng Whye	Lead Independent Director	03.08.2005	18.04.2019	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

Chairman and Chief Executive Officer

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

Mr Vincent Lim Hui Eng 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.

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.

The Board has, since February 2007, appointed Mr Loh Weng Whye as the Lead Independent Director. The Lead Independent Director is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Executive Chairman and CEO or Management are inappropriate or inadequate.

Corporate Governance Report

Board Membership

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

The NC comprises the following members:-

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 Independent Non-executive Directors.

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

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

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

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

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

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

The 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.

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.

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, provided that all Directors shall retire from office at least once in every three years but shall be eligible for re-election;

(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.

When considering the re-nomination of a Director for re-election, the NC will consider the Directors' overall contribution and performance.

Corporate Governance Report

The detailed information of Mr Winston Kwek Choon Lin, the Director seeking re-election at the forthcoming Annual General Meeting of the Company pursuant to Rule 720(6) of the Listing Manual of the SGX-ST is set out below.

Date of Appointment	3 August 2005
Date of last re-appointment	19 April 2017
Age	55
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**"), with Mr Winston Kwek Choon Lin abstaining in his own case, and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Winston Kwek Choon Lin for re-appointment as Independent Non-executive Director of the Company. The Board has reviewed and concluded that Mr Winston Kwek Choon Lin possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board. In addition, the Board, having reviewed the independence of Mr Winston Kwek Choon Lin 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.)	Independent Non-executive Director, Chairman of the Nominating Committee and member of the Audit Committee and Remuneration Committee.
Professional qualifications	Mr Winston Kwek Choon Lin graduated with a Bachelor of Law (Honours) from the National University of Singapore in 1990 and was called to the Singapore Bar in March 1991. Between 2003 and 2016, he was also an Adjunct Associate Professor in the Faculty of Law at the National University of Singapore, teaching the Law of Marine Insurance.
Working experience and occupation(s) during the past 10 years	Partner of Rajah & Tann Singapore LLP Adjunct Associate Professor in the Faculty of Law at the National University of Singapore between 2003 and 2016
Shareholding interest in the listed issuer and its subsidiaries	Nil

Corporate Governance Report

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: Partner of Rajah & Tann Singapore LLP
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
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	No

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.

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.

Any newly appointed Director who has had no prior experience as a director of a listed company will undergo training in the roles and responsibilities of a listed company director. The Directors are also encouraged to keep themselves abreast of the latest developments relevant to the Group and attendance of appropriate courses and seminars may be arranged and funded by the Company.

The profiles, listed company directorships, principal commitments and key information of each individual director as well as their shareholdings in the Company are set out in the "Board of Directors" section and the "Director's Statement" section of this Annual Report.

Board Performance

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

The NC is responsible for assessing the effectiveness of the Board as a whole and its board committees, as well as the contribution of each individual Director. The NC has established a review process and proposed performance criteria set out in assessment checklists which are approved by the Board, and has performed the necessary assessment for the financial year.

These performance criteria will not be changed from year to year and where circumstances deem it necessary for any of the criteria to be changed, the onus will be on the Board to justify such changes.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual Directors and Key Management Personnel. No Director is involved in deciding his or her own remuneration.

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

Mr Loh Weng Whye (Chairman)
Mr Henry Tan Song Kok (Member)
Mr Winston Kwek Choon Lin (Member)

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

(a) To recommend to the Board all matters relating to the specific remuneration packages, including but not limited to Directors' fees, salaries, allowances, bonuses and benefits-in-kind, of the Directors and Key Management Personnel as well as to ensure the termination terms are fair;

(b) To review and ensure that the remuneration framework 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 and Key Management Personnel in order to retain and motivate each of them to run the business and operations successfully.

The RC's recommendations are submitted for endorsement by the entire Board. No Director is involved in deciding his own remuneration. External remuneration consultant's advice will be sought, where necessary, when a major remuneration review is conducted.

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and Key Management Personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

In recommending a remuneration framework, the RC takes into account the performance of the Group as well as the Directors and Key Management Personnel, 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 and promotes long-term success of the Group. It covers various aspects of remuneration including salaries, fees, allowances, bonuses, perks and benefits-in-kind. The RC'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.

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.

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 the Group's and individual performance in FY2019. 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.

Management has briefed the RC regarding its annual assessments on the performance of members of Key Management Personnel 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 Key Management Personnel. Annual incentive bonuses, if any, for the Executive Directors are calculated based on profit performance as stipulated in their respective service contracts.

Disclosure on Remuneration

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

The remuneration of the Directors for the financial year 31 December 2019 are as follows:

Name of Directors	Salary	Bonus / Profit-Sharing	Fees
Below S$250,000			
Mr Loh Weng Whye	-	-	100%
Mr Winston Kwek Choon 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 Seven (7) Key Executives for the financial year 31 December 2019 are as follows:

Name of Key Executives	Salary	Bonus	Fees
Below S$250,000			
Mr Dennis Tan Ka Woon	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%

** 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, the CEO or a substantial shareholder of the Company, except Mr Ken Hing Kah Wah who is the spouse of Ms Eileen Lim Chye Hoon employed by the Group whose remuneration exceed $100,000 per annum during the year.*

The aggregate amount of the total remuneration paid to the Key Management Personnel (who are not Directors or CEO) is $1,488,573 in FY 2019.

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, substantial shareholders or Management, and make comparison with those of their peers to ensure that they are treated fairly and without favoritism.

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

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

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.

Corporate Governance Report

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.

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

The Group outsourced its internal audit function to 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.

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 independent of the activities it audits and comprehensively covers the major activities within the Group.

During the year, IA 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. Observations for improvements were made 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.

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:

(a) the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") 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 CEO and other Key Management Personnel who are responsible, regarding the adequacy and effectiveness of the Group's risk management and internal control systems.

Audit Committee

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

The AC comprises:

Mr Henry Tan Song Kok	(Chairman)
Mr Loh Weng Whye	(Member)
Mr Winston Kwek Choon Lin	(Member)

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

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

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

(b) Review the assurance from the CEO and the CFO on the financial records and financial statements;

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

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

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

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

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

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

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

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

(k) Review interested person transactions.

Corporate Governance Report

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

The AC has considered and concurred with the selection of the two KAMs presented in the Independent Auditor's Report on the Financial Statements as representing those audits 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"), including strategic, business and commercial assessments. In addition, the AC was also briefed and updated on the Group's assessment of impairment of trade receivables, in particular on the application of the Expected Credit Loss Model.

The AC and the Group's external auditor have had meetings 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 external auditor in respect of the KAMs and also how these were identified as KAMs. AC also reviewed the other issues highlighted by the external auditor to determine together with the external auditor if these require to be highlighted as KAMs. In relation to the KAMs, the AC considered 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 external auditor. The AC also concurs with the respective accounting treatments and effects adopted by Management and agreed to by the external 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.

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 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:

(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.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

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

(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.

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.

(b) Communications with Shareholders

The Company engages an investor relation consultant 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.

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.

No dividend was declared and paid for the financial year ended 31 December 2019 as the Group needs to conserve its cash holdings to be re-invested into growing its operations.

Engagement with Shareholders

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

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 auditor will also be present to assist the Board in addressing queries by shareholders relating to audit matters.

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.

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.

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

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

The Group has identified stakeholders as those who are impacted by the Group's business and operations as well as those who have a material impact on the Group's business and operations. The Company engages its stakeholders through various channels to ensure that the business interests of the Group are balanced against the needs and interests of its stakeholders.

The Company maintains a corporate website at http://www.bhglobal.com.sg to communicate and engage with stakeholders.

Sustainability Committee

The SC comprises:

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

The 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 2019 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

There were no interested person transactions that were greater than S$100,000 during FY2019.

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.

Use of proceeds from rights issue

On 14 February 2019, the Company completed a renounceable non-underwritten rights issue (the "Rights Issue") of up to 179,999,992 Rights Shares at an issue price of S$0.085 for each Rights Share, on the basis of three Rights Shares for every two existing shares. The use of proceeds from the Rights Issue is as follows:

Use of Proceeds	Intended use	Amount utilised
	S$'000	**S$'000**
R&D activities and patents applications	1,800	1,800
Expansion of production facilities, product range, engineering capabilities, cyber security operation and digitalisation service offerings	1,400	1,400
General working capital*	347	347
Total	**3,547**	**3,547**

** General working capital includes salary related expenses, payment to suppliers, rental expenses and other expenses incurred related to business operation.*

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 2019.

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 65 to 132 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and 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 object 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 1.1.2019	At 31.12.2019	At 1.1.2019	At 31.12.2019
The Company				
Vincent Lim Hui Eng	957,172	2,392,930	71,668,900	238,692,444
Patrick Lim Hui Peng	957,172	2,392,930	71,668,900	238,692,444
Loh Weng Whye	53,750	135,000	–	–
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	–	–

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 2019, Beng Hui Holding (S) Pte Ltd holds 238,692,444 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.

Vincent Lim Hui Eng and Patrick Lim Hui Peng, by virtue of their interest of not less than 20% of the issued share capital of the Company are deemed to have an interest in the shares held by the Company in the following subsidiary corporations that are not wholly-owned by the Group.

	Number of ordinary shares			
	Shareholdings registered in their own names		Shareholdings in which a director is deemed to have an interest	
	At 1.1.2019	At 31.12.2019	At 1.1.2019	At 31.12.2019
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. (Under liquidation)				
Vincent Lim Hui Eng	–	–	750,000	750,000
Patrick Lim Hui Peng	–	–	750,000	750,000
SASA APAC Pte. Ltd.				
Vincent Lim Hui Eng	–	–	1	1
Patrick Lim Hui Peng	–	–	1	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	–	–	274,353	274,353
Patrick Lim Hui Peng	–	–	274,353	274,353
BOS Engineering International Pte. Ltd.				
Vincent Lim Hui Eng	–	–	450,009	450,009
Patrick Lim Hui Peng	–	–	450,009	450,009

Directors' Statement

The directors' interests in the shares of the Company at 21 January 2020 were the same as those as at 31 December 2019.

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
31 March 2020

Patrick Lim Hui Peng
Director

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 65 to 132, which comprise the statements of financial position of the Group and of the Company as at 31 December 2019, 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 2019 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 Notes 2(z), 20 and 34(c) to the financial statements.

The key audit matter:

As at 31 December 2019, the carrying amount of the Group’s trade receivables, net of allowance for expected credit loss (“ECL”) of $6,461,000, amounted to $13,548,000 and represented 25% of its current assets.

The Group determined the ECL of trade receivables by segregating debtors regarded as credit-impaired where one or more credit impairment events have occurred and using a provision matrix for remaining trade receivables that is based on its historical observed default rates. 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.

The measurement of allowance for ECL of trade receivables is considered to be a key audit matter as it requires management to exercise judgement and make assumptions with respect to past events, current conditions and forecasts of future economic conditions.

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

Key Audit Matters (cont'd)

Impairment assessment of trade receivables (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 ageing 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 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.

Impairment assessment of loan to and investment in an associated company

Refer to Notes 2(z), 13 and 17 to the financial statements.

The key audit matter:

An associated company, GL Lighting Holding Pte Ltd ("GLH") and its subsidiaries incurred a net loss of $1,925,000 during the financial year ended 31 December 2019 and as of that date, its total current liabilities exceeded its total current assets by $9,126,000.

The impairment assessment of the Group's loan to and investment in 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 assessed the impairment of its loan to and investment in GLH based on the value-in-use of GLH using the discounted cash flow ("DCF") method. The Group also assessed the impairment of the loan by making assessment of expected credit loss ("ECL").

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"). The assessment of ECL requires assumptions on probability of default and loss given default. A small change in the assumptions can have a significant impact on the net carrying amounts of loan to and 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 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. We evaluated management's credit loss assessment of the loan to an associated company and assessed the reasonableness of management's assumption applied in the assessment.

We have evaluated the various inputs used by management to estimate the WACC rate. In addition, we also considered the adequacy of disclosure made in the financial statements.

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2019 but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

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

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

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

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

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

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

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

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

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

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

31 March 2020

Consolidated Income Statement

For the financial year ended 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000
Revenue	4	**49,369**	40,413
Cost of sales		**(32,444)**	(26,710)
Gross profit		**16,925**	13,703
Other operating income			
- Interest		**248**	238
- Others		**194**	2,046
Selling and distribution expenses		**(9,944)**	(9,561)
Administrative expenses		**(5,141)**	(8,846)
Finance costs	5	**(1,163)**	(875)
Reversals of impairment losses/(impairment losses) on financial assets		**549**	(1,301)
Share of results of joint ventures		**407**	271
Share of results of associated companies		**(764)**	(1,162)
Profit/(loss) before tax		**1,311**	(5,487)
Tax expense	6	**(162)**	(20)
Profit/(loss) for the financial year	7	**1,149**	(5,507)
Profit/(loss) attributable to:			
Equity holders of the Company		**1,736**	(4,017)
Non-controlling interests		**(587)**	(1,490)
		1,149	(5,507)
Earnings/(loss) per share *(expressed in cents per share)*	9		
Basic		**0.62**	(3.35)
Diluted		**0.62**	(3.37)

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

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2019

	Group	
	2019	2018
	$'000	$'000
Profit/(loss) for the financial year	**1,149**	(5,507)
Other comprehensive loss:		
Items that are or may be reclassified subsequently to profit or loss:		
Currency translation differences arising on consolidation	**(3)**	(530)
Share of other comprehensive loss of associated companies	**(22)**	(45)
Share of other comprehensive loss of joint ventures	**(94)**	(135)
Other comprehensive loss for the financial year, net of tax	**(119)**	(710)
Total comprehensive income/(loss) for the financial year	**1,030**	(6,217)
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	**1,616**	(4,630)
Non-controlling interests	**(586)**	(1,587)
	1,030	(6,217)

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

Statements of Financial Position

At 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Non-current assets					
Property, plant and equipment	10	**19,406**	11,378	**–**	–
Investment in subsidiaries	11	**–**	–	**12,337**	12,337
Investment in joint ventures	12	**2,552**	2,431	**912**	912
Investment in associated companies	13	**1,105**	1,963	**2,485**	2,485
Deferred tax assets	14	**11**	11	**–**	–
Intangible assets	15	**2,288**	428	**–**	–
Financial assets at fair value through profit or loss	16	**9**	28	**–**	–
Loan to an associated company	17	**4,000**	4,000	**4,000**	4,000
Total non-current assets		**29,371**	20,239	**19,734**	19,734
Current assets					
Inventories	18	**28,521**	22,260	**–**	–
Contract assets	19	**2,584**	1,019	**–**	–
Trade receivables	20	**13,548**	9,922	**–**	–
Other receivables	21	**2,437**	3,467	**2,566**	569
Tax recoverable		**97**	97	**–**	–
Cash and cash equivalents	22	**6,225**	6,373	**380**	3,266
Total current assets		**53,412**	43,138	**2,946**	3,835
Total assets		**82,783**	63,377	**22,680**	23,569
Non-current liabilities					
Deferred tax liabilities	14	**302**	281	**–**	–
Borrowings	23	**2,667**	3,467	**2,667**	3,467
Lease liabilities	24	**8,431**	–	**–**	–
Finance lease liabilities	25	**–**	31	**–**	–
Total non-current liabilities		**11,400**	3,779	**2,667**	3,467

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

Statements of Financial Position

At 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Current liabilities					
Contract liabilities	19	**504**	322	**–**	–
Convertible loan notes	26	**727**	715	**–**	–
Trade payables		**8,108**	1,823	**–**	–
Other payables and accruals	27	**4,928**	17,635	**12,235**	26,625
Provisions	28	**514**	529	**–**	–
Borrowings	23	**14,602**	13,077	**800**	533
Lease liabilities	24	**311**	–	**–**	–
Finance lease liabilities	25	**–**	64	**–**	–
Tax payable		**700**	548	**–**	232
Total current liabilities		**30,394**	34,713	**13,035**	27,390
Total liabilities		**41,794**	38,492	**15,702**	30,857
Net assets/(liabilities)		**40,989**	24,885	**6,978**	(7,288)
Equity					
Share capital	29	**58,535**	43,461	**58,535**	43,461
Currency translation reserve		**(465)**	(345)	**–**	–
Equity component of convertible loan notes		**36**	36	**–**	–
Capital reserves	30	**(2,010)**	(2,010)	**–**	–
Accumulated losses		**(9,735)**	(11,471)	**(51,557)**	(50,749)
Equity attributable to equity holders of the Company, total		**46,361**	29,671	**6,978**	(7,288)
Non-controlling interests		**(5,372)**	(4,786)	**–**	–
Total equity		**40,989**	24,885	**6,978**	(7,288)

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

Statements of Changes in Equity

For the financial year ended 31 December 2019

	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	–	–	–	(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 2019

	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	Total $'000	Non-controlling interests $'000	Total equity $'000
Group								
At 1 January 2019	43,461	(345)	36	(2,010)	(11,471)	29,671	(4,786)	24,885
Profit/(loss) for the financial year	–	–	–	–	1,736	1,736	(587)	1,149
Other comprehensive income/(loss)								
Currency translation differences arising on consolidation	–	(4)	–	–	–	(4)	1	(3)
Share of other comprehensive loss of associated companies	–	(22)	–	–	–	(22)	–	(22)
Share of other comprehensive loss of joint ventures	–	(94)	–	–	–	(94)	–	(94)
Other comprehensive income/(loss) for the financial year, net of tax	–	(120)	–	–	–	(120)	1	(119)
Total comprehensive income/(loss) for the financial year	–	(120)	–	–	1,736	1,616	(586)	1,030
Issue of shares (Note 29)	15,300	–	–	–	–	15,300	–	15,300
Share issue expenses (Note 29)	(226)	–	–	–	–	(226)	–	(226)
At 31 December 2019	**58,535**	**(465)**	**36**	**(2,010)**	**(9,735)**	**46,361**	**(5,372)**	**40,989**

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

Statements of Changes in Equity
For the financial year ended 31 December 2019

	Share capital $'000	Accumulated losses $'000	Total equity $'000
Company			
At 1 January 2018	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)
Loss and total comprehensive loss for the financial year	–	(808)	(808)
Issue of shares (Note 29)	15,300	–	15,300
Share issue expenses (Note 29)	(226)	–	(226)
At 31 December 2019	**58,535**	**(51,557)**	**6,978**

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

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2019

	2019 **$'000**	2018 $'000
Cash flows from operating activities		
Profit/(loss) before tax	**1,311**	(5,487)
Adjustments for:		
Amortisation of intangible assets	**50**	152
Depreciation of property, plant and equipment	**1,295**	1,278
Fair value loss on financial assets at fair value through profit or loss	**19**	14
Foreign exchange difference	**57**	(699)
Gain on disposal of a subsidiary	**–**	(1,581)
Impairment loss on intangible assets	**–**	825
Interest expense	**1,163**	875
Interest income	**(248)**	(238)
Loss on disposal of property, plant and equipment	**2**	1
Loss on disposal of intangible asset	**–**	6
Property, plant and equipment written off	**6**	–
Provisions, net	**–**	1,619
Share of results of associated companies	**764**	1,162
Share of results of joint ventures	**(407)**	(271)
Operating cash flows before working capital changes	**4,012**	(2,344)
Inventories	**(6,261)**	2,512
Contract assets and contract liabilities	**(1,383)**	933
Receivables	**(4,271)**	(189)
Payables	**8,835**	(657)
Provisions	**–**	(913)
Currency translation adjustments	**(4)**	(237)
Cash from/(used in) operations	**928**	(895)
Income tax refunded/(paid)	**11**	(189)
Net cash from/(used in) operating activities	**939**	(1,084)

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

Consolidated Statement of Cash Flows

For the Financial Year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Cash flows from investing activities			
Dividend received from a joint venture		**264**	392
Interest received		**12**	90
Loan to an associated company		**–**	(4,000)
Proceeds from disposal of a subsidiary		**–**	3,000
Repayment of purchase deposit from a supplier		**1,908**	1,501
Proceeds from disposal of property, plant and equipment		**1**	1
Purchase of property, plant and equipment		**(380)**	(366)
Settlement of provision for liabilities		**(15)**	(17,798)
Development costs and license fee		**(1,910)**	(358)
Government grant received		**–**	279
Proceeds from disposal of intangible assets		**–**	43
Net cash used in investing activities		**(120)**	(17,216)
Cash flows from financing activities			
Net drawdown/(repayment) of short-term borrowings		**1,258**	(1,933)
Drawdown of borrowings		**–**	6,000
Repayment of borrowings		**(533)**	(1,009)
Repayment of lease liabilities		**(304)**	–
Repayment of finance lease liabilities		**–**	(119)
Interest paid		**(1,108)**	(806)
Decrease in fixed deposits under pledge and restricted cash		**26**	635
Proceeds from shareholder loan		**–**	11,500
Share application money received		**–**	3,800
Refund of share application money received		**(644)**	–
Proceeds from issuance of rights shares		**644**	–
Share issue expenses		**(258)**	–
Net cash (used in)/from financing activities		**(919)**	18,068
Net decrease in cash and cash equivalents		**(100)**	(232)
Cash and cash equivalents at beginning of financial year		**6,118**	6,329
Effects of exchange rate changes on cash and cash equivalents		**(22)**	21
Cash and cash equivalents at end of financial year	22	**5,996**	6,118

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

Notes to the Financial Statements

For the Financial Year ended 31 December 2019

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 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.

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(z).

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 2019 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.

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.

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.

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 prescribed by SFRS(I) appropriate for the specific circumstances.

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).

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.

2 Summary of significant accounting policies (cont'd)

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.

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.

2 Summary of significant accounting policies (cont'd)

f) Goodwill (cont'd)

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 to 50
Motor vehicles	2 to 5
Warehouse equipment and fittings	5
Computers and office equipment	3
Furniture, fittings and renovation	5
Plant and machinery	5

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

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

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

2 Summary of significant accounting policies (cont'd)

h) Intangible assets

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:

	Number of years
Technology	10
Maintenance contracts	1 to 3

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.

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.

2 Summary of significant accounting policies (cont'd)

i) Impairment of non-financial assets excluding goodwill (cont'd)

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, consumables and others	-	first-in first-out
Marine surveillance systems and thermal scanners	-	first-in first-out
Marine pipes	-	weighted average

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

k) Leases

The accounting policy for leases before 1 January 2019 is as follows:

Finance leases

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

Operating leases

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

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

The accounting policy for leases after 1 January 2019 is as follows:

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange of consideration.

2 Summary of significant accounting policies (cont'd)

k) Leases (cont'd)

The accounting policy for leases after 1 January 2019 is as follows (cont'd):

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets.

Right-of-use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Number of years
Leasehold properties	2 to 30

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured (and a corresponding adjustment to the related right-of-use asset made) if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

Lease payments on short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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).

2 Summary of significant accounting policies (cont'd)

l) Income taxes (cont'd)

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. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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

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)

Subsequent measurement

<u>Debt instruments</u>

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.

<u>Equity instruments</u>

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.

2 Summary of significant accounting policies (cont'd)

m) Financial assets (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.

Subsequent to initial measurement, the financial guarantees are stated at the higher of the amount initially recognised less cumulative amount of income recognised in accordance with the principles of SFRS(I) 15 and the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

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.

2 Summary of significant accounting policies (cont'd)

r) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible loan notes denominated in Singapore Dollars that can be converted into share capital of a subsidiary 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 convertible loan notes. 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 components 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.

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.

2 Summary of significant accounting policies (cont'd)

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.

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.

2 Summary of significant accounting policies (cont'd)

w) Foreign currencies (cont'd)

Translation of Group entities' financial statements (cont'd)

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) 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.

y) 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.

z) 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 equity interest held by the Company in DMS is 34%. However, the Company is entitled to 70% of the net profit of DMS based on the shareholders' agreement between the Company and other joint venturers.

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

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

2 Summary of significant accounting policies (cont'd)

z) 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 associated companies and the carrying amounts of investments in subsidiaries, associated companies and intangible assets 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 loan to an associated company is subject to assumptions and forecasts, any changes to these estimations will affect the amounts of loss allowance recognised and the carrying amounts of loan to an associated company. The carrying amount of loan to an associated company at 31 December 2019 was $4,000,000 (2018: $4,000,000).

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The Group determined the ECL of trade receivables by segregating debtors regarded as credit-impaired where one or more credit impairment events have occurred and using a provision matrix for remaining trade receivables that is based on its historical observed default rates. 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.

The Group's historical credit loss experience and forecasts of future economic conditions may also not be representative of customer's actual default in the future. Details of ECL measurement and carrying amount of trade receivables at 31 December 2019 are disclosed in Notes 20 and 34.

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

2 Summary of significant accounting policies (cont'd)

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

Key sources of estimation uncertainty (cont'd)

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 2019 was $28,251,000 (2018: $22,260,000) after write down of inventories of $1,562,000 (2018: $1,004,000) during the year.

Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, the amount and timing of future taxable income and deductibility of certain expenditure. Accordingly, there are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on reasonable estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Group's income tax recoverable, income tax payable, deferred tax assets and liabilities at 31 December 2019 were $97,000, $700,000, $11,000 and $302,000 (2018: $97,000, $548,000, $11,000 and $281,000) respectively.

Estimating the incremental borrowing rate for leases

The Group uses the incremental borrowing rate to measure the lease liabilities because the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs such as market interest rates, when available and is required to make certain entity-specific estimates, such as the subsidiary's stand-alone credit rating. Any change in estimation of incremental borrowing rate may have a significant impact to the determination of lease liabilities and right-of-use asset at the date of initial application of SFRS(I) 16. The carrying amount of right-of-use assets and lease liabilities are disclosed in Notes 10 and 24 respectively.

3 New standards effective in 2019

SFRS(I) 16 Leases

SFRS(I) 16 replaces the existing SFRS(I) 1-17: *Leases* for financial period beginning 1 January 2019. 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.

On adoption of SFRS(I) 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of SFRS(I) 1-17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.01% per annum.

3 New standards effective in 2019 (cont'd)

	2019 $'000
Operating lease commitments disclosed as at 31 December 2018	14,374
Discounted using the weighted average lessee's incremental borrowing rate	(5,439)
Add: finance lease liabilities recognised as at 31 December 2018	95
Less: short-term leases recognised on a straight-line basis as an expense	(73)
Less: low-value asset leases recognised on a straight-line basis as an expense	(10)
Lease liabilities recognised as at 1 January 2019	**8,947**

The associated right-of-use assets were measured at the amount equal to the lease liability (adjusted for any prepaid or accrued lease payment) on adoption. Arising from the adoption of SFRS(I) 16, rights-of-use assets and lease liabilities of $8,852,000 and $8,947,000 respectively were recognised on the consolidated statement of financial position on 1 January 2019.

In applying SFRS(I) 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- account for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- exclude initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

4 Revenue

The following table provides a disaggregation disclosure of the Group's revenue by timing of revenue recognition.

	Electrical and Technical Supply $'000	**Security $'000**	**Integration Engineering $'000**	**Total $'000**
2019				
Timing of revenue recognition				
At a point in time	39,188	2,731	3,941	45,860
Over time	–	1,026	2,483	3,509
	39,188	**3,757**	**6,424**	**49,369**
2018				
Timing of revenue recognition				
At a point in time	35,442	3,836	348	39,626
Over time	–	787	–	787
	35,442	**4,623**	**348**	**40,413**

	Group	
	2019 $'000	2018 $'000
Amounts included in contract liability at the beginning of the financial year	**226**	420

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.

5 Finance costs

	Group 2019 $'000	Group 2018 $'000
Interests on borrowings		
- bank loans	**597**	426
- leases	**379**	17
- loan from ultimate holding company	**56**	259
- trust receipts	**76**	104
- convertible loan notes	**43**	44
- accretion of interest on convertible loan notes (Note 26)	**12**	25
	1,163	875

6 Tax expense

Tax expense attributable to profit/(loss) is made up of:

	Group 2019 $'000	Group 2018 $'000
Current income tax	**566**	223
Deferred tax (Note 14)	**21**	(154)
	587	69
Over provision of income tax in prior years	**(425)**	(49)
	162	20

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

	Group 2019 $'000	Group 2018 $'000
Profit/(loss) before tax	**1,311**	(5,487)
Tax calculated at a tax rate of 17% (2018: 17%)	**223**	(933)
Singapore statutory stepped income exemption	**(17)**	(26)
Income not subject to tax	**(3)**	(456)
Over provision of income tax in prior years	**(425)**	(49)
Expenses not deductible for tax purposes	**475**	937
Effect of different tax rates in other countries	**(35)**	7
Utilisation of deferred tax assets not previously recognised	**(251)**	–
Deferred tax assets not recognised	**182**	419
Tax incentive	**(10)**	(12)
Tax effect of share of results of associated companies and joint ventures	**23**	136
Others	**–**	(3)
	162	20

7 Profit/(loss) for the financial year

	Group	
	2019	2018
	$'000	$'000
Profit/(loss) for the year is arrived at after charging:		
Allowance for impairment of trade receivables (Note 20)	**–**	1,301
Amortisation of intangible assets (Note 15)	**50**	152
Audit fees paid to:		
- auditors of the Company	**167**	168
- other auditors*	**5**	5
Non-audit fees paid to:		
- auditors of the Company	**37**	23
- other auditors*	**–**	1
Cost of inventories included in cost of sales	**27,538**	24,424
Depreciation of property, plant and equipment (Note 10)	**1,295**	1,278
Directors' fee	**350**	390
Fair value loss on financial assets at fair value through profit or loss	**19**	14
Foreign exchange loss	**70**	–
Impairment loss on intangible assets (Note 15)	**–**	825
Loss on disposal of property, plant and equipment	**2**	1
Loss on disposal of intangible assets	**–**	6
Property, plant and equipment written off	**6**	–
Provision for liabilities and claims and vendor costs (Note 28)	**–**	2,563
Research costs	**320**	285
Rental expenses		
- Warehouse	**171**	584
- Others	**67**	78
Staff costs (Note 8)	**7,949**	7,877
Write down of inventories	**1,562**	1,004
and crediting:		
Foreign exchange gain	**–**	244
Gain on disposal of a subsidiary	**–**	1,581
Interest income	**248**	238
Management fee income	**67**	89
Rental income	**–**	20
Reversal of allowance for impairment of trade receivables (Note 20)	**549**	–
Reversal of provision for liabilities and claims and vendor costs	**–**	944

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

8 Staff costs

	Group	
	2019	2018
	$'000	$'000
Key management personnel		
- Salaries and related costs	**2,175**	2,190
- CPF	**109**	115
Close family members of key management personnel		
- Salaries and related costs	**148**	91
- CPF	**24**	13
Other staff		
- Salaries and related costs	**4,785**	4,676
- CPF	**579**	625
Staff training and welfare	**129**	167
	7,949	7,877

9 Earnings/(loss) per share

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

	Group	
	2019	2018
	$'000	$'000
Net profit/(loss) attributable to equity holders of the Company ($'000)	**1,736**	(4,017)
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share ('000)	**278,301**	120,000
Basic earnings/(loss) per share (cents per share)	**0.62**	(3.35)
Diluted earnings/(loss) per share (cents per share)	**0.62**	(3.37)

Basic earnings/(loss) per share are calculated by dividing the Group's net profit/(loss) for the year attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings/(loss) per share are calculated by dividing the Group's adjusted net profit/(loss) for the year attributable to shareholders of the Company after conversion of the outstanding convertible loan notes issued by a subsidiary (Note 26), by the weighted average number of ordinary shares outstanding during the financial year.

For the year ended 31 December 2019, the computation of diluted earnings per share does not assume the conversion of the outstanding convertible loan notes issued by the subsidiary as they had an anti-dilutive effect on the earnings per share calculation.

10 Property, plant and equipment

Group	Leasehold properties $'000	Extension, addition and alteration works $'000	Motor vehicles $'000	Warehouse equipment and fittings $'000	Computer and office equipment $'000	Furniture, fittings and renovation $'000	Plant and machinery $'000	Total $'000
2019								
Cost								
At 1.1.2019	6,195	11,082	1,403	770	2,653	1,731	359	24,193
Recognition of right-of-use asset on initial application of SFRS(I) 16	8,852	–	–	–	–	–	–	8,852
At 1.1.2019, restated	15,047	11,082	1,403	770	2,653	1,731	359	33,045
Additions	99	–	–	10	202	105	63	479
Disposals	–	–	(5)	–*	–	–	–	(5)
Written-off	–	–	–	–	–	(16)	–	(16)
Currency translation differences	–	–	(1)	–	–*	–*	1	–*
At 31.12.2019	15,146	11,082	1,397	780	2,855	1,820	423	33,503
Accumulated depreciation								
At 1.1.2019	2,107	4,555	1,391	724	2,448	1,436	154	12,815
Depreciation charge	550	300	7	29	154	172	83	1,295
Disposals	–	–	(2)	–*	–	–	–	(2)
Written-off	–	–	–	–	–	(10)	–	(10)
Currency translation differences	–	–	(1)	–	–*	–*	–*	(1)
At 31.12.2019	2,657	4,855	1,395	753	2,602	1,598	237	14,097
Net carrying value								
At 31.12.2019	12,489	6,227	2	27	253	222	186	19,406
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

10 Property, plant and equipment (cont'd)

a) The net carrying amounts of property, plant and equipment mortgaged to secure banking facilities granted to the Group (Note 23) are as follows:

	Group	
	2019	2018
	$'000	$'000
Leasehold properties	**3,927**	4,088
Extension, addition and alteration works	**6,227**	6,527
	10,154	10,615

As at 31 December 2019, the above leasehold properties and extension, addition and alteration works have a fair value of $32,500,000 (2018: $33,800,000) (Note 35(c)).

b) Non-cash transactions

	Group	
	2019	2018
	$'000	$'000
Aggregate cost of property, plant and equipment	**479**	366
Less: additions to right-of-use assets	**(99)**	–
Net cash outflow for purchase of property, plant and equipment	**380**	366

c) The Group leases land and office premises for its operations. Leases of land generally have lease terms of between 20 and 30 years, office premises have lease terms of 2 years.

The Group also has certain leases of machinery and office premises with lease terms of 12 months or less, and leases of office equipment with low values. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases as prescribed by SFRS(I) 16.

(i) Carrying amount of right-of-use assets are as follows:

	Group	
	31.12.2019	1.1.2019
	$'000	$'000
Classified within property, plant and equipment		
Leasehold properties	**12,489**	12,940

Additions to right-of-use assets during the financial year were $99,000.

(ii) Amounts recognised in the consolidated income statement:

	Group
	2019
	$'000
Depreciation charge for the year	
Leasehold properties	550
Lease expense not included in the measurement of lease liabilities	
Lease expense - short-term leases	209
Lease expense - low-value assets leases	29
Total (Note 7)	238
Interest expense on lease liabilities (Note 5)	379

During the financial year, total cash flow for leases amounted to $920,000.

The Group is committed to $320,000 for short-term leases as at 31 December 2019.

11 Investment in subsidiaries

	Company	
	2019	2018
	$'000	$'000
Unquoted equity shares, at cost		
At 1 January	**20,869**	17,674
Additional investment in a subsidiary	**–**	3,195
At 31 December	**20,869**	20,869
Movement of allowance for impairment:		
At 1 January	**8,532**	6,337
Impairment charge	**–**	2,195
At 31 December	**8,532**	8,532
Net carrying amount	**12,337**	12,337

a) Details of subsidiaries:

Name of subsidiary (Country of incorporation)	**Principal activities**	**Group's effective equity interest held 2019 %**	2018 %
Beng Hui Marine Electrical Pte Ltd* ("BHM") (Singapore)	Wholesaler and retailer 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") (Singapore)	Manufacture and repair of other special purpose machinery	**100**	100
Oil & Gas Solutions Pte. Ltd.@ (Singapore)	Provision of marine and offshore related services and products	**60**	60
Global Steel Industries Pte Ltd* (Singapore)	Investment holding	**100**	100
Athena Dynamics Pte. Ltd.* ("ADPL") (Singapore)	Provision of IT electronics products and solutions	**95**	95
Omnisense Systems Private Limited* ("OMS") (Singapore)	Research and development, manufacture and sale of medical, professional, engineering, scientific and precision equipment	**76**	76

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 2019 %	2018 %
ONE BHG Pte. Ltd.* ("ONE BHG") (Singapore)	Manufacture and repair of other special purpose machinery and engineering design and consultancy services in energy management and clean energy system	**100**	100
Subsidiary held by GEN			
Blue Sky Ecotech Ltd.**^ (Taiwan)	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 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)	Provision of marine and offshore related services and products	**90**	90
Subsidiary held by ADPL			
SASA APAC Pte. Ltd.* (Singapore)	Provision of software consultancy services	**95**	95
Subsidiary held by ONE BHG			
Athena International Holdings Pte. Ltd.* (Singapore)	Manufacture and repair of engineering and scientific instruments	**100**	100

* Audited by Baker Tilly TFW LLP
** Audited by Baker Tilly TFW LLP for the purpose of consolidation
# Audited by other firms of public accountants
^ Incorporated during the financial year
@ Under liquidation

11 Investment in subsidiaries (cont'd)

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

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

Name of subsidiary	Principal place of business/ Country of incorporation	Ownership interest held by NCI	
		2019	2018
		%	%
BH Marine & Offshore Engineering Pte Ltd ("BHE")	Singapore	**9.9**	9.9
Omnisense Systems Private Limited ("OMS")	Singapore	**24.3**	24.3

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

Summarised statements of financial position

	BHE		OMS	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Non-current assets	**–**	–	**843**	382
Current assets	**28**	35	**3,310**	2,152
Non-current liabilities	**–**	–	**(34)**	(2,728)
Current liabilities	**(45,090)**	(45,270)	**(7,764)**	(876)
Net liabilities	**(45,062)**	(45,235)	**(3,645)**	(1,070)
Net liabilities attributable to NCI	**(4,461)**	(4,478)	**(886)**	(260)

Summarised statement of comprehensive income

	BHE		OMS	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Revenue	**–**	–	**1,655**	1,458
Other (expenses)/income	**(9)**	620	**(4,232)**	(4,338)
(Loss)/profit before tax	**(9)**	620	**(2,577)**	(2,880)
Income tax credit	**183**	–	**8**	16
Income/(loss) and total comprehensive income/(loss) for the year	**174**	620	**(2,569)**	(2,864)
Profit/(loss) allocated to NCI	**17**	61	**(623)**	(1,403)

11 Investment in subsidiaries (cont'd)

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

<u>Summarised statement of cash flows</u>

	BHE		OMS	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Cash flows used in operating activities	**(26)**	(35)	**(2,387)**	(2,455)
Cash flows from/(used in) investing activities	**–**	3,000	**(1,060)**	(437)
Cash flows from/(used in) financing activities	**19**	(3,034)	**3,572**	2,388
Net (decrease)/increase in cash and cash equivalents	**(7)**	(69)	**125**	(504)

12 Investment in joint ventures

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

	Group	
	2019	2018
	$'000	$'000
Carrying amount		
Dream Marine Ship Spare Parts Trading LLC ("DMS")	**2,552**	2,431
Gulf Specialty Steel Industries LLC ("GSSI")	**–**	–
	2,552	2,431

b) Included in investment in joint ventures of the Company and the Group is an amount of $828,000 (2018: $828,000) being equity loan due from a joint venture.

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 2019 %	2018 %
Dream Marine Ship Spare Parts Trading LLC# (Dubai, UAE)	Trading in electrical components and spare parts of ships and boats	**34**	34
<u>Joint venture held by Global Steel Industries Pte Ltd</u>			
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

^ Under liquidation
\# Audited by other firms of public accountants

In accordance with the shareholders' agreement 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.

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:

	DMS	
	2019	2018
	$'000	$'000
Income Statement items:		
Revenue	**2,842**	2,452
Profit after tax from continuing operations	**577**	378
Other comprehensive (loss)/income	**(31)**	64
Total comprehensive income	**546**	442
Dividend received from joint ventures	**264**	392
The above profit for the financial year include the following:		
Depreciation and amortisation	**32**	34
Statement of financial position items:		
Non-current assets	**112**	66
Current assets	**3,768**	3,512
Current liabilities	**(1,417)**	(1,288)
Net assets	**2,463**	2,290
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**785**	677

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

	DMS	
	2019	2018
	$'000	$'000
Net assets of the joint ventures	**2,463**	2,290
Group's share of net assets based on proportion of ownership interest	**1,724**	1,603
Equity loan to a joint venture	**828**	828
Carrying amount of investment	**2,552**	2,431

13 Investment in associated companies

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

	Group	
	2019	2018
	$'000	$'000
Carrying amount		
GL Lighting Holding Pte Ltd ("GLH") and its subsidiaries ("GLH Group")	**1,105**	1,963
BOS Marine Offshore Engineering Corporation ("BOSMEC")	**–**	–
	1,105	1,963

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

	Group	
	2019	2018
	$'000	$'000
Accumulated impairment losses:		
At beginning of financial year/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**	
		2019	2018
		%	%
GL Lighting Holding Pte Ltd ("GLH")* (Singapore)	Investment holding	**43**	43
Subsidiaries held by GLH			
General Luminaire (Shanghai) Co., Ltd ("SGL")** (People's Republic of China)	Research and development, manufacturing and selling LED lighting modules and fixtures	**43**	43
General Luminaire (Kunshan) Co., Ltd ("KGL")** (People's Republic of China)	Design, manufacturing and trading LED lighting modules and fixtures	**43**	43
GL Lighting International Pte Ltd* (Singapore)	Wholesale of lighting related products and fixtures	**43**	43
General Luminaire Co., Ltd# (Taiwan)	Trading business of LED lighting modules and fixtures	**43**	43
Subsidiary held by SGL			
CAM Technology (Shanghai) Ltd** (People's Republic of China)	Trading of LED lighting modules and fixtures	**43**	43

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 2019 %	2018 %
Subsidiary held by KGL			
Kunshan Yonglong Precision Optical Industrial Co., Ltd** (People's Republic of China)	Trading of LED lighting modules 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 public accountants

All of the above associated companies are accounted for using the equity method in these consolidated financial statements.

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

d) Summarised financial information for GLH Group 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	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Income Statement items:				
Revenue	**13,805**	14,077	**6,061**	1,268
Loss after tax	**(1,925)**	(1,879)	**(154)**	(855)
Other comprehensive loss	**(226)**	(308)	**(11)**	–
Total comprehensive losses	**(2,151)**	(2,187)	**(165)**	(855)
Statement of financial position items:				
Non-current assets	**15,055**	13,507	**124**	142
Current assets	**7,842**	7,049	**2,263**	598
Non-current liabilities	**(3,359)**	(530)	**(624)**	(618)
Current liabilities	**(16,968)**	(15,461)	**(2,187)**	(380)
Net assets	**2,570**	4,565	**(424)**	(258)
Group's share on net assets based on proportion of ownership interest	**1,105**	1,963	**–**	–
Goodwill on acquisition	**9,663**	9,663	**–**	–
Less: accumulated impairment losses	**(9,663)**	(9,663)	**–**	–
Carrying amount of investment	**1,105**	1,963	**–**	–

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: (cont'd)

The Group has not recognised its share of losses of BOSMEC amounting to $144,000 (2018: $90,000) 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 2019 based on value-in-use method and determined that no 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: 2020 to 2024: compound annual growth rate of 10% (2018: 14%)
Pre-tax discount rate: 15.6% (2018: 18.0%)
Terminal growth rate: 2.5% (2018: 2.5%)

The most significant assumption used in the value-in-use calculations is the projected revenue from years 2020 to 2024. Should the actual results vary from management's estimates, 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	**8,200**	(1,715)
5% lower than the management's projections	**5,007**	1,478

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	
	2019 $'000	2018 $'000
At 1 January	**(270)**	(419)
Tax (charged)/credited to profit or loss (Note 6)	**(21)**	154
Exchange difference	**–**	(5)
At 31 December	**(291)**	(270)

Presented on the statement of financial position:

	2019 $'000	2018 $'000
Non-current		
Deferred tax assets	**11**	11
Deferred tax liabilities	**(302)**	(281)
	(291)	(270)

14 Deferred tax (cont'd)

The following are the major deferred tax assets/(liabilities) 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	Undistributed profits from joint ventures $'000	Others $'000	Total $'000
2019					
At 1 January 2019	(2)	(4)	(275)	11	(270)
(Charged)/credited to profit or loss	2	4	(24)	(3)	(21)
At 31 December 2019	**–**	**–**	**(299)**	**8**	**(291)**
2018					
At 1 January 2018	(6)	(71)	(357)	15	(419)
Credited to profit or loss	4	67	82	1	154
Exchange difference	–	–	–	(5)	(5)
At 31 December 2018	(2)	(4)	(275)	11	(270)

	Group 2019 $'000	Group 2018 $'000
Unrecognised deductible temporary differences:		
Unabsorbed capital allowances	**196**	189
Unutilised tax losses	**33,363**	33,376
Other deductible temporary differences	**3,273**	3,547
	36,832	37,112

Deferred tax assets of $6,261,000 (2018: $6,309,000) have not been recognised in respect of the above deductible temporary differences as future profit streams are uncertain. Unutilised tax losses do not have any expiry dates subject to the conditions imposed by law.

15 Intangible assets

	Goodwill $'000	Acquired technology $'000	Main-tenance contracts $'000	Development costs $'000	Club membership $'000	License fee $'000	Total $'000
Group							
Cost							
At 1 January 2018	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
Additions	–	–	–	1,910	–	–	1,910
At 31 December 2019	**4,733**	**2,920**	**141**	**4,370**	**–**	**40**	**12,204**
Accumulated amortisation							
At 1 January 2018	–	438	70	1,351	–	–	1,859
Charge for the year	–	–	47	105	–	–	152
At 31 December 2018	–	438	117	1,456	–	–	2,011
Charge for the year	–	–	–	50	–	–	50
At 31 December 2019	**–**	**438**	**117**	**1,506**	**–**	**–**	**2,061**
Accumulated impairment							
At 1 January 2018	4,548	2,482	–	–	–	–	7,030
Impairment charge	–	–	24	801	–	–	825
At 31 December 2018 and 31 December 2019	**4,548**	**2,482**	**24**	**801**	**–**	**–**	**7,855**
Net carrying amount							
At 31 December 2019	**185**	**–**	**–**	**2,063**	**–**	**40**	**2,288**
At 31 December 2018	185	–	–	203	–	40	428

Impairment test for goodwill

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

	Group	
	2019 $'000	2018 $'000
Security segment:		
Athena Dynamics Pte Ltd ("ADPL")	185	185

15 Intangible assets (cont'd)

Key assumptions used in value-in-use calculation

The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past performances and 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% (2018: 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 14.6% (2018: 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.

16 Financial assets at fair value through profit or loss

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Unquoted convertible loan notes [1]	**–**	–	**–**	–
Quoted equity shares [2]	**9**	28	**–**	–
Total financial assets, at fair value through profit or loss	**9**	28	**–**	–

[1] The unquoted convertible loan notes is issued by a subsidiary, Omnisense Systems Private Limited. The initial subscription price was $2,040,000 (Note 26) and the Company has provided for this amount in full in prior years.

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

17 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 5.63% to 5.76% (2018: 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.

18 Inventories

	Group 2019 $'000	2018 $'000
Raw material	**1,147**	937
Work in progress	**296**	58
Finished goods	**27,078**	21,265
	28,521	22,260

Raw materials, consumables and changes in finished goods and work in progress included as cost of sales amounted to $27,538,000 (2018: $24,424,000).

19 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		
	2019 $'000	2018 $'000	1.1.2018 $'000
Trade receivables (Note 20)	**13,548**	9,922	8,910
Contract assets	**2,584**	1,019	1,655
Contract liabilities	**504**	322	25

Contract assets balance increased significantly as the Group provided more engineering services ahead of the agreed payment schedules.

20 Trade receivables

	Group 2019 $'000	2018 $'000
Trade receivables	**20,009**	16,951
Less: allowance for impairment	**(6,461)**	(7,029)
	13,548	9,922

Trade receivables are non-interest bearing and are generally on 30 to 90 days terms.

20 Trade receivables (cont'd)

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

	Group	
	2019	2018
	$'000	$'000
At 1 January	**7,029**	8,673
(Reversal of)/allowance made during the financial year (Note 7)	**(549)**	1,301
Allowance written off during the financial year	**(19)**	(2,945)
At 31 December	**6,461**	7,029

Included in trade receivables are amounts of $1,310,000 (2018: $21,000), $370,000 (2018: $Nil) and $Nil (2018: $7,000) due from an associated company, a joint venture and its ultimate holding company respectively.

21 Other receivables

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Amount due from joint ventures	**35**	36	**35**	36
Amount due from an associated company	**962**	255	**762**	255
Purchase deposit to a supplier (Note 21(b))	**–**	1,911	**–**	–
Sundry deposits	**312**	250	**–**	–
Prepayments	**322**	235	**22**	29
Amounts due from subsidiaries (Note 21(a))	**–**	–	**65,345**	64,173
Advance payment to suppliers	**438**	127	**–**	–
Sundry receivables	**368**	653	**4**	247
	2,437	3,467	**66,168**	64,740
Less: allowance for impairment				
- Amounts due from subsidiaries (Note 21(a))	**–**	–	**(63,602)**	(64,171)
	2,437	3,467	**2,566**	569

Movement in allowance for impairment is as follows:

	Group		Company	
At 1 January	**–**	–	**64,171**	64,701
Allowance made during the financial year	**–**	–	**–**	84
Allowance written off during the financial year	**–**	–	**(569)**	(614)
At 31 December	**–**	–	**63,602**	64,171

21 Other receivables (cont'd)

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

(a) Amounts due from subsidiaries

	Company	
	2019	2018
	$'000	$'000
Interest-free advances	**18,748**	19,277
Loans at variable interest rates	**46,597**	44,896
	65,345	64,173
Less: allowance for impairment	**(63,602)**	(64,171)
	1,743	2

The amounts due from subsidiaries are non-trade in nature, unsecured and repayable on demand. Loan to subsidiaries are at interest rates 5% (2018: 3.150% to 3.781%) 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 $44,916,000 (2018: $44,896,000).

(b) Purchase deposit to a supplier

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.

In 2018, the fair value of the purchase deposit approximates its carrying value.

During the financial year, the amount has been fully refunded.

22 Cash and cash equivalents

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**6,196**	3,568	**380**	516
Fixed deposits	**29**	2,805	**–**	2,750
	6,225	6,373	**380**	3,266

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	
	2019	2018
	$'000	$'000
Cash and short-term deposits	**6,225**	6,373
Cash restricted in use	**(200)**	(200)
Fixed deposits (pledged)	**(29)**	(55)
Cash and cash equivalents	**5,996**	6,118

Fixed deposits of $29,000 (2018: $55,000) are pledged to banks to cover bankers' letter of guarantees, credit facilities and bank overdraft. The interest rates of fixed deposits at 31 December 2019 was 0.4% to 0.7% (2018: 0.4% to 1.65%) per annum.

23 Borrowings

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Term loan (secured)	**3,467**	4,000	**3,467**	4,000
Working capital loans (secured)	**10,400**	10,400	**–**	–
Trust receipts (secured)	**2,759**	2,144	**–**	–
Invoice financing (unsecured)	**643**	–	**–**	–
Total borrowings	**17,269**	16,544	**3,467**	4,000
Presented on the statements of financial position:				
Non-current	**2,667**	3,467	**2,667**	3,467
Current	**14,602**	13,077	**800**	533
	17,269	16,544	**3,467**	4,000

Term loan 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 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 a corporate guarantee from the Company.

Invoice financing is covered by a corporate guarantee from the Company.

23 Borrowings (cont'd)

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

Term loan	-	Variable rates ranging from 4.40% to 4.76% (2018: 4.26% to 4.40%) per annum.
Working capital loans	-	Variable rates ranging from 3.04% to 4.00% (2018: 2.26% to 3.96%) per annum.
Trust receipts	-	Variable rates ranging from 3.19% to 4.42% (2018: 2.50% to 3.78%) per annum.
Invoice financing	-	Fixed rate at 0.67% per month calculated per daily basis.

The term loan, 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.

The fair value of the invoice financing at the end of the reporting period approximate its carrying value as there are no significant changes in the market lending interest rates available to the Group at the end of the reporting period.

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

	Borrowings	Lease liabilities (Note 24)	Convertible loan notes (Note 26)	Loan from ultimate holding company (Note 27)	Amount due to ultimate holding company (Note 27)	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2019	16,544	–	715	11,500	3,665	32,424
Reclassification from finance lease liabilities	–	95	–	–	–	95
Adoption of SFRS(I) 16	–	8,852	–	–	–	8,852
Balance at 1 January 2019, restated	16,544	8,947	715	11,500	3,665	41,371
Changes from financing cash flows:						
- Repayment	(533)	(304)	–	–	–	(837)
- Net drawdown of short term borrowings	1,258	–	–	–	–	1,258
- Interest paid	(674)	(378)	–	(56)	–	(1,108)
Changes from operating cash flows:						
- Payables	–	–	(43)	–	58	15
Non-cash changes:						
- Interest expense	674	378	55	56	–	1,163
- Subscription of rights shares	–	–	–	(11,500)	(3,343)	(14,843)
- New lease	–	99	–	–	–	99
Balance at 31 December 2019	**17,269**	**8,742**	**727**	**–**	**380**	**27,118**

23 Borrowings (cont'd)

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

	Borrowings $'000	Finance Lease liabilities (Note 25) $'000	Convertible loan notes (Note 26) $'000	Loan from ultimate holding company (Note 27) $'000	Amount due to ultimate holding company (Note 27) $'000	Total $'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	(530)	(17)	–	(259)	–	(806)
Changes from operating cash flows:						
- Payables	–	–	(44)	–	242	198
Non-cash changes:						
- Interest expense	530	17	69	259	–	875
Balance at 31 December 2018	16,544	95	715	11,500	3,665	32,519

24 Lease liabilities

	Group 2019 $'000	Group 2018 $'000
Current	**311**	–
Non-current	**8,431**	–
	8,742	–

25 Finance lease liabilities

As at 31 December 2018, the minimum finance lease payments are as follows:

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

In 2018, the weighted average effective interest rate of the finance lease liabilities at the end of the reporting period was 5.70% per annum. 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 as at 31 December 2018.

On 1 January 2019, the Group adopted SFRS(I) 16 and reclassified finance lease liabilities to lease liabilities as disclosed in Note 3.

26 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 16) 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. During the financial year, OMS obtained approvals from the holders to extend the maturity date of the convertible loan notes by 1 year, convertible at the option of the holders at any time 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.

26 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	
	2019	2018
	$'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	**31**	6
Accretion of interests during the year (Note 5)	**12**	25
At 31 December	**43**	31
Liability component of convertible loan notes at end of the financial year	**727**	715

27 Other payables and accruals

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Loan from ultimate holding company	**–**	11,500	**–**	11,500
Amount due to ultimate holding company	**380**	322	**304**	259
Accrued operating expenses	**3,398**	1,170	**236**	163
Accrual for directors' fees				
- directors of the Company	**300**	300	**300**	300
- directors of subsidiaries	**70**	90	**–**	–
Amounts due to subsidiaries	**–**	–	**11,163**	10,488
Other creditors	**780**	453	**232**	115
Subscription money received in advance from:				
- ultimate holding company	**–**	3,343	**–**	3,343
- other shareholders	**–**	457	**–**	457
	4,928	17,635	**12,235**	26,625

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 bore interest rate at 3.92% per annum. During the financial year, loan from ultimate holding company, amounting to $11,500,000, was fully settled by offsetting against its subscription of shares of the Company's renounceable non-underwritten rights issue completed on 14 February 2019.

28 Provisions

	Group 2019 $'000	2018 $'000
Provision for liabilities [Note 28(a)]	**514**	514
Provision for claims and vendor costs [Note 28(b)]	**–**	15
	514	529

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

	Group 2019 $'000	2018 $'000
At 1 January	**514**	16,410
Provision made during the financial year (Note 7)	**–**	2,563
Settlement of liabilities during the financial year	**–**	(17,798)
Reversal of provision made	**–**	(661)
At 31 December	**514**	514

The provision for liabilities as at the end of financial year relates to certain subsidiaries and joint ventures that are either in the process of liquidation or under liquidation.

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

	Group 2019 $'000	2018 $'000
At 1 January	**15**	1,211
Settlement of liabilities during the financial year	**(15)**	(913)
Reversal of provision made	**–**	(283)
At 31 December	**–**	15

In 2017, 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.

During the financial year, a total sum of $15,000 has been billed by the subcontractors.

29 Share capital

	Group and Company			
	2019		2018	
	Number of issued shares ’000	**Total share capital $’000**	Number of issued shares ’000	Total share capital $’000
Issued and fully paid up				
- Ordinary shares with no par value				
Balance at 1 January	**120,000**	43,461	**120,000**	43,461
Issue of shares	**180,000**	15,300	**–**	–
Share issue expenses	**–**	(226)	**–**	–
Balance at 31 December	**300,000**	58,535	**120,000**	43,461

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 to improve the Group’s working capital position. The subscription of the Rights Shares was satisfied by offsetting the entire outstanding amount of loan due to its immediate and ultimate holding company, amounting to $11,500,000 and cash payments of $3,800,000. The newly issued shares rank pari passu in all respects with the previously issued shares.

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.

30 Capital reserves

The capital reserves relate to excess of consideration paid over net assets attributable to non-controlling interests in subsidiaries acquired. In 2018, the Company acquired additional equity interest in two of its subsidiaries, OMS and GEN.

31 Contingent liabilities

	Company	
	2019 $’000	2018 $’000
Corporate guarantees for financing facilities granted by financial institutions to:		
- Subsidiaries	**13,802**	12,544

The Company has issued corporate guarantees to financial institutions for financing facilities granted to its subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the financial institutions if the subsidiaries default on their payments to the financial institutions or otherwise breach any covenants.

32 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
	$'000
Within 1 financial year	655
Between 2 to 5 financial years	2,324
Over 5 financial years	11,395
	14,374

As disclosed in Note 3, the Group has adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the statements of financial position as at 1 January 2019, except for short-term and low-value assets leases.

33 Related party transactions

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

	Group	
	2019	2018
	$'000	$'000
With ultimate holding company		
Loan interest charged by	**56**	259
Sales of services	**–***	90
Purchase of services	**–**	92
With jointly controlled entities		
Sales of goods	**576**	238
With associated companies		
Sales of goods	**2,911**	866
Management fee income	**29**	89
Purchase of goods	**4,276**	4,737
Research and development cost charged by an associated company	**–**	29

* less than $1,000

34 Financial instruments

Categories of financial instruments

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

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Financial assets				
Financial assets at amortised cost	**25,450**	23,400	**6,924**	7,806
Financial assets, at fair value through profit or loss	**9**	28	**–**	–
Financial liabilities				
Trade and other payables	**12,800**	18,784	**12,117**	26,050
Borrowings	**17,269**	16,544	**3,467**	4,000
Finance lease liabilities	**–**	95	**–**	–
Convertible loan notes	**727**	715	**–**	–
Lease liabilities	**8,742**	–	**–**	–
At amortised cost	**39,538**	36,138	**15,584**	30,050

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.

34 Financial instruments (cont'd)

Financial risk management (cont'd)

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	Others $'000
At 31 December 2019				
Financial assets				
Cash and cash equivalents	1,398	138	–	98
Trade and other receivables	9,338	11	36	61
	10,736	149	36	159
Financial liabilities				
Trade and other payables	(4,896)	(28)	–	(342)
Net exposure	**5,840**	**121**	**36**	**(183)**
At 31 December 2018				
Financial assets				
Cash and cash equivalents	1,066	174	–	60
Trade and other receivables	5,767	1	36	164
	6,833	175	36	224
Financial liabilities				
Trade and other payables	(120)	(187)	–	(57)
Net exposure	6,713	(12)	36	167

34 Financial instruments (cont'd)

Financial risk management (cont'd)

a) Market risk (cont'd)

Foreign exchange risk (cont'd)

The following table demonstrates the sensitivity to a reasonably possible change in the USD exchange rates against the respective functional currencies of the Group's entities, with all other variables held constant, of the Group's profit after tax:

	Group	
	Increase/ (decrease) in profit after tax 2019 $'000	(Decrease)/ increase in loss after tax 2018 $'000
USD/SGD		
- Strengthened 5%	242	(279)
- Weakened 5%	(242)	279

The Company's foreign currency exposure based on the information provided by key management is $36,000 (2018: $36,000) included in amount due from joint ventures and other receivables which are denominated in United Arab Emirates dirham.

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

Interest rate risk

The Group's exposure to the risk of changes in interest rates arise mainly from the Group's borrowings. Interest expense from borrowings arises from term loan, working capital loans and trust receipts and invoice financing (Note 23), convertible loan notes (Note 26) and loan from ultimate holding company (Note 27).

The Company's exposure to interest rate risk is minimal as the impact of interest rate fluctuations on loans to subsidiaries (Note 21(a)) and term loan (Note 23) are insignificant, and the Company has no other interest-bearing liabilities.

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

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 23).

34 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	More than 5 years $'000	Total $'000
Group				
2019				
Trade and other payables	12,800	–	–	12,800
Borrowings	15,047	2,874	–	17,921
Lease liabilities	677	2,355	10,802	13,834
Convertible loan notes	749	–	–	749
	29,273	**5,229**	**10,802**	**45,304**
2018				
Trade and other payables	18,784	–	–	18,784
Borrowings	13,450	3,965	–	17,415
Finance lease obligations	77	38	–	115
Convertible loan notes	749	–	–	749
	33,060	4,003	–	37,063
Company				
2019				
Trade and other payables	12,117	–	–	12,117
Borrowings	942	2,874	–	3,816
Financial guarantee contracts (Note 31)	13,802	–	–	13,802
	26,861	**2,874**	**–**	**29,735**
2018				
Trade and other payables	26,050	–	–	26,050
Borrowings	558	3,965	–	4,523
Financial guarantee contracts (Note 31)	12,544	–	–	12,544
	39,152	3,965	–	43,117

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 Group's 3 (2018: 3) largest trade receivables amounted to $5,980,000 (2018: $6,848,000) and this represented 44% (2018: 69%) of the carrying amounts of trade receivables and of which one major corporate customer represented 17% (2018: 32%) of the carrying amounts of trade receivables. The Company has no significant concentration of credit risk except for the loan to an associated company as disclosed in Note 17.

34 Financial instruments (cont'd)

Financial risk management (cont'd)

c) Credit risk (cont'd)

As the Group and Company do not hold any collateral, the maximum exposure to credit risk is the carrying amount of each class of financial instruments presented on the statements of financial position and the amount of $13,802,000 (2018: $12,544,000) relating to corporate guarantees given by the Company to financial institutions for the subsidiaries' borrowings.

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.

34 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.

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.

34 Financial instruments (cont'd)

Financial risk management (cont'd)

c) Credit risk (cont'd)

Movements in credit loss allowance are as follows:

	Trade receivables	
	2019	2018
	$'000	$'000
Group		
Balance at 1 January	**7,029**	8,673
Loss allowance (reversed)/measured:		
Lifetime ECL		
- simplified approach	**(283)**	126
- credit impaired	**(266)**	1,175
Receivables written off as uncollectable	**(19)**	(2,945)
Balance at 31 December	**6,461**	7,029

	Amounts due from subsidiaries	
	2019	2018
	$'000	$'000
Company		
Balance at 1 January	**64,171**	64,701
Loss allowance measured:		
Lifetime ECL - credit-impaired	**–**	84
Receivables written off as uncollectable	**(569)**	(614)
Balance at 31 December	**63,602**	64,171

The credit loss for cash and cash equivalents, contract assets and other receivables are immaterial as at 31 December 2019.

Trade receivables

The Group determines the ECL of trade receivables by segregating debtors regarded as credit-impaired where one or more credit impairment events have occurred and using a provision matrix for remaining trade receivables that is based on its historical observed default rates.

34 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 300 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 2019 and 31 December 2018 are set out in the provision matrix below:

	Not past due	Past due 0 to 300 days	Past due More than 300 days	Credit-impaired	Total
2019					
Electrical and Technical Supply					
Expected loss rate	0.36%	0.36%	100%	90.96%	
Gross receivables ($'000)	3,425	6,309	714	6,280	16,728
Loss allowance ($'000)	**12**	**23**	**714**	**5,712**	**6,461**
Security					
Expected loss rate	0%	0%	0%	0%	
Gross receivables ($'000)	159	622	–	–	781
Loss allowance ($'000)	–	–	–	–	–
Integration Engineering					
Expected loss rate	0%	0%	0%	0%	
Gross receivables ($'000)	254	2,246	–	–	2,500
Loss allowance ($'000)	–	–	–	–	–
Total gross receivables ($'000)	3,838	9,177	714	6,280	20,009
Total loss allowance ($'000)	(12)	(23)	(714)	(5,712)	(6,461)
Net carrying amount ($'000)	**3,826**	**9,154**	**–**	**568**	**13,548**

34 Financial instruments (cont'd)

Financial risk management (cont'd)

c) Credit risk (cont'd)

Trade receivables (cont'd)

	Not past due	Past due 0 to 300 days	Past due More than 300 days	Credit-impaired	Total
2018					
Electrical and Technical Supply					
Expected loss rate	1.06%	1.06%	100%	89.52%	
Gross receivables ($'000)	3,466	5,290	958	6,677	16,391
Loss allowance ($'000)	37	56	958	5,978	7,029
Security					
Expected loss rate	0%	0%	0%	0%	
Gross receivables ($'000)	211	327	–	–	538
Loss allowance ($'000)	–	–	–	–	–
Integration Engineering					
Expected loss rate	0%	0%	0%	0%	
Gross receivables ($'000)	19	3	–	–	22
Loss allowance ($'000)	–	–	–	–	–
Total gross receivables ($'000)	3,696	5,620	958	6,677	16,951
Total loss allowance ($'000)	(37)	(56)	(958)	(5,978)	(7,029)
Net carrying amount ($'000)	3,659	5,564	–	699	9,922

Other financial assets at amortised cost

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

Group 2019	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Cash and cash equivalents with financial institutions	N.A. Exposure Limited	6,225	–	6,225
Loan to an associated company	Lifetime ECL	4,000	–	4,000
Due from an associated company	Lifetime ECL	962	–	962
Other receivables	N.A. Exposure Limited	715	–	715

34 Financial instruments (cont'd)

Financial risk management (cont'd)

c) Credit risk (cont'd)

Other financial assets at amortised cost (cont'd)

Group 2018	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Cash and cash equivalents with financial institutions	N.A. Exposure Limited	6,373	–	6,373
Loan to an associated company	Lifetime ECL	4,000	–	4,000
Due from an associated company	Lifetime ECL	255	–	255
Other receivables	N.A. Exposure Limited	2,850	–	2,850
Company 2019				
Due from subsidiaries	Lifetime ECL	65,345	(63,602)	1,743
Cash and cash equivalents with financial institutions	N.A. Exposure Limited	380	–	380
Loan to an associated company	Lifetime ECL	4,000	–	4,000
Due from an associated company	Lifetime ECL	762	–	762
Other receivables	N.A. Exposure Limited	39	–	39
Company 2018				
Due from subsidiaries	Lifetime ECL	64,173	(64,171)	2
Cash and cash equivalents with financial institutions	N.A. Exposure Limited	3,266	–	3,266
Loan to an associated company	Lifetime ECL	4,000	–	4,000
Due from an associated company	Lifetime ECL	255	–	255
Other receivables	N.A. Exposure Limited	283	–	283

Financial guarantees

The Company has issued financial guarantees to financial institutions for borrowings of its subsidiaries. These guarantees are subject to the impairment requirements of SFRS(I) 9. The directors do not expect credit loss exposure arising from these guarantees in view of the financial strength of the subsidiaries and that certain borrowings were secured by legal mortgage of one of its subsidiary's leasehold properties.

35 Fair value of assets and liabilities

a) Fair value hierarchy

The tables below analyse the fair value measurements by the levels in the fair value hierarchy based on the inputs to the valuation techniques. The different levels are defined as follows:

i) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
ii) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (i.e. derived from prices); and
iii) Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

b) Fair value measurements of assets and liabilities that are measured at fair value

The following table presents the level of fair value hierarchy for each class of assets and liabilities measured at fair value on the statements of financial position at the end of the reporting period:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
2019				
Recurring fair value measurements				
Financial assets				
Financial assets, at fair value through profit or loss				
- quoted equity shares	**9**	**–**	**–**	**9**
2018				
Recurring fair value measurements				
Financial assets				
Financial assets, at fair value through profit or loss				
- quoted equity shares	28	–	–	28

The fair value of the quoted equity shares is based on quoted market prices at the end of the reporting period.

c) Assets not carried at fair value but for which fair value is disclosed

The fair values of the leasehold properties and extension, addition and alteration works for disclosure purposes are categorised within Level 3 of the fair value hierarchy.

The fair values of the Group's leasehold properties and extension, addition and alteration works were determined based on valuations performed by independent professional valuers using the sales comparison approach.

Based on the sales comparison approach, comparison was made to recent sales transactions of similar properties within the vicinity and elsewhere. Necessary adjustments have been made for differences in location, age, tenure, area, design and layout, condition, standard of finishes, date of transaction and the prevailing economic conditions affecting the property market, among others, affecting its value. Any significant changes to the adjustments made to market value for differences in location or condition would result in higher or lower fair value measurement.

d) Fair value of financial instruments by classes that are not carried at fair value and those carrying amounts are reasonable approximation of fair value

The carrying amounts of financial assets and liabilities (except for financial assets at fair value through profit or loss and lease liabilities) recorded in the financial statements approximate their fair values either due to their short-term nature or due to them being floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

Notes to the Financial Statements

For the Financial Year ended 31 December 2019

36 Segment information

For management purpose, the Group is organised into business segments, with each segment representing a strategic business segment that offers different products/services. The Group has four main business segments, Electrical and Technical Supply, Green LED Lighting, Security and Integration Engineering Segments.

The following tables present revenue, segment results, assets and liabilities, depreciation, other significant non-cash items and capital expenditure information for the Group.

	Electrical and Technical Supply $'000	Green LED Lighting $'000	Security $'000	Integration Engineering $'000	Corporate $'000	Eliminations $'000	Total $'000
2019							
Segment revenue:							
Sales to external customers	39,188	–	3,757	6,424	–	–	49,369
Intersegment sales	46	–	131	5	–	(182)	–
Total revenue	**39,234**	**–**	**3,888**	**6,429**	**–**	**(182)**	**49,369**
Segment results	**5,426**	**–**	**(2,811)**	**432**	**(1,379)**	**–**	**1,668**
Share of profit from equity - accounted joint ventures and associates	407	(764)	–	–	–	–	(357)
Profit before tax							1,311
Depreciation and amortisation	1,092	–	227	26	–	–	1,345
Other significant non-cash items	655	–	358	–	–	–	1,013
Segment assets	**58,838**	**1,105**	**6,395**	**11,161**	**5,284**	**–**	**82,783**
Segment assets includes							
Investment in joint ventures and associates	2,552	1,105	–	–	–	–	3,657
Additions to non-current assets	90	–	696	1,603	–	–	2,389
Segment liabilities	27,320	–	3,630	5,694	5,150	–	41,794

36 Segment information (cont'd)

	Electrical and Technical Supply $'000	Green LED Lighting $'000	Security $'000	Integration Engineering $'000	Corporate $'000	Eliminations $'000	Total $'000
2018							
Segment revenue:							
Sales to external customers	35,442	–	4,623	348	–	–	40,413
Intersegment sales	121	–	16	–	–	(137)	–
Total revenue	35,563	–	4,639	348	–	(137)	40,413
Segment results	729	–	(2,703)	(735)	(1,887)	–	(4,596)
Share of profit from equity - accounted joint ventures and associates	271	(953)	–	(209)	–	–	(891)
Loss before tax							5,487
Depreciation and amortisation	1,119	–	299	12	–	–	1,430
Impairment loss	–	–	825	–	63	–	888
Other significant non-cash items	3,139	2,564	–	(835)	2,564	–	4,868
Segment assets	49,119	1,963	3,860	562	7,873	–	63,377
Segment assets includes							
Investment in joint ventures and associates	2,431	1,963	–	–	–	–	4,394
Additions to non-current assets	177	–	495	52	–	–	724
Segment liabilities	14,555	–	2,342	379	21,216	–	38,492

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

	Group	
	2019	2018
	$'000	$'000
(Reversal)/allowance for impairment of receivables	**(549)**	1,301
Write down of inventories	**1,562**	1,004
Provision for liabilities	**–**	2,563
	1,013	4,868

Segment results

Performance of each segment is evaluated based on segment profit or loss which is measured differently from the net profit or loss before tax in the consolidated financial statements.

Segment assets

The amounts provided to the Management with respect to total assets are measured in a manner consistent with that of the financial statements. Management monitors the assets attributable to each segment for the purposes of monitoring segment performance and for allocating resources between segments. All assets are allocated to reportable segments.

36 Segment information (cont'd)

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.

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**	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Singapore	**27,425**	22,228	**21,503**	11,690
China	**417**	512	**1,105**	1,963
Japan	**9,248**	5,798	**–**	–
Vietnam	**1,313**	925	**–**	–
United Arab Emirates	**2,232**	297	**2,552**	2,431
Indonesia	**1,110**	1,604	**–**	–
Malaysia	**4,340**	5,730	**–**	–
Other countries	**3,284**	3,319	**191**	116
	49,369	40,413	**25,351**	16,200

Other countries comprise Australia, Netherlands, Philippines, Qatar, Saudi Arabia, 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 $6,094,000 (2018: $4,942,000) are derived from one external customer that contributes more than 10% (2018: 10%) of the Group revenue and are attributable to the Electrical and Technical Supply Segment (2018: Electrical and Technical Supply Segment).

37 Capital management

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

The capital structure of the Group mainly consists of equity and borrowings and the Group's overall strategy remains unchanged from 2018.

38 Authorisation of financial statements

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors dated 31 March 2020.

Statistics of Shareholdings

SHARE CAPITAL INFORMATION AS AT 24 MARCH 2020

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

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 24 MARCH 2020

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	33	1.66	1,555	0.00
100 - 1,000	181	9.10	85,839	0.03
1,001 - 10,000	1,270	63.82	5,536,858	1.84
10,001 - 1,000,000	499	25.07	28,520,891	9.51
1,000,001 AND ABOVE	7	0.35	265,854,844	88.62
TOTAL	**1,990**	**100.00**	**299,999,987**	**100.00**

TWENTY LARGEST SHAREHOLDERS AS AT 24 MARCH 2020

	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	9,144,773	3.05
3	POH CHOO BIN	9,015,625	3.01
4	LIM HUI PENG	2,392,930	0.80
5	LIM HUAY HUA	2,392,930	0.80
6	LIM HUI ENG	2,392,930	0.80
7	LIM CHYE HOON EILEEN	1,823,212	0.61
8	UNITED OVERSEAS BANK NOMINEES PTE LTD	851,750	0.28
9	DBS NOMINEES PTE LTD	823,475	0.27
10	JOSEPHINE GOH LEH HUA	623,232	0.21
11	GOH BING LING	600,000	0.20
12	ALLAN LIM JING LOONG	598,232	0.20
13	JASMIN LIM RUI LI	598,232	0.20
14	JEAN LIM CUI XUAN	598,232	0.20
15	PHILLIP SECURITIES PTE LTD	589,125	0.20
16	SEE YONG HAI	537,500	0.18
17	TAN INSURANCE BROKERS PTE LTD	527,100	0.18
18	CHAN KWAN BIAN	527,000	0.18
19	GINA GOH LAY SUAN	478,000	0.16
20	WEE BOH HUAT	444,750	0.15
	TOTAL	273,651,472	91.24

Statistics of Shareholdings

SUBSTANTIAL SHAREHOLDERS AS AT 24 MARCH 2020

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

Deemed interests in the shares of the Company are by virtue of the individuals' shareholdings in Beng Hui Holding (S) Pte Ltd.

Rule 723 of the SGX Listing Manual - Free Float

Based on the information available to the Company as at 24 March 2020, approximately 17.37% of the issued Share Capital of the Company is being held by the public and therefore, Rule 723 of Listing Manual of the SGX-ST has been complied with.

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