



Trusted For Lifting & Rigging

# RISING TO A NEW DAWN



# VISION

Gaylin aims to serve multinational customers in the offshore oil & gas and maritime industries with high-quality and cost-efficient products, services, and solutions as well as provide an above average long-term rate of return on its shareholders' equity capital.

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# CORPORATE PROFILE

## ABOUT GAYLIN

Founded in 1974 by the Teo family and listed on the Mainboard of the Singapore Exchange ("SGX-ST"), Gaylin has combined years of experience, first-class engineering capabilities, and a comprehensive range of inventory to become a specialist supplies, services and solutions provider to the global offshore oil & gas and marine industries.

Gaylin is headquartered in Singapore with operating companies in United Arab Emirates ("UAE"), Azerbaijan, Kazakhstan, Malaysia, Vietnam, Indonesia, China, South Korea, and United Kingdom ("UK").

Gaylin provides a wide range of engineering services including the customized design, fabrication, production, testing and certification of equipment. Gaylin also offers load testing, spooling and rental services and holds a large, wide ranging inventory of quality products such as heavy lift slings and grommets, wire rope slings, crane wire, mooring equipment and related fittings and accessories. As part of its value-added customer service, Gaylin also supplies a wide range of general stores and equipment to ships and offshore units.



# GLOBAL FOOTPRINT



# CHAIRMAN'S MESSAGE

Dear Shareholders, Customers, and other valued Stakeholders:

The other directors and myself as Executive Chairman recently joined Gaylin Holdings Limited ("Gaylin") following the financial restructuring on 13th March 2018. We have been busy these past few months studying in detail Gaylin's strategy, particularly focusing on business operations, assets, liabilities, and personnel. We have identified a number of challenges and, importantly, many future opportunities. On behalf of the board of directors, I am honoured to report to you on the past year's financial performance ending 31st March 2018 ("FY2018") as well as the current challenges and opportunities for Gaylin.

## Financial Performance for FY2018:

Gaylin has produced mixed results during the past fiscal year ending 31st March 2018 as described in this annual report. Disappointingly, Gaylin reported its largest financial loss in its history following smaller losses in each of the previous two fiscal years. However, over the past few months Gaylin has undertaken significant financial and operational actions to enhance corporate stability and strengthen overall competitiveness. As a result of these actions Gaylin has several achievements in improving its business fundamentals and establishing a firm foundation for future success and profitability.

A major achievement for Gaylin during FY2018 was the completion of a S\$132 million (US\$100 million) investment and debt restructuring to provide financial stability and fund opportunities for future growth. PeakBayou Ltd, owned by Asian private equity fund manager ShawKwei & Partners, purchased S\$68 million (US\$52 million) in new Gaylin shares and now has a 76% ownership in Gaylin. Together with the new equity investment, Gaylin also restructured bank debt facilities totalling S\$64 million (US\$48 million) by extending repayment dates and adjusting covenants. Following the new equity injection and debt restructuring, Gaylin's cash balance at 31st March 2018 was S\$57.8 million, while short-term debt decreased to S\$8.9 million and long-term debt increased to S\$48.2 million. As a result, Gaylin's net cash (Cash minus Total Debt) was S\$0.7 million at 31st March 2018, the first positive net cash balance since 2012.

Another major achievement has been a smooth management succession following the retirement of Teo Bee Chiong, Teo Bee Hua, and Teo Bee Hoe, who faithfully and diligently served Gaylin over the past several decades. On behalf of Gaylin and the board of directors I wish to thank the Teo brothers for their past contributions to Gaylin and look forward to benefitting from their experience in the future. Over the past few months the board of directors has recruited several experienced and talented senior managers for an effective succession of the management ranks. Since joining, the new management team has undertaken a comprehensive review and subsequently pursued actions to better position Gaylin for future opportunities, including:

- Completing a detailed inventory review resulting in S\$35.5 million provision for slow-moving and aged inventory in FY2018. Gaylin's disappointing FY2018 financial results were largely the result of inventory provisions to reflect current market prices. However, going forward this inventory provision effectively resets Gaylin's major cost component and better positions Gaylin for future profitability;
- Expensing in FY2018 non-recurring and related restructuring costs of S\$6.0 million to eliminate unnecessary and non-core expenses going forward; and
- Announcing the proposed acquisition of Amos International Holdings Pte Ltd ("Amos"), a Singapore headquartered business with operations in Hong Kong and Shanghai all providing supplies, services, and logistics solutions to maritime fleet and offshore oil & gas operators. The acquisition is subject to shareholder consent and customary approvals, and would be funded by issuing new Gaylin shares.

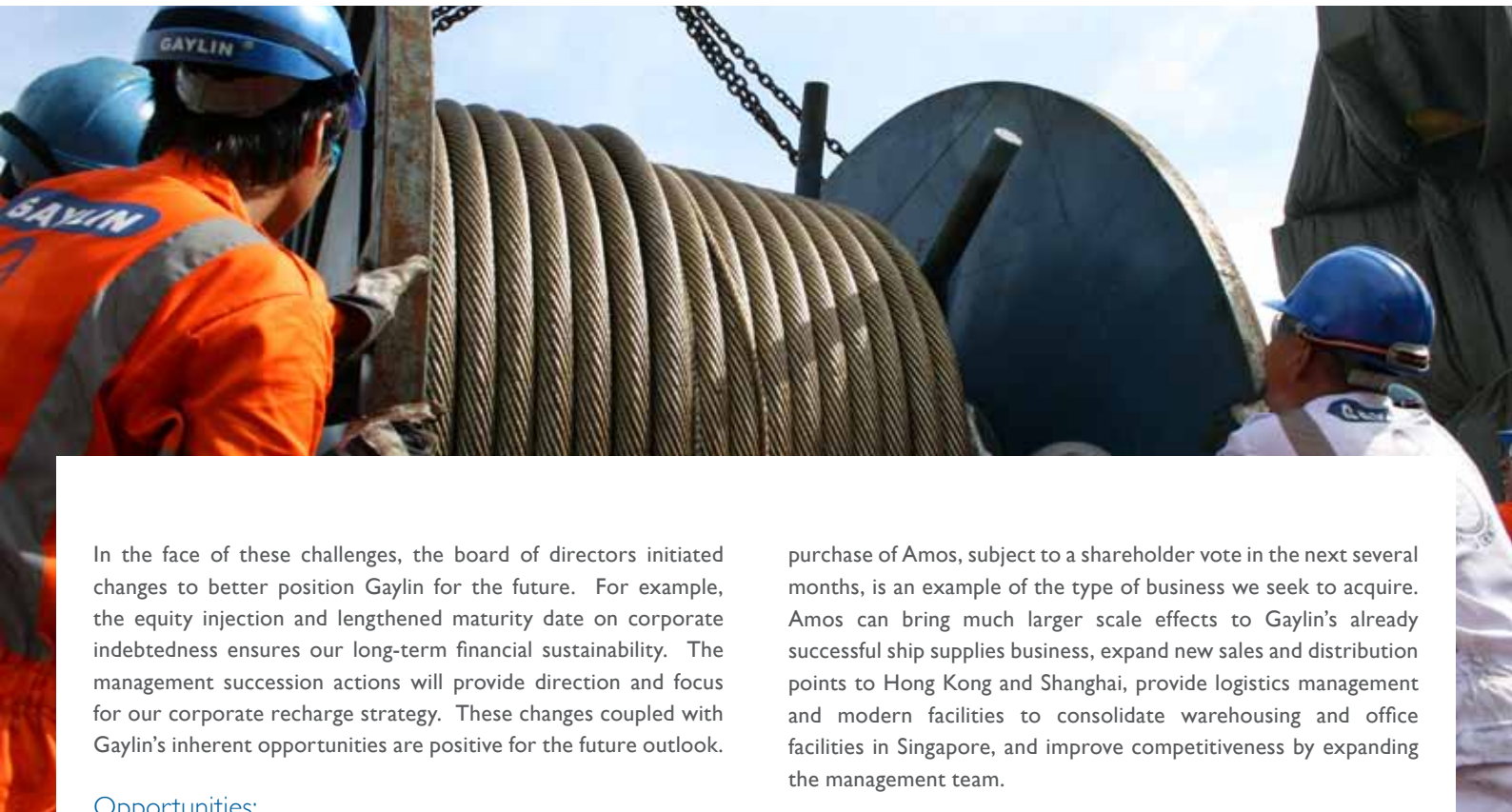
## Challenges:

The major challenge for Gaylin during FY2018 continued to be the low level of activity by our major customers due to weak oil prices. In early 2015 the oil price dropped precipitously and was followed by a dramatic reduction in activity by oil & gas exploration and production customers, which has been exactly the customer base targeted by Gaylin. Low oil prices and the concomitant reduced activity by major customers continued to weigh on Gaylin in FY2018 causing sales to drop. These industry dynamics have been evident since 2015 and clearly effected our competitors and many other industry players.

The second major challenge confronting Gaylin has been high debt levels, with all of the debt at yearend FY2017 classified as short-term and effectively repayable upon demand by Gaylin bank lenders. Since early 2015 Gaylin and its competitors faced a declining demand for products and services as the price of oil hovered below US\$50 per barrel. Nonetheless, over the period 2015-2017 bank lenders had been aggressive in providing loans to Gaylin in spite of declining sales and profitability. In hindsight, this easy bank lending was burdensome to Gaylin and the overall oil & gas services industry. Unfortunately, the prolonged downturn in sales to the offshore oil & gas industry placed a heavy burden on interest expense and debt repayments.

Gaylin's third major challenge over the past several years has been relatively high fixed operating costs relative to the low customer demand. As sales have declined in each of the past three fiscal years Gaylin has experienced operating losses. Further exacerbating the cost pressures were four acquisitions consummated in 2013 to 2014 which as of yet have not been fully operationally combined into the Gaylin group of companies. Gaylin management is now intensely focused on productivity enhancements for better future profitability.

# CHAIRMAN'S MESSAGE



In the face of these challenges, the board of directors initiated changes to better position Gaylin for the future. For example, the equity injection and lengthened maturity date on corporate indebtedness ensures our long-term financial sustainability. The management succession actions will provide direction and focus for our corporate recharge strategy. These changes coupled with Gaylin's inherent opportunities are positive for the future outlook.

## Opportunities:

The opportunities for Gaylin rest upon inherent strengths from its history as one of Singapore's long established and well-respected operator in the maritime and oil & gas service industries. The Teo brothers founded Gaylin in 1974 and built a world-class engineering and services business providing specialized lifting and rigging solutions for the maritime and oil & gas industries as well as another business segment providing ship services and supplies to the maritime industry.

In addition to a long and respected history, Gaylin's extensive footprint across markets where our multinational customers are active is a significant opportunity to grow sales and profits. Gaylin has been headquartered in Singapore for 44 years and today has operating subsidiaries in nine other countries: Malaysia, Vietnam, Indonesia, China, Korea, United Arab Emirates, Azerbaijan, Kazakhstan, and United Kingdom.

Gaylin's rejuvenated financial and operational strengths underpin our confidence for the future and provide an opportunity to become the dominant player in our markets. We have a strong balance sheet as a result of the new equity investment and debt restructuring. We have a recharged management team with broad international experience in oil & gas and maritime industries to improve our competitiveness and strengthen Gaylin's abilities in its major markets. We also have opportunities to grow both organically and through mergers and acquisitions. The announced

purchase of Amos, subject to a shareholder vote in the next several months, is an example of the type of business we seek to acquire. Amos can bring much larger scale effects to Gaylin's already successful ship supplies business, expand new sales and distribution points to Hong Kong and Shanghai, provide logistics management and modern facilities to consolidate warehousing and office facilities in Singapore, and improve competitiveness by expanding the management team.

## Future Outlook:

We have seen a rebound over the past few months in international oil prices, and Gaylin is sharing in the increasing mood of optimism now evident across the global oilfield services market. While we are keen for increased customer activity, rest assured we are engineering Gaylin to be profitable at both low and high oil prices as we refocus on becoming a value-added supplier of products and services. Nonetheless, after a long period of weak oil prices and low customer demand we are seeing signs of a turnaround.

The board of directors are excited in launching the next chapter in Gaylin's journey and we look forward to achieving Gaylin's stated aim of serving multinational customers in the offshore oil & gas and maritime industries with high-quality and cost-efficient products, services, and solutions. We are striving to raise Gaylin's long-term rate of return on its shareholders' equity capital well above industry averages and will endeavour to maintain a high level of financial security. We thank all the shareholders, customers, and other valued stakeholders for their past support and future commitment to Gaylin.

Respectfully,  
**KYLE ARNOLD SHAW, JR.**  
EXECUTIVE CHAIRMAN

# CEO'S MESSAGE

## Dear Shareholders

I am pleased to address you as the new CEO of Gaylin.

I start by paying tribute to the Teo family who built up Gaylin over more than four decades and established an impressive portfolio of companies with enormous potential for further growth. It is a remarkable legacy and I look forward to leading the company into this exciting new phase of its development.

I'm also thankful to ShawKwei and Partners who brought me into the company. Their equity injection and involvement have undoubtedly enhanced Gaylin's financial stability and strengthened the operational competitiveness of the business, providing significant confidence for our future.

## Year in Review and Outlook

FY2018 was a year of change for the shipping industry. On the road to recovery, signs of upticks can be seen in the dry bulk, containers and tankers sectors.

GDP growth in advanced economies are expected to be significantly lifted in 2018 and 2019. This bodes well for the Group as it generally means higher demand for container shipping which translates into near and long-term growth opportunities for our marine supplies business. On the back of this encouraging landscape, the Group's marine supplies business generated a 9.2% increase in sales to S\$15.5 million in FY2018 from S\$14.2 million a year ago ("FY2017"). On the other side of our business, revenue contribution from Gaylin's rigging and lifting remained weak as our oil & gas customers are taking a cautious approach in view of the currently subdued energy sector.

Nevertheless, I firmly believe that the offshore oil & gas market has indeed bottomed out, but it may still be too early to determine whether FY2019 is likely to be a meaningful turnaround year for the industry. That said, we are already starting to see encouraging signs in the EMEA region where we have a strong market presence and therefore able to provide higher value services to customers who are hungry for smarter solutions. We are well positioned to capitalize on the upturn.





# CEO'S MESSAGE



As FY2018 came to a close, James Parsons joined Gaylin as its new Global Managing Director. Since coming on board, both James and I have visited all of our operating companies across Asia, the Middle East and Europe. It has been heartening to see the depth of engagement and outflow of positive initiatives coming from the respective teams. Following our visits, we are comprehensively reviewing our operating processes and taking the necessary steps to solidify the foundation of Gaylin's future.

New strategies have been initiated to revitalize and grow Gaylin's entities while still retaining a profound commitment to the safe provision of our quality products and innovative services and solutions.

## Looking Ahead

We now have operating companies in ten countries across Gaylin's global network. As a management team our immediate focus will be on strengthening the bonds between our operating units, forging them into a unified and systematic operation with a strong sense of identity and a clear brand message for our customers.

We have identified a range of exciting cross-selling opportunities between the various companies in the Group. For instance, our ship supply businesses, who have traditionally focused on the marine fleet sector, will now benefit from closer relations with our oil & gas customers. This sector offers a wide range of sales opportunities for higher value products and a broad array of supplies.

We intend to generate additional value from our network, by developing closer connections and greater cooperation between

our businesses. In this way we can extend valuable services to customers across geographic boundaries. By being smart, agile and systematic in our processes we can increase efficiencies, lower costs and generate valuable economies of scale.

We live in an increasingly networked world and I am excited at the possibilities that technology can bring to our business. We are keen to develop customer-friendly processes, and easy-to-use interfaces that will help make doing business simpler for our clients.

Together, this combination of an expanded customer base, a broader, deeper product offering, greater geographic reach and a user-friendly networked approach leads us to believe we can substantially increase revenues in the coming years.

## In Gratitude

My sincere thanks go to Gaylin's shareholders and our newly appointed Board of Directors for their commitment to the hardworking and dedicated Gaylin employees worldwide as well as our many customers and suppliers who continue to stand behind us. We look forward to your support as we bring Gaylin to greater heights.

Respectfully,  
**PERRY KENNEDY**  
CHIEF EXECUTIVE OFFICER (CEO)

# OPERATING AND FINANCIAL REVIEW

## FINANCIAL HIGHLIGHTS Financial Year Ended 31 March

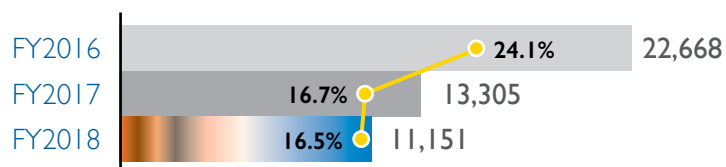
### Revenue (S\$'000)



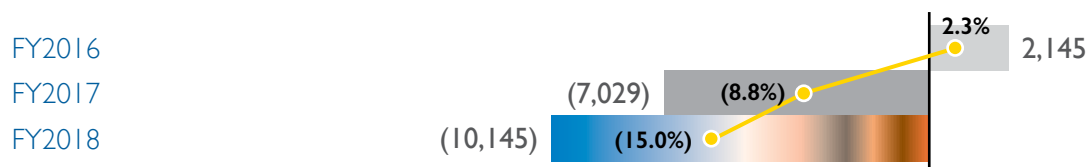
### Total Shareholders' Equity (S\$'000)



### Gross profit (S\$'000) and Margin (%) (exclude allowance for slow-moving and aged inventories)



### Net Profit/(Loss) Attributable to Shareholders (S\$'000) and Margin (%) (exclude allowance for slow-moving and aged inventories and other expenses)



### Net Cash/(Debt) Position<sup>(1)</sup> (S\$'000)

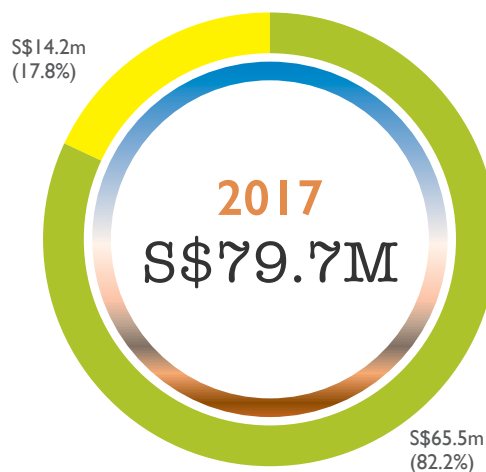
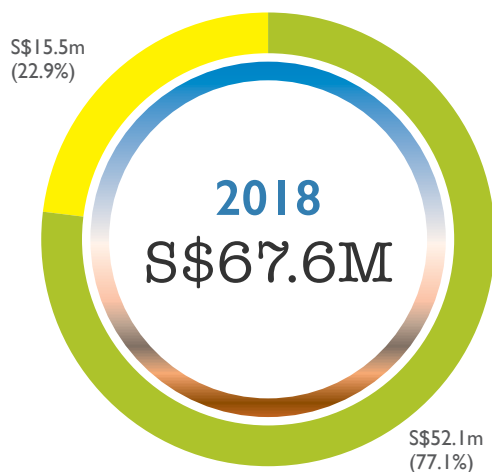


<sup>(1)</sup> Refers to cash and bank balances less total bank borrowings.

# OPERATING AND FINANCIAL REVIEW

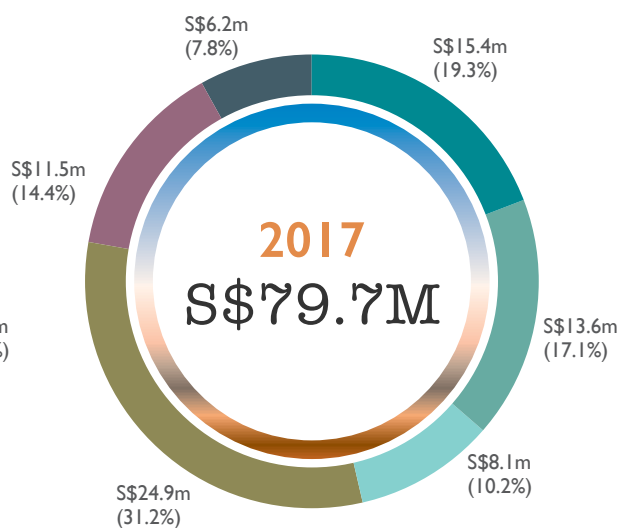
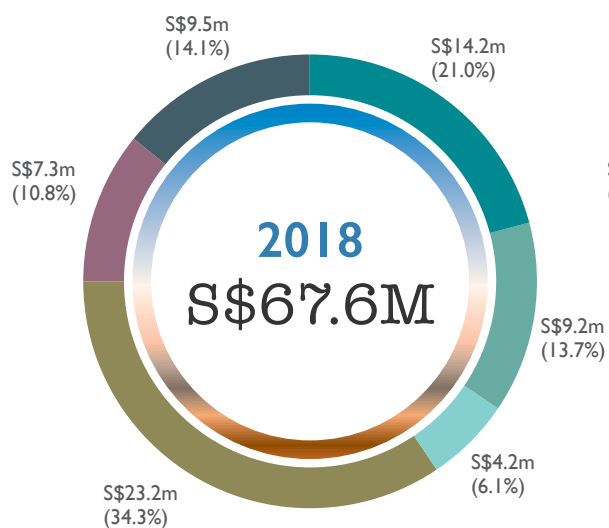
## INCOME STATEMENT

### Revenue By Business Segments (S\$m)



■ Rigging and lifting
 ■ Ship chandling

### Revenue by Geographic Segments (S\$m)



■ Singapore
 ■ Azerbaijan
 ■ France
 ■ Other Asia<sup>(1)(2)</sup>
■ Europe<sup>(1)(3)</sup>
■ Others<sup>(1)</sup>

<sup>(1)</sup> Includes revenue from customers in countries that individually account for less than 10% of the Group's revenue

<sup>(2)</sup> Excludes revenue from Singapore

<sup>(3)</sup> Excludes revenue from France

# OPERATING AND FINANCIAL REVIEW

## Revenue

### Revenue by Business Segments

For the financial year ended 31 March 2018 ("FY2018"), the Group recorded revenue of S\$67.6 million, representing a year-on-year decline of 15.2%, compared to S\$79.7 million for the corresponding period ended 31 March 2017 ("FY2017"). Revenue contributed by the Group's rigging and lifting segment fell 20.4% to S\$52.1 million in FY2018 while its ship chandling segment grew 9.2% to S\$15.5 million, compared to S\$65.5 million and S\$14.2 million respectively in FY2017.

### Revenue by Geographic Segments

Share of revenue from Others increased by 52.6% to S\$9.5 million in FY2018, compared to S\$6.2 million in FY2017. The improved sales was largely due to the ship chandling business revenue from Papua New Guinea and Australia.

## Gross Profit/Loss

In FY2018, the Group reported a gross loss of S\$24.3 million. This was mainly attributed by a S\$35.5 million allowance for slow-moving and aged inventories (FY2017: S\$2.3 million) following a group-wide asset rationalization which was completed during the year in view of the continued weakness of the oil and gas industry. Gaylin's management has engaged professional valuers to review the net realizable value of the inventories based on suppliers' pricing market demand and obsolescence. As a result, inventory levels fell to S\$79.9 million in FY2018 from S\$127.9 million in FY2017. Excluding the impact from the allowance for slow-moving and aged inventories in FY2018 and FY2017, the Group would have recorded gross profit of S\$11.2 million and S\$13.3 million with corresponding gross profit margins remaining fairly constant at 16.5% and 16.7% respectively.

## Other Operating Income

Other operating income decreased by S\$0.5 million to S\$0.2 million in FY2018. This was mainly due to (i) reclassification of a foreign exchange gain of S\$0.3 million in FY2017 to a foreign exchange loss of S\$0.6 million in FY2018, and (ii) reclassification of a gain on

disposal of property, plant and equipment ("PPE") of S\$0.2 million in FY2017 to a loss on disposal of PPE of S\$1.3 million in FY2018.

## Costs and Expenses

### Distribution costs

Distribution costs in FY2018 did not vary significantly from that of FY2017.

### Administrative expenses

Administrative expenses fell 5.7% to S\$13.1 million in FY2018 from S\$13.9 million in FY2017 which is in line with the Group's ongoing cost control measures. This was largely due to a decrease in bank charges by S\$0.3 million because of the reclassification of facility fees to finance costs, a decrease in depreciation by S\$0.2 million, write-off of intangible assets in FY2017 which resulted in lower amortization of intangible assets by S\$0.2 million, and a decrease in staff-related expenses of S\$0.2 million.

### Other expenses

Other expenses rose by S\$3.9 million to S\$5.9 million in FY2018 compared to S\$2.1 million in FY2017 mainly due to a one-off restructuring cost of S\$1.5 million (comprising of consultancy fees of S\$0.5 million, interim accounting services of S\$0.1 million, recruitment fees of S\$0.4 million and severance package of S\$0.5 million) related to the share placement on 13 March 2018, an increase in intangible assets written off by S\$1.3 million together with loss on disposal of PPE of S\$1.3 million from one of the subsidiaries, and PPE written off and provision for cancellation of contracts amounting to S\$0.7 million. These were offset by a decrease in allowance for doubtful debts of S\$1.0 million.

## Loss Attributable to Shareholders of the Company

As a result of the above, the Group posted a loss attributable to shareholders of the Company of S\$51.6 million in FY2018 compared to S\$11.4 million in FY2017. Should the allowance of slow-moving and aged inventories coupled with other expenses be excluded, the loss attributable to Shareholders of the Company would be S\$10.1 million in FY2018 compared to S\$7.0 million in FY2017.



# OPERATING AND FINANCIAL REVIEW

## FINANCIAL POSITION

As at 31 March 2018, the Group's current assets decreased by S\$7.7 million to S\$150.2 million from S\$157.9 million as at 31 March 2017 mainly because of an increase in cash and bank balances by S\$51.2 million to S\$57.8 million arising from the proceeds from issuance of shares of S\$68.0 million. This was offset by a decline in inventories by S\$48.0 million due to inventory sales of S\$12.5 million in the normal course of business and allowance for slow-moving and aged inventories of S\$35.5 million, a decline in trade receivables by S\$9.8 million due to lower sales in FY2018 and a decrease in other receivables by S\$1.2 million mainly due to the collection of remaining profit guarantee monies arising from the acquisition of Lv Yang (Tianjin) Offshore Equipment Co., Ltd and VAT claim from our operating entity in UK. On 13 March 2018, Gaylin received a S\$68.0 million equity investment from PeakBayou Ltd. The injection of cash from the new investor has improved the financial stability for the Group.

The Group's non-current assets decreased by S\$6.3 million to S\$32.2 million as at 31 March 2018 from S\$38.5 million as at 31 March 2017. This was attributable mainly to a drop in PPE by S\$3.4 million (largely due to depreciation of S\$4.9 million in FY2018 and disposal of PPE with net book value including currency alignment of S\$2.3 million offset by additions of PPE, including transfer from inventories of S\$3.8 million), and amortization of intangible assets of S\$0.5 million as well as intangible assets written off of S\$2.0 million.

Current liabilities fell by S\$71.9 million to S\$24.5 million as at 31 March 2018 from S\$96.4 million as at 31 March 2017. The decrease was mainly from the reclassification of bank borrowings of S\$43.1 million to non-current liabilities, repayment of bank borrowings and related interest of S\$25.9 million (total bank borrowings have been reduced from S\$83.0 million in FY2017 to S\$57.1 million in FY2018), and expedited pay-off to suppliers by S\$4.0 million. These were offset by an increase in accrual and provision of one-off restructuring expenses of S\$1.3 million during the shares placement on 13 March 2018. The repayment of bank borrowings and suppliers mainly came from PeakBayou Ltd's capital injection.

On the other hand, the Group's non-current liabilities increased by S\$42.4 million to S\$48.5 million as at 31 March 2018 from S\$6.1 million as at 31 March 2017 mainly because of reclassification of bank borrowings of S\$43.1 million from current liabilities offset by repayment of finance lease of S\$0.6 million.

## Shareholder's Equity

Shareholder's equity of the Group increased by 16.5% to S\$109.4 million as at 31 March 2018 from S\$93.9 million as at 31 March 2017 mainly due to an increase in share capital of S\$67.8 million which was offset by a loss of S\$51.6 million during the period and a reduction in translation reserve of S\$0.8 million.

## CASH FLOWS

### Net cash from operating activities

The Group's net cash generated from operating activities amounted to S\$10.1 million in FY2018.

Before changes in working capital, Gaylin's operating cash outflows was S\$3.5 million. The net working capital inflow amounted to



S\$14.4 million. This was mainly attributable to a decrease in trade receivables by S\$9.0 million corresponding to lower sales, a decrease in inventories by S\$10.2 million, a decrease in other receivables by S\$1.0 million, and an increase in provision and other payables by S\$1.3 million. These were offset by a fall in trade payable by S\$3.7 million and bank bills payable of S\$3.4 million.

The Group also paid interest for bank bills of S\$0.4 million and paid income tax of S\$0.4 million.

### Net cash used in investing activities

Net cash used in investing activities amounted to S\$1.7 million in FY2018 mainly due to the purchase of PPE amounting to S\$2.0 million. This was offset by proceeds from disposal of PPE of S\$0.3 million by one of the subsidiaries.

### Net cash used in financing activities

Net cash generated from financing activities amounted to S\$43.9 million in FY2018. This was mainly due to proceeds of S\$68.0 million from issuance of shares and proceeds of S\$0.5 million of loan from Keh Swee Investment Pte. Ltd.. These were offset by the repayment of bank borrowings and related interest of S\$23.7 million, the repayment of obligations under finance leases of S\$0.7 million, restricted cash of S\$0.2 million due to a covenant agreement with the bank, and payment of share issue expenses of S\$0.1 million.

As at 31 March 2018, the Group's cash and bank balances amounted to S\$57.5 million compared to S\$5.4 million a year ago.

# BOARD OF DIRECTORS

**Mr Kyle Shaw** founded ShawKwei & Partners in 1998 and is the Managing Partner. ShawKwei & Partners is a private equity fund manager investing in mid-market, industrial and service industries operating across Asia. After investing, ShawKwei & Partners helps companies to improve operations, acquire other companies, and raise appropriate loans from banks. Mr Shaw has been involved in Asian private equity fund management for 25 years and has led a variety of investment transactions across Asia.



**KYLE SHAW**  
EXECUTIVE CHAIRMAN  
Date of first appointment:  
13 March 2018

Mr Shaw began his working career in the oil industry with Tidewater Inc. in Louisiana and Singapore, McDermott in Indonesia, and Union Texas Petroleum in Houston. He joined Security Pacific National Bank's merchant bank in New York in 1987, and in 1989 founded Security Pacific Asia Fund, the first Asian private equity fund for Security Pacific managing internal capital. Kyle then joined the Tudor Investment Group to open a Shanghai office to manage private equity investments in China.

Over his investment career, Kyle has served as a director or chairman of several companies, including Beyonics Pte Ltd, Amos International Holdings Pte Ltd, YongLe Tape Ltd, Chosen Holdings Ltd, Flextronics International Ltd, China Fangda Group, SNP Leefung Holdings Ltd, and Suga International Holdings Ltd.

Kyle received an MBA degree from the Wharton School of the University of Pennsylvania and a Bachelor of Science in Commerce from the University of Virginia. He studied Mandarin Chinese at Taiwan's National Normal University Language Institute for foreign students, and has lived over 30 years in Hong Kong, Shanghai, Singapore, and Taiwan.

**Mr Peter Pil Jae Ko** is Managing Director at ShawKwei & Partners and a seasoned Asian private equity investor with 30 years of investment experience across Asia.

In 1982, he started his career at Merrill Lynch White Weld Capital Markets as Analyst in its Mergers & Acquisitions advisory group in New York. From 1986 to 1991, he joined Asia Oceanic Group, a merchant bank based in Hong Kong and New York, participating in America-Asia and intra-Asia cross border advisory and investment transactions.

From 1991 to 1998, Mr Ko worked as Principal at William E. Simon & Sons (Asia) Limited. Based in Hong Kong, he focused on Asia based private equity transactions. The firm was founded by Bill Simon, the former Secretary of the Treasury under President Ford and the founding partner of Wesray, one of the earliest and successful private equity firms in North America.



**PETER KO**  
NON-EXECUTIVE DIRECTOR  
Date of first appointment:  
13 March 2018  
Member: Audit, Remuneration and  
Nominating Committees

From 1998 to 2012, he worked at H&Q Asia Pacific Group as Managing Director and subsequently, as Senior Managing Director. During his 14 years at H&Q Asia Pacific Group, he led its Korean operations, undertaking private equity investments and establishing two onshore private equity funds primarily sponsored by Korean institutions. While with H&Q, Mr Ko had a number of senior management roles in Japan and Greater China.

Mr Ko holds a BA from Columbia University and an MBA from Harvard Business School.

**Mr Lim Shook Kong**, is a Fellow of the Institute of Chartered Accountants in England and Wales (FCA), a Member of the Malaysian Institute of Accountants (Chartered Accountant, Malaysia) and a Member of the Singapore Institute of Directors (MSID). He attended the Mandatory Accreditation Program ("MAP") pursuant to Paragraph 15.09 of Bursa Securities' Listing Requirements in February 2005.

He has had hands-on experience in a wide range of industries, having been involved in accounting, audit, merchant banking, property development, oil and gas exploration activities, engineering and construction, paper mill and packaging businesses, precision plastic injection/molding, M & A, IPO assignments, corporate financial/debt restructuring and corporate governance and compliance matters.

Shook Kong has held positions as an Executive Director/Finance Director and CFO, Non-Executive Independent Director (having served as Chairman and/or Member of the Audit Committees, Nomination Committees and Remuneration Committees) on the board of several public listed companies and private limited companies over the past 35 years.

# BOARD OF DIRECTORS



**LIM SHOOK KONG**  
INDEPENDENT  
NON-EXECUTIVE DIRECTOR  
Date of first appointment:  
13 March 2018  
Chairman: Audit Committee

He is currently a consultant (financial) to Sentosa 4D Magix Pte Ltd, a company which operates South East Asia's first 4Dimensional Theatre in Sentosa Island, Singapore (since August 2009). He also serves as an independent member of a Committee of Inspection ("COI") of a Singapore company under liquidation (since July 2011).

Shook Kong is a director of several private limited companies in Singapore, representing the interests of the majority shareholders based overseas.

**Mr Alan Hargreaves** is Managing Director of Copabella Pte Ltd, Australia, where he manages Copabella Trust, a private investment vehicle.

With over 35 years of international experience in corporate finance and investment, he is also an external consultant to various equity and property investment portfolios as well as the not-for-profit sector. These include being Advisor to ShawKwei & Partners, Director of Beyonics Pte Ltd, Director of Javelin Startup-O, a Singapore-based innovation fund, Chairman of Newpin Advisory Board and Director of The Sydney Retreat.



**ALAN JOHN HARGREAVES**  
INDEPENDENT  
NON-EXECUTIVE DIRECTOR  
Date of first appointment:  
14 March 2018  
Chairman: Nominating Committee  
Member:  
Audit and Remuneration Committee

Alan began his career at Hoare Govett Asia in 1984 where he held various senior executive positions and oversaw major restructuring and expansion of the firm's activities. This included the firm's management buyout in 1990 and its subsequent growth across Asia, which involved building operations between South Korea and India, as well as setting up the first foreign seat in Shenzhen, China and subsequently the second in Shanghai, China. In 1993, he restructured the firm's US operations before it was sold to ABN AMRO Asia in 1998.

From 1998 to 2000, Alan was Managing Director of ABN AMRO Asia where he managed its US operations before moving to Sydney to set up and manage equity broking operations for ABN AMRO Hoare Govett Australia.

Alan is a published author and a consultant on issues of corporate strategy and change management. He is an Economics graduate from the University of Sydney.

**Mr David Wood Hudson** has 40 years of experience in the financial sector as a senior executive in private equity investing, commercial banking, and investment banking. His career focus has been on the emerging markets of Asia, Latin America, the Middle East and Africa.

David was previously a Senior Managing Director with Darby Private Equity from 2008 until 2015 with overall executive and operational responsibility for Darby private equity funds in Asia and Latin America. The fund investment activities included equity, structure mezzanine debt, and infrastructure, and investment teams were based in Hong Kong, India, South Korea, Brazil, and Colombia.



**DAVID WOOD HUDSON**  
INDEPENDENT  
NON-EXECUTIVE DIRECTOR  
Date of first appointment:  
14 March 2018  
Chairman: Remuneration Committee  
Member: Nominating Committee

David began his career at JP Morgan where he held various roles as an executive in the bank's Middle East Group and Energy Group. In 1987, David relocated to Hong Kong as President & CEO of JP Morgan's Asia business activities (excluding Japan). In 1990, David joined Salomon Brothers as Managing Director (Partner) responsible for senior client coverage in Asia. In 1995, David joined ING Barings, Asia, initially as Managing Director responsible for corporate finance, and in 1997, was appointed President & CEO of ING's branches and all business activities in Asia. In total, David lived in Hong Kong and was active as a senior executive in the region for 20 years. In 2006, David was appointed President & CEO of ING Bank's activities in the United States & Latin America and he relocated to New York City. David is an Advisor to ShawKwei & Partners.

David received his Bachelor's degree (BA) in 1970 from the University of Virginia in International Relations & Comparative Governments and received his MBA from University of Virginia, Darden School in 1973.

# SENIOR MANAGEMENT

**Mr Perry Kennedy** joined the Group as CEO in April 2018 with a distinguished career of global leadership experience across the offshore and marine support industries. He held senior executive and management roles at GulfMark Offshore, Cable and Wireless Marine and McDermott, and has worked in and led organizations across Europe, Africa, the Americas, and Asia. He also has a track record of driving business change, modernisation, and sales and profit growth.



**PERRY KENNEDY**  
CHIEF EXECUTIVE  
OFFICER (CEO)

Prior to joining the Group, Perry was CEO of Chowgule's Lavgan Yard, India's flagship rig and ship refit facility. Before this, he spent 12 years at GulfMark Offshore, Inc. capping as Group Senior Vice President & Chief Marketing Officer for global operations and several years as Managing Director of EMEA operations, the company's largest region.

Within a decade of earlier education to Class-I Marine Engineer, Perry held chief engineering postings on several offshore construction vessels around the world, subsequently leading senior teams in various engineering, operational and commercial capacities with large companies in the oil & gas as well as marine sectors.

He served for 5 years on the Board of the UK Chamber of Shipping where he was Chairman of their offshore division and has enjoyed seats on several sector-related Boards.

**Mr James Parsons** was appointed as Managing Director in March 2018. Prior to joining the Group, he has had extensive experience and exposure to business transformation and operations within the multinational maritime and oil and gas industries. After a 15-year career as an Officer in the Australian Army, James worked



**JAMES PARSONS**  
GLOBAL MANAGING  
DIRECTOR

within the fields of Project Management and Business Consulting in both Australia and Scandinavia. Over the past 16+ years, James has operated across Australasia, North and South East Asia and Europe performing roles at the CEO, Managing Director, General Manager and Global Corporate Functional levels within recognized

corporations such as the Wilhelmsen and Swire Groups. James is a graduate of the Royal Military College of Australia and has a Bachelor of Science and a Masters of Business from James Cook and Newcastle Universities in Australia. James has also completed the Advanced Management Program at INSEAD, Fontainebleau.

**Ms Victoria Yong** joined the Group as Senior Vice President, Finance in March 2018. Prior to joining the Group, she was the Chief Financial Officer of Katrina Group Ltd, a Catalyst company on the Singapore Exchange and General Manager of Corporate Affairs of Makino China Co., Ltd before that. Between 1997 and



**VICTORIA YONG**  
SENIOR VICE PRESIDENT,  
FINANCE

2015, she held various finance positions working in the capacity as Financial Controller and Operations Director in multi-national corporations and Singapore listed companies in the manufacturing, energy and engineering sectors. In the course of her profession, she has gained valuable regional experience from her postings to countries such as the People's Republic of China, Hong Kong, Vietnam and Myanmar. Victoria holds a Master's Degree in Business (Professional Accounting), a Graduate Diploma in Accounting from Victoria University of Technology (Australia) and a Bachelor's Degree in Business Administration from RMIT (Australia). She is a non-practising member of both the Institute of Singapore Chartered Accountants (CA Singapore) and Australia Society of Certified Practising Accountants (CPA Australia).



**JAE TEO**  
DEPUTY CHIEF  
ADMINISTRATIVE OFFICER

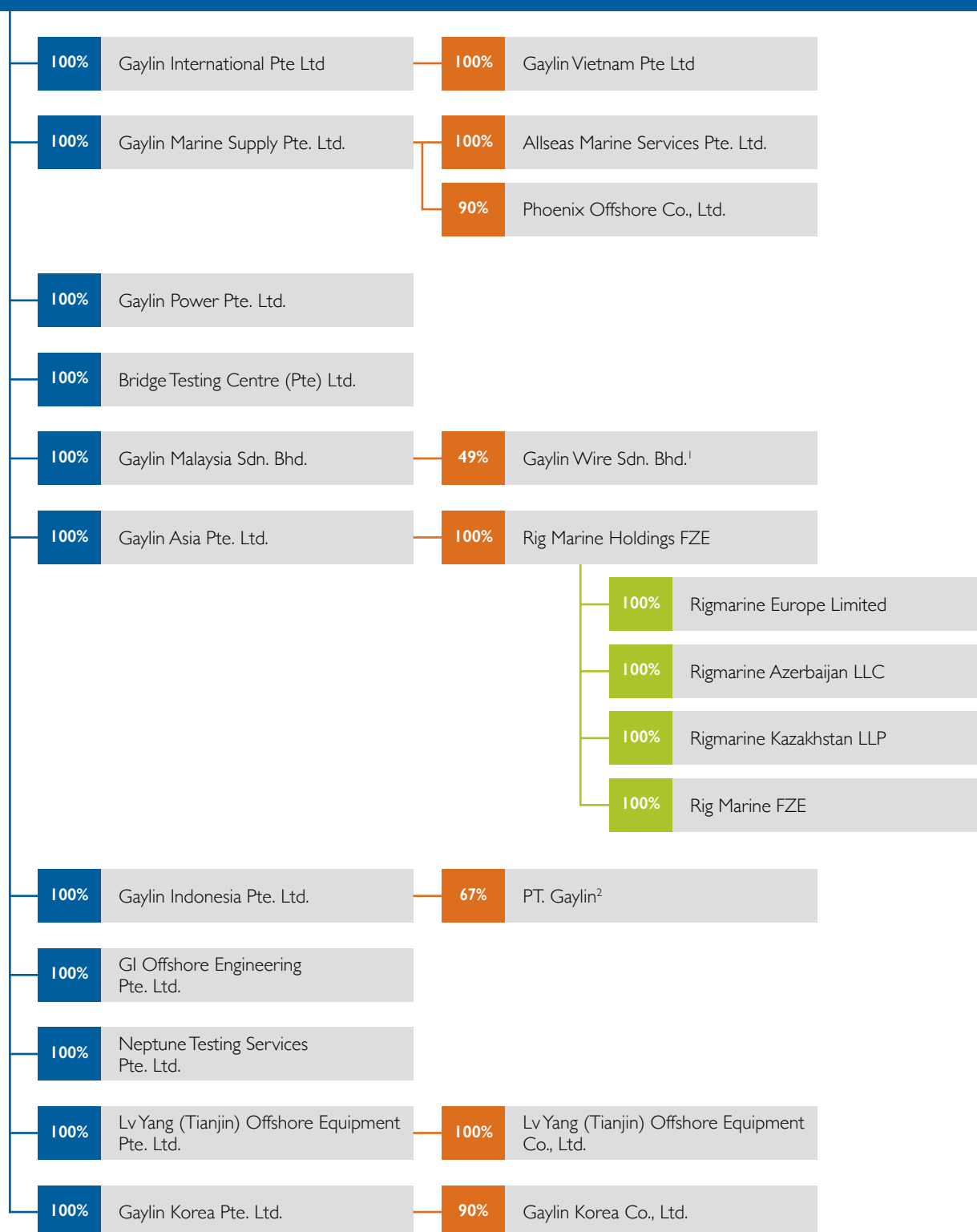
**Ms Jae Teo** was appointed Deputy Chief Administrative Officer in February 2016, responsible for cross-functional solutions and aligning business processes and controls across the Group. Jae began her career in the banking industry before joining the Group's production departments in January 2011, subsequently becoming Senior Business Process Manager. She has been involved in several key projects including the Initial Public Offering of the Group, the ERP implementation and acquisition projects which involved Group-wide process integration.



# CORPORATE STRUCTURE

## GAYLIN

Trusted For Lifting & Rigging



<sup>1</sup> On 16 March 2018, Gaylin Wire Sdn. Bhd. has submitted the striking off application.

<sup>2</sup> The remaining interests of this subsidiary are held in trust.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Kyle Arnold Shaw, Jr, Executive Chairman  
Peter Pil Jae Ko, Non-Executive Director  
Lim Shook Kong, Independent Non-Executive Director  
Alan John Hargreaves, Independent Non-Executive Director  
David Wood Hudson, Independent Non-Executive Director

## AUDIT COMMITTEE

Lim Shook Kong, Chairman  
Peter Pil Jae Ko  
Alan John Hargreaves

## REMUNERATION COMMITTEE

David Wood Hudson, Chairman  
Peter Pil Jae Ko  
Alan John Hargreaves

## NOMINATING COMMITTEE

Alan John Hargreaves, Chairman  
Peter Pil Jae Ko  
David Wood Hudson

## COMPANY SECRETARY

Yeoh Kar Choo Sharon, ACIS

## SHARE REGISTRAR

RHT Corporate Advisory Pte. Ltd.  
9 Raffles Place #29-01  
Republic Plaza Tower 1  
Singapore 048619

## AUDITORS

Deloitte & Touche LLP  
Public Accountants and Chartered Accountants  
6 Shenton Way, OUE Downtown Two, #33-00  
Singapore 068809  
Partner-in-charge: Patrick Tan  
Date of Appointment: 22 July 2016

## REGISTERED OFFICE

7 Gul Avenue  
Singapore 629651  
Tel: +65 6861 3288  
Fax: +65 6861 3336  
[www.gaylin.com](http://www.gaylin.com)

## INVESTOR RELATIONS

August Consulting Pte Ltd  
101 Thomson Road  
#30-02 United Square  
Singapore 307591  
Tel: +65 6733 8878



# CORPORATE GOVERNANCE REPORT

The Board of Directors (the “Board”) and the Management of Gaylin Holdings Limited (the “Company”) are committed to achieving a high standard of corporate governance within the Company and its subsidiaries (the “Group”). Underlying this commitment is the belief that good corporate governance will help to enhance corporate performance and protect the interest of the Company’s shareholders (the “shareholders”).

This report outlines the Company’s corporate governance practices that were in place for the financial year ended 31 March 2018 (“FY2018”) with specific reference made to the principles and guidelines of the Code of Corporate Governance 2012 (the “Code”), which forms part of the continuing obligations of the Listing Rules of the Singapore Exchange Securities Trading Limited.

The Board is pleased to confirm that for FY2018, the Group has adhered to the principles and guidelines in the Code where appropriate. Any deviations from the guidelines of the Code or areas of non-compliance have been explained accordingly.

## Principle I: The Board’s Conduct of its Affairs

The Board is collectively responsible for the long-term success of the Group and is accountable to its shareholders. The functions of the Board include the following which are also part of the matters reserved for the Board’s approval:-

- a) deciding on strategic objectives, key business initiatives, major investments and funding matters;
- b) monitoring the performance of Management and reviewing the financial performance of the Group;
- c) implementing effective risk management systems including safeguarding of shareholders’ interest and the Company’s assets;
- d) ensuring the adequacy of the internal controls;
- e) considering sustainable issues; and
- f) ensuring compliance with the Code, the Companies Act (Cap 50) of Singapore (“Companies Act”), the Company’s Constitution, the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”) (“Listing Manual”), accounting standards and other relevant statutes and regulations.

The Board meets each quarter in the year to approve, among others, announcements of the Group’s quarterly and full year financial results. The Board may have informal discussions on matters requiring urgent attention, which would then be formally confirmed and approved by circulating resolutions in writing. Ad-hoc meetings are also convened as and when they are deemed necessary. As provided in the Company’s Constitution, the Board may convene telephonic and videoconferencing meetings.

Other matters specifically reserved for the Board’s approval are those involving material acquisitions and disposal of assets, corporate or financial restructuring, capital expenditure budgets, review of performance, share issuances, dividends to shareholders and interested person transactions. Clear directions have been imposed on Management that such matters must be approved by the Board.

To facilitate effective management, the Board delegates certain functions to the various Board committees. The Board delegates such functions and authority to the Board committees without abdicating its responsibility. These committees, which include the Audit Committee (“AC”), the Nominating Committee (“NC”) and the Remuneration Committee (“RC”) (each a “Board Committee”), operate within clearly defined terms of reference and functional procedures. Each of these committees reports its activities regularly to the Board.

The Company recognizes the importance of appropriate training for its Directors. Newly appointed Directors are given an orientation and will be briefed on the business activities of the Group and its strategic directions, as well as their duties and responsibilities as Directors. Such training would include areas such as accounting, legal and industry-specific knowledge as appropriate.

During FY2018, due to the change in control of the Company, there was a total change in the composition of Board as follows:

### Incoming Directors

<u>Name</u>	<u>Appointment Date</u>
Kyle Arnold Shaw, Jr, Executive Chairman	13 March 2018
Peter Pil Jae Ko, Non-Executive Director	13 March 2018
Lim Shook Kong, Independent Non-Executive Director	13 March 2018
Alan John Hargreaves, Independent Non-Executive Director	14 March 2018
David Wood Hudson, Independent Non-Executive Director	14 March 2018

# CORPORATE GOVERNANCE REPORT

## Outgoing Directors

<u>Name</u>	<u>Cessation Date</u>
Ang Mong Seng, Independent Non-Executive Chairman	13 March 2018
Desmond Teo, Executive Director and Chief Executive Officer (“CEO”)	13 March 2018
Teo Bee Hoe, Executive Director and Chief Operating Officer (“COO”)	13 March 2018
Ng Sey Ming, Independent Non-Executive Director	13 March 2018
Lau Lee Hua, Independent Non-Executive Director	13 March 2018

All Directors, as appropriate, will also be given regular training particularly on relevant new laws, regulations and changing commercial risks which have an important bearing on the Company and the Directors’ obligations towards the Company.

The Company will be responsible for arranging and funding the training of Directors.

Briefing and updates provided to the Directors for FY2018 included:

- briefing by the external auditors, Deloitte & Touche LLP, on the key developments in financial reporting and governance standard at the quarterly review meetings;
- the Chief Executive Officer (the “CEO”) updates the Board at each Board meeting on business and strategic developments pertaining to the Group’s business; and
- News releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority which are relevant to the Directors are circulated to the Board.

Please also refer to Principle 4 regarding the NC’s plan for the Directors’ training and professional development programs.

The number of Board and Board Committee meetings held during FY2018 and the attendance of each Director are set out as follows:

Name of Director	Board	Audit Committee	Nominating Committee	Remuneration Committee
Mr Kyle Arnold Shaw, Jr.*	–	1/1 <sup>(1)</sup>	–	–
Mr Peter Pii Jae Ko*	–	1/1	–	–
Mr Lim Shook Kong*	–	1/1	–	–
Mr Alan John Hargreaves**	–	1/1	–	–
Mr David Wood Hudson**	–	–	–	–
Mr Ang Mong Seng <sup>#</sup>	4/4	4/4	1/1	1/1
Mr Desmond Teo <sup>#</sup>	4/4	4/4 <sup>(1)</sup>	1/1	1/1 <sup>(1)</sup>
Mr Teo Bee Hoe <sup>#</sup>	4/4	4/4 <sup>(1)</sup>	1/1 <sup>(1)</sup>	1/1 <sup>(1)</sup>
Mr Ng Sey Ming <sup>#</sup>	4/4	4/4	1/1	1/1
Ms Lau Lee Hua <sup>#</sup>	4/4	4/4	1/1 <sup>(1)</sup>	1/1

\* Appointed on 13 March 2018

\*\* Appointed on 14 March 2018

# Resigned on 13 March 2018

<sup>(1)</sup> Attendance at meetings that were held on a “By Invitation” basis

# CORPORATE GOVERNANCE REPORT

## Principle 2: Board Composition and Guidance

The Board and Board Committees had been re-constituted on 14 March 2018. The Board currently comprises five (5) Directors, three (3) of whom are Independent Non-Executive Directors (the “Independent Non-Executive Directors” or the “Independent Directors” or each the “Independent Non-Executive Director” or the “Independent Director”), with one (1) Non-Executive Director and one (1) Executive Director.

Directors	Board Membership	Audit Committee	Nominating Committee	Remuneration Committee
Mr Kyle Arnold Shaw, Jr	Executive Chairman	–	–	–
Mr Peter Pil Jae Ko	Non-Executive Director	Member	Member	Member
Mr Lim Shook Kong	Independent Non-Executive Director	Chairman	–	–
Mr Alan John Hargreaves	Independent Non-Executive Director	Member	Chairman	Member
Mr David Wood Hudson	Independent Non-Executive Director	–	Member	Chairman

The NC has reviewed and is satisfied that the current composition and Board size is appropriate for effective decision making, having taken into consideration the nature and scope of the Group’s operations. The three (3) Independent Directors, who made up more than half of the Board composition, provide the Board with independent and objective judgement on corporate affairs of the Company.

Each of the Independent Directors has confirmed that he does not have any relationship with the Company or its related corporations, its 10% shareholders or its officers including confirming not having any relationships and circumstances provided in Guideline 2.3 of the Code, that could interfere, or be reasonably perceived to interfere, with the exercise of independent judgement in carrying out the functions as an Independent Director with a view to the best interests of the Company. The NC has reviewed, determined and confirmed the independence of the Independent Directors.

None of the Independent Directors has served on the Board beyond nine years from the date of first appointment.

The Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision making. The Board noted that gender diversity on the Board of Directors is also one of the recommendations under the Code to provide an appropriate balance and diversity. Although there is currently no female Director appointed to the Board of Directors, the Board does not rule out the possibility of appointing a female Director if a suitable candidate is nominated for the Board’s consideration. Each Director has been appointed based on the strength of his calibre, experience and stature and is expected to bring a value range of experience and expertise to contribute to the development of the Group’s strategy and performance of its business.

## Principle 3: Chairman and Chief Executive Officer

The Code advocates that there should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Company’s business and no one individual should represent a considerable concentration of power.

The Chairman of the Board and the CEO are two separate persons to ensure an appropriate balance of power, increased accountability and greater capacity for independent decision making.

Mr Kyle Arnold Shaw, Jr is the Executive Director and also the Chairman of the Board. He assumes responsibility for the smooth functioning of the Board and ensures timely flow of information between the Management and the Board; sets agenda and ensures that adequate time is available for discussion of all agenda items, in particular strategic issues; promotes a culture of openness and debate at the Board and promotes high standards of corporate governance. Day-to-day operations of the Group are entrusted to the CEO, Mr Perry Kennedy who assumes full executive responsibility over the mapping of business plans and operational decisions of the Group.

Mr Kyle Arnold Shaw, Jr and Mr Perry Kennedy are not related to each other. There is a clear division of responsibilities of the Chairman of the Board and the CEO.

All the Board committees are chaired by Independent Directors and more than half of the Board consists of Independent Directors.

The Company has yet to appoint a Lead Independent Director. The Company will announce the appointment of the Lead Independent Director to SGX via SGXnet in due course. The duties of the Lead Independent Director will be covered by the AC Chairman in the interim.

# CORPORATE GOVERNANCE REPORT

## Principle 4: Board Membership

The NC consists of two (2) Independent Directors and one (1) Non-Executive Director, the majority of whom, including the Chairman, are independent.

Mr Alan John Hargreaves - Chairman  
Mr Peter Pil Jae Ko - Member  
Mr David Wood Hudson - Member

The key terms of reference of the NC include, to:

- a) evaluate and review nominations for appointment and re-appointment to the Board and the various committees;
- b) nominate a Director for re-election at the Annual General Meeting (“AGM”), having regard to the Director’s contribution and performance;
- c) determine annually and as and when circumstances require if a Director is independent;
- d) recommend to the Board the process for the evaluation of the performance of the Board, the Board committees, individual Directors, and propose objective performance criteria to assess the effectiveness of the Board as a whole and the contribution of each Director, annual assessment of the effectiveness of the Board;
- e) decide whether a Director who has multiple Board representations is able to and has been adequately carrying out his duties as Director of the Company;
- f) review and make recommendations to the Board on relevant matters relating to the succession plans of the Board (in particular, the Chairman/CEO) and senior management personnel; and
- g) review the training and professional development programs for the Board.

The NC makes recommendations to the Board on relevant matters relating to the Board including succession planning; all Board appointments/re-appointments of Directors, taking into consideration composition of the Board and progressive renewal of the Board; how the Director fits into the overall competency matrix of the Board as well as the Director’s contribution and performance at Board meetings, including attendance, preparedness and participation; training and professional development programs for the Board.

The appointment of all Directors were effected in March 2018 with Mr Perry Kennedy, CEO appointed on 11 April 2018. At relevant time, the NC will look into succession plans in close consultation with the Chairman and Board of Directors.

Management has an open policy for professional training for all the Board members. The Company endorses the Singapore Institute of Directors (“SID”) training programs and all Board members are encouraged to attend any relevant training organized by the SID or any other organization which provides relevant training courses for Directors. The cost of such training will be borne by the Company.

The NC has in place formal, written procedures for making recommendations to the Board on the selection and appointment of Directors. Such procedures would be activated when a vacancy on the Board arises or when the Board is considering making a new Board appointment either to enhance the core competency of the Board or for purpose of progressive renewal of the Board. Notwithstanding that the Chairman of the Board is an Executive Director, the Company maintains a very strong and independent element on the Board with Independent Directors making up more than half of the Board.

In identifying suitable candidates, the NC may:

- a) advertise or use services of external advisers to facilitate a search;
- b) approach alternative sources such as the SID; and/or
- c) consider candidates from a wide range of backgrounds from internal or external sources.

# CORPORATE GOVERNANCE REPORT

After short-listing the candidates, the NC shall:

- i. consider and interview all candidates on merit against objective criteria, taking into consideration that appointees have enough time available to devote to the position; and
- ii. evaluate and agree to a preferred candidate for recommendation to and appointment by the Board.

As mentioned under Principle 2 above, the NC also reviews the independence of the Directors annually based on Guideline 2.3 of the Code's definition of what constitutes the independence of the Independent Directors. The NC has affirmed that Mr Lim Shook Kong, Mr Alan John Hargreaves and Mr David Wood Hudson are independent. None of the Independent Directors have served on the Board beyond nine years from their respective date of appointment. Guideline 2.4 of the Code is therefore not applicable to the Board.

All Directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Pursuant to Regulation 114 of the Constitution of the Company, at least one-third of the Directors shall retire from office at annual general meetings of the Company. The retiring Directors are eligible to offer themselves for re-election.

Regulation 118 of the Company's Constitution provides that a newly appointed Director shall retire and submit himself for re-election at the next AGM following his appointment and shall be eligible for re-election.

Mr Kyle Arnold Shaw, Jr, Mr Peter Pil Jae Ko, Mr Lim Shook Kong, Mr Alan John Hargreaves and Mr David Wood Hudson will retire pursuant to Regulation 118 of the Company's Constitution at the forthcoming AGM and being eligible for re-election have offered themselves for re-election. The NC has recommended to the Board that the retiring Directors be nominated for re-election. In recommending the above Directors for re-appointment, the NC has taken into consideration of their competencies in fulfilling their responsibilities as Directors to the Board. The NC's recommendation was accepted by the Board.

The NC has also reviewed the independence of the Independent Non-Executive Directors. In assessing their independence, the NC having considered the guidelines set out in the Code, is of the view that the Independent Non-Executive Directors are independent and there are no relationships identified in the Code which would deem them not to be independent. All Independent Non-Executive Directors have also declared that they are independent.

More information on each Director can be found in the Key Information in the section entitled "Board of Directors" on Page 12 in this Annual Report.

All Directors are required to declare their Board appointments. The NC has reviewed and is satisfied that notwithstanding their multiple Board appointments, Mr Kyle Arnold Shaw, Jr, Mr Peter Pil Jae Ko, Mr Lim Shook Kong and Mr Alan John Hargreaves, have been able to devote sufficient time and attention to the affairs of the Company to adequately discharge their duties as Director of the Company.

To address the competing time commitments that are faced when Directors serve on multiple Boards, the NC has reviewed and made recommendation to the Board accordingly on the maximum number of listed company Board appointments which any Director may hold. Based on the recommendation, the Board has determined and set the maximum number of listed company Board appointments at not more than five (5) listed companies of the same financial year end. Currently, none of the Directors hold more than five directorships in listed companies which adopt the same financial year end.

There is no alternate Director on the Board.

Each member of the NC abstains from voting on any resolutions and making any recommendation and or participating in discussion on matters in which he is interested.

# CORPORATE GOVERNANCE REPORT

## Principle 5: Board Performance

A review of the Board's performance is conducted by the NC annually. On the recommendation of the NC, the Board has adopted an internal process for evaluating the effectiveness of the Board as a whole and a self-assessment evaluation to assess the contribution of each Director to the effective functioning of the Board. Each Board member will be required to complete an appraisal form to be returned to the NC Chairman for evaluation. Based on the evaluation results, the NC Chairman will present his recommendations to the Board. The key objective of the evaluation exercise is to obtain constructive feedback from each Director to continually improve the Board's performance.

The Board has not engaged any external facilitator in conducting the assessment of Board performance. Where relevant, the NC will consider such engagement.

For FY2018, as the appointment of all Directors were effected in March 2018 and in view of short tenure of office, assessment on Board and Board Committee would be done at the financial year ending 31 March 2019 and available in Annual Report 2019.

## Principle 6: Access to Information

The Board is provided with adequate information by the Management prior to Board meetings on matters to be deliberated. This facilitates an informed decision-making process to enable the Directors to discharge their duties and responsibilities. Directors are also updated on initiatives and developments on the Group's business whenever possible on an on-going basis. All Directors are entitled to be provided with any additional information as needed to make informed decisions. In this connection, the Directors have separate and unrestricted access to the Management who shall provide such information in a timely manner. Where necessary, Directors, whether as a group or individually, can seek independent professional advice at the Company's expense for the discharge of their duties.

The Directors also have separate and independent access to the Company Secretary. The Company Secretary is required to attend all Board and Board Committee meetings and ensures that Board procedures are followed and the applicable rules and regulations are complied with.

Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flows with the Board and its Board Committees and between Management and Non-Executive Directors, advising the Board on all governance matters as well as facilitating orientation and assisting with professional development as required.

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

Where the Directors, whether individually or collectively, require independent professional advice in furtherance of their duties, the Chairman of the Board and the Company Secretary will assist him/them to appoint an independent professional advisor, if necessary, to render the professional advice and to keep the Board informed of the advice.

The cost of such professional advice will be borne by the Company.

## Principle 7: Procedures for Developing Remuneration Policies

### Principle 8: Level and Mix of Remuneration

### Principle 9: Disclosure on Remuneration

The RC consists of two (2) Independent Directors and one (1) Non-Executive Director, the majority of whom, including the Chairman, are independent.

Mr David Wood Hudson - Chairman

Mr Peter Pil Jae Ko - Member

Mr Alan John Hargreaves - Member



# CORPORATE GOVERNANCE REPORT

According to its terms of reference, the responsibilities of the RC include the following:-

- a) make recommendations to the Board a framework of remuneration for the Board and key management personnel of the Group and the specific remuneration packages for each Director (executive, non-executive and independent) as well as for the key management personnel;
- b) review the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service, to ensure that such clauses are fair and reasonable and not overly generous;
- c) consider whether Directors, the CEO and key management personnel should be eligible for benefits under share schemes and such other long-term incentive schemes as may from time to time be implemented; and
- d) consider the remuneration disclosure requirements for Directors and the top five key management personnel as required by the Code.

As part of its review, the RC ensures that the Directors and key management personnel are adequately but not excessively remunerated as compared to industry benchmarks and other comparable companies. The RC also takes into consideration the Company's relative performance and the performance of individual Directors and key management personnel. Executive Directors are paid a basic salary and a performance-related bonus that are linked to the performance of the Company. Other key management personnel are paid basic salary and performance bonus. The RC does consider long-term incentive schemes for the Executive Directors and key management personnel. In this connection, the RC shall at the relevant time look into granting of options under the Gaylin Employee Share Option Scheme which was approved by the shareholders of the Company on 24 September 2012.

The performance-related element of the Executive Directors' remuneration is designed to align their interests with the interests of shareholders and promote the long-term success of the Company.

The RC also ensures that the remuneration of the Independent Non-Executive Directors are appropriate to their level of contribution taking into account factors such as effort and time spent, and their responsibilities. Independent Non-Executive Directors receive a basic fee for their services. The RC ensures that the Independent Non-Executive Directors should not be over-compensated to the extent that their independence may be compromised. No Director is involved in deciding his or her own remuneration package.

All revisions to the remuneration packages for the Directors and key management personnel are subjected to the review by and approval of the Board. Directors' fees are further subjected to the approval of shareholders at annual general meetings. Where necessary, the RC will consult external professionals on remuneration matters of Directors and key management personnel. During the financial year, the RC did not require the service of an external remuneration consultant.

In March 2018, the Company has entered into separate letter of appointments (the "Letter of Appointments") with all the newly appointed Directors. Mr Kyle Arnold Shaw, Jr, the Executive Director had volunteered to receive Director's fee instead of salary. Directors' fees are recommended by the Board for shareholders' approval at the Company's AGM.

The Company does not have contractual provisions to allow the Company to claw back incentive components of remuneration from the Executive Director and key management personnel in the event of any misstatement of financial results, or of misconduct resulting in financial loss to the Company. However, the Executive Director owe a fiduciary duty to the Company under law and as such, the Company would have recourse against the Executive Director in the event of such breach of fiduciary duties.

Although Guideline 9.2 of the Code recommends that companies fully disclose the name and remuneration of each Director and the CEO, the Board is of the opinion that it is not in the best interest of the Company to disclose the exact details of their remuneration due to the competitive pressures in the market. As such, the Board has elected not to fully disclose the remuneration of each individual Director and the CEO. The table below provides a breakdown of the level and mix of the remuneration of each Director and the CEO in bands of S\$250,000 for FY2018:-

# CORPORATE GOVERNANCE REPORT

Remuneration Band and Name of Director	Salary	Bonus/ Profit Sharing	Fees	Benefits in Kind	Total
	%	%	%	%	%
<b>Up to S\$250,000</b>					
Mr Kyle Arnold Shaw, Jr.*	–	–	100	–	100
Mr Peter Pil Jae Ko*	–	–	100	–	100
Mr Lim Shook Kong *	–	–	100	–	100
Mr Alan John Hargreaves**	–	–	100	–	100
Mr David Wood Hudson**	–	–	100	–	100
Mr Ang Mong Seng#	–	–	100	–	100
Ms Lau Lee Hua#	–	–	100	–	100
Mr Ng Sey Ming#	–	–	100	–	100
<b>S\$250,001 to S\$500,000</b>					
Mr Desmond Teo <sup>(1)</sup>	94	–	–	6	100
Mr Teo Bee Hoe#	100	–	–	–	100

\* Appointed on 13 March 2018

\*\* Appointed on 14 March 2018

# Resigned on 13 March 2018

(1) Mr Desmond Teo was the Executive Director and CEO

Guideline 9.3 of the Code recommends that companies disclose the name and remuneration of at least the top five key management personnel (who are not Directors or the CEO) in bands of S\$250,000. As best practice, companies are encouraged to fully disclose the remuneration of the said top five key management personnel. In addition, companies should also disclose the aggregate of the total remuneration paid or payable to the top five key management personnel (who are not Directors and the CEO).

The Board is of the opinion that it is not in the best interest of the Company to disclose the exact details of their remuneration due to the competitiveness of the market for key talent. As such, the Board has deviated from complying with the above recommendation. The Board only partially complies with the above recommendation by providing below a breakdown showing the level and mix of remuneration of each of the top five key management personnel (who are not Director or the CEO) in bands of S\$250,000 for FY2018.

Remuneration Band and Name of Executive	Salary	Bonus/Profit Sharing	Fees	Benefits in Kind	Total
	%	%	%	%	%
<b>Up to S\$250,000</b>					
Ms Jae Teo	100	–	–	–	100
Mr James Peter Parsons*	100	–	–	–	100
Ms Yong Mew Peng Victoria*	100	–	–	–	100
Ms Uthaya Chandrika D/O Ponnusamy <sup>^</sup>	100	–	–	–	100
<b>S\$250,001 to S\$500,000</b>					
Mr Michael John Duncan	100	–	–	–	100
Mr Steven Teo <sup>^^</sup>	100	–	–	–	100

\* Appointed on 13 March 2018

<sup>^</sup> Resigned on 12 January 2018

<sup>^^</sup> Resigned on 13 March 2018

# CORPORATE GOVERNANCE REPORT

Except as disclosed below, the Group does not have any employee who is an immediate family member of a Director or the CEO and whose remuneration exceeds S\$50,000 for FY2018.

Remuneration Band and Name of employee who is an immediate family member of a Director or CEO	Salary	Bonus/ Profit Sharing	Fees	Benefits in Kind	Total
	%	%	%	%	%
S\$100,000 to S\$150,000					
Ms Jae Teo <sup>(1)</sup>	100	–	–	–	100
S\$250,001 to S\$300,000					
Mr Steven Teo <sup>(2)</sup>	100	–	–	–	100

<sup>(1)</sup> Daughter of Mr Desmond Teo

<sup>(2)</sup> Brother of Mr Desmond Teo and Mr Teo Bee Hoe

Further information on Directors and the key management personnel is on pages 12 to 14 of this Annual Report.

During FY2018 and as at 31 March 2018, no options have been granted under the Gaylin Employee Share Option Scheme.

## Accountability and Audit

### Principle 10: Accountability

### Principle 11: Risk Management and Internal Controls

The Board is accountable to shareholders and ensures that all material information is fully disclosed in a timely manner to shareholders in compliance with statutory and regulatory requirements. The Board strives to provide its shareholders a balanced and understandable assessment of the Group's performance, position and prospects.

The Board takes steps to ensure compliance with legislative and regulatory requirements, including requirements under the Listing Manual, where appropriate, the Independent Directors in consultation with the Management, will request for Management's consideration for the establishment of written policies for any particular matter that is deemed to be essential to form part of management control.

The Management provides appropriately detailed management accounts of the Group's performance on a quarterly basis to the Board to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects. As and when circumstances arise, the Board can request Management to provide any necessary explanation and information on the management accounts of the Company.

The Board is responsible for the governance of risk. It ensures that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets and determines the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

Management is responsible to the Board for the design, implementation and monitoring of the Group's risk management and internal control systems and to provide the Board with a basis to determine the Company's level of risk tolerance and risk policies.

The Board acknowledges that it is responsible for reviewing the adequacy and effectiveness of the Group's risk management and internal control systems including financial, operational, compliance and information technology controls. The Board also recognizes its responsibilities in ensuring a sound system of internal controls to safeguard shareholders' investments and the Company's assets.

The Board has engaged the services of an independent accounting and auditing firm, KPMG Services Pte. Ltd. ("KPMG") as its internal auditors (the "internal auditors") in respect of internal audit services, under which the internal controls of the Group addressing financial, operational, compliance risks and information technology controls are regularly being reviewed and recommendations made to improve the internal controls.

# CORPORATE GOVERNANCE REPORT

Management regularly reviews the Group's business and operational activities in respect of the key risk control areas including financial, operational, compliance and information technology controls and continues to apply appropriate measures to control and mitigate these risks. All significant matters are highlighted to the AC for further discussion.

The Board and the AC also work with the internal auditors, external auditors and the Management on their recommendations to institute and execute relevant controls with a view to enhance the Group's risk management system. The Group's risk management framework is supported by risk reporting dashboard and risk registers.

The Board notes that no cost effective system of internal controls and risk management systems could provide absolute assurance against the occurrence of material errors, losses, fraud or other irregularities. The Board also believes its responsibility of overseeing the Company's risk management framework and policies are well supported.

For FY2018, the Board and the AC have received assurance from the CEO and the Senior Vice President, Finance on the adequacy and effectiveness of the Group's risk management and internal control systems, and 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.

Due to the Directors and Management's appointment being only recently effected in March 2018, the Board with the concurrence of the AC, was of the opinion that it might not be practicable for the current Board to comment on the adequacy and effectiveness of the Group's internal control system and risk management system, addressing financial, operational, compliance and information technology controls and risk management system for FY2018.

The Board did not establish a separate Board Risk Committee as the Board is already currently assisted by the Management with review by the AC in carrying out its responsibility of overseeing the Group's risk management framework and policies.

## Audit Committee

### Principle 12: Audit Committee

The AC consists of two (2) Independent Directors and one (1) Non-Executive Director, the majority of whom, including the Chairman, are independent.

Mr Lim Shook Kong - Chairman  
Mr Peter Pil Jae Ko - Member  
Mr Alan John Hargreaves - Member

The Board is of the opinion that the AC chairman and members of the AC are appropriately qualified with the relevant accounting, financial, business management and corporate experience to discharge their responsibilities.

The key terms of reference of the AC are to:-

- a) review the audit plans of the Company's external auditors and the internal auditors, including the results of the internal auditors' review and evaluation of the system of internal controls;
- b) review the external auditors' reports;
- c) review with independent internal auditors the findings of their review report, internal control process and procedures, and make recommendations on the internal control process and procedures to be adopted by the Company;
- d) review the recommendations of the external and internal auditors and monitor the implementation of an automated inventory and information system;
- e) review the co-operation given by the Directors and Management to the external auditors and internal auditors;
- f) review the financial statements of the Company and the Group, and discuss any significant adjustments, major risk areas, changes in accounting policies, compliance with Singapore Financial Reporting Standards, concerns and issues arising from the audits including any matters which the auditors may wish to discuss in the absence of Management, where necessary, before their submission to the Board for approval;

# CORPORATE GOVERNANCE REPORT

- g) commission and review the findings of internal investigation of any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position and the Management's response;
- h) make recommendations to the Board on the appointment, re-appointment and removal of the external and internal auditors, and approve the remuneration and terms of engagement of the external and internal auditors;
- i) review the key financial risk areas, with a view to providing independent oversight on the Group's financial reporting, with the outcome of such review to be disclosed in the annual reports or, if the findings are material, to be immediately announced via SGXNET;
- j) review and recommend to the Board the types of risks or risk appetite the Company undertakes to achieve its business strategies. Oversee the risk management framework, policies and resources to manage and report risks within the Company's risk appetite;
- k) review, either internally or with the assistance of any third parties and report to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance, risk management policies and information technology controls;
- l) recommend to the Board on the opinion and disclosure in the annual report on the adequacy and effectiveness of the Company's risk management and internal controls systems in accordance with the Listing Manual and Code of Corporate Governance;
- m) review interested person transactions, falling within the scope of Chapter 9 of the Listing Manual, if any, and connected person transactions;
- n) review transactions falling within the scope of Chapter 10 of the Listing Manual, if any;
- o) review any potential conflict of interest and set framework to resolve or mitigate any potential conflict of interest;
- p) review and approve relevant policies and procedures implemented by the Group and conduct periodic review of such policies and procedures;
- q) undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC;
- r) review arrangements by which the Group's staff may, in confidence, raise concerns about improprieties in matters of financial reporting and to ensure those arrangements are in place for independent investigations of such matter and for appropriate follow-up; and
- s) undertake generally such other functions and duties as may be required by law or the Listing Manual, and by such amendments made thereto from time to time.

The AC meets on a quarterly basis and plays a key role in assisting the Board to review significant financial reporting issues and judgements to ensure the quality and integrity of the accounting reports, the audit procedures, internal controls, financial statements and any announcements relating to the Company's financial performance.

The AC reviews the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls and risk management systems through discussion with Management and its auditors and reports to the Board annually.

The AC reviews annually the adequacy of the internal audit function to ensure that the internal audit resources are adequate and that the internal audits are performed effectively.

The AC examines the internal audit plans, determines the scope of audit examination and approves the internal audit budget. It also oversees the implementation of the improvements required on internal control weaknesses identified and ensures that Management provides the necessary co-operation to enable the internal auditors to perform its function.

The AC meets with the internal auditors and the external auditors, in each case, without the presence of the Management, at least annually. Matters to discuss include the reasonableness of the financial reporting process, the internal control process, the adequacy of resources, audit arrangements with particular emphasis on the observations and recommendations of the external auditors, the scope and quality of their audits and the independence and objectivity of the external auditors and any matters that may be raised.

# CORPORATE GOVERNANCE REPORT

Due to the Directors and Management's appointment being only recently effected in March 2018, the Board including Management met with the internal auditors and the external auditors to better understand the reporting process of the Group for FY2018.

The AC also reviews the independence and objectivity of the external auditors and having reviewed the scope and value of non-audit services provided to the Group by the external auditors, Deloitte & Touche LLP ("Deloitte" or the "external auditors"), are satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The AC has recommended to the Board the nomination of Deloitte for re-appointment as auditors of the Company at the forthcoming AGM.

The AC has explicit authority to investigate any matter within its terms of reference. It has full access to the Management and full discretion to invite any Director or key management personnel or any executive officer to attend its meetings. The AC is reasonably resourced to enable it to discharge its functions properly. During FY2018, the AC has received full co-operation from the Management and the Group's officers in the course of it carrying out its duties. It is also satisfied with the adequacy of the scope and quality of the external audits being conducted by Deloitte.

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

To keep abreast of changes to the accounting standards and issues which have a direct impact on the Group's financial statements, the AC sought updates and advice from the external auditors during the audit planning meeting and the AC meetings.

No former partner or Director of the Company's existing auditing firm or audit corporation is a member of the AC.

The Company has adopted a Whistle-Blowing Policy to provide a channel for its employees to report in good faith and in confidence their concerns about possible improprieties in the matter of financial reporting or in other matters. The Whistle-Blowing Policy provides for procedures to validate concerns and for investigation to be carried out independently. For FY2018, there were no reported incidents pertaining to whistle blowing.

The aggregate amount of audit fees paid or payable to the Company's external auditors for FY2018 are S\$170,000. Non-audit fees paid to the Company's external auditors for FY2018 were S\$8,000 (FY2017: \$Nil).

Each member of the AC abstains from voting on any resolutions and making any recommendation and/or participating in discussion on matters in which he is interested.

## **Principle 13: Internal Audit**

The AC approves the hiring, removal, evaluation and compensation of the internal auditors. The internal audit function of the Company is outsourced to KPMG. The internal auditors report primarily to the Chairman of the AC and have full access to the documents, records properties and personnel including access to the AC.

The Board recognizes its responsibilities in ensuring a sound system of internal controls to safeguard shareholders' investments and the Company's assets. Rule 719(1) of the SGX-ST Listing Manual requires an issuer to have a robust and effective system of internal controls, addressing financial, operational, compliance risks and information technology. Effective internal controls not only refer to financial controls but include, among others, business risk assessment, operational, compliance and information technology controls.

The internal audit plan is approved by the AC and the results of the audit findings are submitted to the AC for its review. The internal auditors conducted an annual review in accordance with their audit plans. Any material issues and recommendations for improvements were reported to the AC.

Due to the Directors and Management's appointment being only recently effected in March 2018, the Board with the concurrence of the AC, was of the opinion that it might not be practicable for the current Board to comment on the adequacy and effectiveness of the Group's internal control system and risk management system, addressing financial, operational, compliance and information technology controls and risk management system for FY2018.

The AC is satisfied that the internal auditors have adequate resources to perform their function effectively and are staffed by suitably qualified and experienced professionals with the relevant experience.

The internal audit work carried out by the internal auditors was guided by the Standards for the Professional Practice of Internal Auditing laid down by the International Professional Practices Framework issued by the Institute of Internal Auditors.

On an annual basis, the AC reviews the internal audit program and function to ensure the adequacy and effectiveness of the Group's internal audit function as well as to align it to the changing needs and risk profile of the Group's activities.

# CORPORATE GOVERNANCE REPORT

## Principle 14: Shareholders' Rights

### Principle 15: Communication with Shareholders

The Company treats all shareholders fairly and equitably and respects shareholders' rights. The Company continually reviews and updates governance arrangements with regard to shareholders' rights.

Relevant information pertaining to the Group, such as changes in the Company or its business which would affect the share price of the Company is disseminated in a timely manner to shareholders through public announcements via SGXNET or through circulars to shareholders and the annual reports.

The Company has appointed an external investor relations firm to facilitate the communication with all stakeholders (shareholders, analysts and media) on a regular basis, to attend to their queries or concerns as well as to keep the investors apprised of the Group's corporate developments and financial performance. To enable shareholders to contact the Company easily, the contact details of the investor relations function are set out in page 16 of this Annual Report as well as on the Company's website. The Company has procedures in place with regard to responding to investors' queries.

Shareholders are encouraged to participate effectively in voting procedures relating to the general meetings.

The Company does not practice selective disclosure. The Company avoids boilerplate disclosures and provides detailed and forthcoming disclosure in its announcements to the SGX-ST. Such announcements are also available on the Company's website.

The Company does not have a formal dividend policy. The declaration and payment of dividends will be determined at the sole discretion of the Board subject to approval of the shareholders. In making their recommendation, the Board will consider the Group's cash, gearing, return on equity and retained earnings, actual and projected financial performance and working capital needs, projected level of capital expenditure and other investment plans, restriction on payment of dividends imposed by the Company's financing arrangements (if any) and the general economic and business condition in countries which the Group operates. Any proposal for the declaration of dividends will be clearly communicated to the shareholders to the SGX-ST via SGXNET. No dividend has been declared for FY2018 due to the Group's loss position.

The Company's constitution allows a shareholder to appoint one or two proxies to attend and vote at the general meetings on his/her behalf. On 3 January 2016, the legislation was amended, among other things to allow certain members, defined as "relevant intermediary" to attend and participate in general meeting without being constrained by the two-proxy requirement. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and Central Provident Fund Board ("CPF") which purchases shares on behalf of the CPF investors.

### Principle 16: Conduct of Shareholder Meetings

All shareholders receive reports or circulars of the Company including notice of general meeting by post within the mandatory period. Notice of general meeting is announced through SGXNET and published in the newspapers within the same period.

All registered shareholders are invited to participate and given the right to vote on resolutions at general meetings. Every matter requiring shareholders' approval is proposed as a separate resolution. Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Proxy form is sent with notice of general meeting to all shareholders. Separate resolutions are proposed for substantially separate issues at the meeting.

The Constitution of the Company allows members of the Company to appoint not more than two proxies to attend and vote on their behalf. As the authentication of shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, email or fax.

All Directors, including Chairman of the Board and the respective Chairman of the AC, NC and RC, the Management, and the external auditors are in attendance at general meetings to address any queries of the shareholders.

The Company with the help of the Company Secretary prepares minutes of general meetings that include substantial and relevant comments relating to the agenda of the meetings and responses from the Board and Management and such minutes, where relevant will be made available to shareholders upon their request.

# CORPORATE GOVERNANCE REPORT

The Company will put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages for general meetings. Electronic poll voting may be efficient in terms of speed but may not be cost effective. In this respect, the Group did not adopt electronic poll voting.

## Dealing in Securities

The Group has adopted an internal compliance code to provide guidance to its Directors and all employees of the Group with regard to dealings in the Company's securities. The code prohibits dealing in the Company's securities by the Directors and employees of the Group while in possession of unpublished price-sensitive information. Directors and employees are not allowed to deal in the Company's securities on short-term considerations and during the two weeks before the announcement of the Company's financial statements for the first three quarters of its financial year and the one month before the announcement of the Company's full year financial results. The Directors and employees are also required to adhere to the provisions of the Securities and Futures Act, Companies Act, the Listing Manual and any other relevant regulations with regard to their securities transactions. They are also expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

## Material Contracts

Save as disclosed below and Notes 5 and 6 to the financial statements, there were no other material contracts of the Company or its subsidiaries involving the interest of the CEO, any Director or controlling shareholder still subsisting as at 31 March 2018.

- a) The Covenantors Non-Competition Deed dated 26 September 2012 entered into between the Company and Mr Teo Bee Yen, Mr Desmond Teo, Mr Teo Bee Hoe, Mr Steven Teo and Keh Swee Investment Pte. Ltd. ("Keh Swee");
- b) The Shareholders' loan agreement entered into between Gaylin International Pte. Ltd., a wholly-owned subsidiary of the Company and Keh Swee dated 8 August 2016; and
- c) Consultancy Services Agreement dated 13 March 2018 entered into between the Company and Mr Desmond Teo.

## Interested Person Transactions

The Group does not have a general mandate from shareholders for Interested Person Transactions ("IPTs") pursuant to Rule 920 of the Listing Manual of the SGX-ST.

All IPTs will be properly documented and submitted to the AC for quarterly review to ensure that they are carried out on an arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the shareholders.

The Board will ensure all IPTs to be entered are complied with the relevant rules under Chapter 9 of the Listing Manual of the SGX-ST.

The Company confirms that there were no IPTs of S\$100,000 or more entered into for financial year under review.

## Non-Audit Fees

The fees of non-audit services that were rendered by the Company's external auditors, Deloitte, to the Group for FY2018 were S\$8,000 (FY2017: \$Nil).



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# DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 March 2018.

In the opinion of the directors, 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 42 to 90 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 March 2018, and 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 and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

## I DIRECTORS

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

Mr Kyle Arnold Shaw, Jr	(Executive Chairman, appointed on 13 March 2018)
Mr Peter Pil Jae Ko	(Non-Executive Director, appointed on 13 March 2018)
Mr Lim Shook Kong	(Independent Non-Executive Director, appointed on 13 March 2018)
Mr Alan John Hargreaves	(Independent Non-Executive Director, appointed on 14 March 2018)
Mr David Wood Hudson	(Independent Non-Executive Director, appointed on 14 March 2018)

## 2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

Name of director and company in which interests are held	Shareholdings in which director is deemed to have an interest	
	At date of appointment	At end of year
<b>Holding company</b> – <u>PeakBayou Ltd.</u> (Ordinary shares)		
Kyle Arnold Shaw, Jr	*	*

\* Kyle Arnold Shaw, Jr is the sole manager of ShawKwei Investments LLC, which is the sole general partner of Shaw Kwei Asia Value Fund 2017, L.P., which is in turn the sole shareholder of PeakBayou Ltd.

# DIRECTORS' STATEMENT

## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)

Name of director and company in which interests are held	Shareholdings in which director is deemed to have an interest	
	At date of appointment	At end of year
<b>Company</b> – <u>Gaylin Holdings Limited</u> (Ordinary shares)		
Kyle Arnold Shaw, Jr	1,360,000,000	1,360,000,000

By virtue of Section 7 of the Singapore Companies Act, the above director with shareholdings is deemed to have an interest in the Company and in all the related corporations of the Company.

The directors' interests in the shares of the Company at 21 April 2018 were the same as at 31 March 2018.

## 4 SHARE OPTION

### (a) *Option to take up unissued shares*

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

### (b) *Option exercised*

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

### (c) *Unissued shares under option*

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

## 5 SHARE PLAN

The Gaylin Employee Share Option Scheme ("ESOS") was approved by the shareholder on 24 September 2012 prior to the Company's listing on the Singapore Exchange Securities Trading Limited ("SGX-ST") on 25 October 2012. The ESOS is administered by the Remuneration Committee comprising Mr David Wood Hudson (Chairman), Mr Peter Pil Jae Ko and Mr Alan John Hargreaves.

### (a) *Participants*

Executive directors, non-executive directors and confirmed full-time employees of the Group are eligible to participate in the ESOS.

### (b) *Size of the ESOS*

The aggregate number of shares in respect of which the Remuneration Committee may grant options on any date, when added to the nominal amount of shares issued and issuable in respect of all options granted under the ESOS shall not exceed 15.0% of the issued share capital of the Company on the day immediately preceding the date of the relevant grant.

### (c) *Maximum entitlements*

The aggregate number of shares comprised in any option to be offered to a participant under the ESOS shall be determined at the absolute discretion of the Remuneration Committee, which shall take into account (where applicable) criteria such as rank, past performance, years of service and potential for future development of that participant.

# DIRECTORS' STATEMENT

## 5 SHARE PLAN (CONT'D)

(d) Options, exercise period and exercise price

The options that are granted under the ESOS may have exercise prices that are, at the Remuneration Committee's discretion, set at a price (the "Market Price") equal to the average of the last dealt prices for the shares on the Official List of the SGX-ST for the five consecutive market days immediately preceding the relevant date of grant of the relevant option; or at a discount to the market price (subject to a maximum discount of 20.0%). Options which are fixed at the market price may be exercised after the first anniversary of the date of grant of that option while options exercisable at a discount to the Market Price may only be exercised after the second anniversary from the date of grant of the option. Options granted under the ESOS will have a life span of ten years.

(e) Duration of the ESOS

The ESOS shall continue in operation for a maximum duration of ten years and may be continued for any further period thereafter with the approval of shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

(f) At the end of the financial year, no awards have been granted under the ESOS.

## 6 AUDIT COMMITTEE

The Audit Committee of the Company, consisting all non-executive directors, is chaired by Mr Lim Shook Kong, and includes Mr Peter Pii Jae Ko and Mr Alan John Hargreaves. Ms Lau Lee Hua, Mr Ang Mong Seng and Mr Ng Sey Ming resigned during the year. The Audit Committee has met four times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

- (a) The audit plans and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;
- (b) The Group's financial and operating results and accounting policies;
- (c) The financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditor's report on those financial statements;
- (d) The quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;
- (e) The co-operation and assistance given by the management to the Group's external auditors;
- (f) Interested person transactions falling within the scope of Chapter 9 of the Listing Manual, Section 8: Rules of Catalist of the Singapore Securities Trading Limited and other relevant statutory requirements and any potential conflicts of interests; and
- (g) The re-appointment of the external auditors of the Group.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming AGM of the Company.

# DIRECTORS' STATEMENT

## 7 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

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Kyle Arnold Shaw, Jr

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Peter Pil Jae Ko

29 June 2018

# INDEPENDENT AUDITOR'S REPORT

To the Members of Gaylin Holdings Limited

## Report on Audit of the Financial Statements

### Opinion

We have audited the accompanying financial statements of Gaylin Holdings Limited (the "Company") and its subsidiary corporations (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 March 2018, and the consolidated statement of profit or loss and other 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, as set out on pages 42 to 90.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 March 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with 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 year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# INDEPENDENT AUDITOR'S REPORT

To the Members of Gaylin Holdings Limited

## Key Audit Matters

## Our audit performed and responses thereon

### Valuation of inventories (Note 10)

Under FRS 2 *Inventories*, the Group's inventories are carried at the lower of cost and net realizable value. The assessment of the net realizable value requires the exercise of significant judgement. Factors affecting net realizable value, including physical deterioration, functional and economic obsolescence were also considered in the valuation.

Inventories amounting to \$79,881,088 represent 44% of the Group's total assets as at 31 March 2018. Management performed a valuation of the inventories held by the subsidiary corporations to assess their net realizable value after taking into consideration the valuation of certain inventories by an independent valuation specialist.

Inappropriate management estimates made in the assessment of net realizable value may result in a significant impact on the carrying amount of inventories.

The accounting policies and critical judgements for valuation of inventories are set out in Notes 2 and 3 to the consolidated financial statements.

Our audit procedures focused on evaluating and challenging the critical judgements used by management in concluding the assessment of net realizable value. These procedures included the following:

- We evaluated the appropriateness of the design and implementation of management's controls over the assessment of net realizable value.
- We performed cost testing, on a sample basis, to compare the unit cost recorded in the inventory listing to the last purchased unit cost.
- We evaluated the competency, reputation and objectivity of the independent valuation specialist appointed by the Group. We also engaged our valuation specialist to review the valuation method and key assumptions used in the impairment assessment.
- We performed a retrospective review on the assumptions made in prior year.
- For the inventories balance for which an external valuation was not obtained, we performed price testing, on a sample basis, to compare the unit cost to the latest customer selling price for any indication of a decrease in net realizable value.

Based on our procedures, we noted the key assumptions and estimates adopted by management to be reasonable.

We have also assessed the adequacy and validated the appropriateness of the disclosures made in the consolidated financial statements.

# INDEPENDENT AUDITOR'S REPORT

To the Members of Gaylin Holdings Limited

## Key Audit Matters

### Impairment of non-current assets – Property, plant and equipment, finite-lived intangible assets, and investment in subsidiary corporations (Notes 11, 12 and 13 respectively)

Under FRS 36 *Impairment of Assets*, the Group is required to assess at the end of each reporting period whether there is any indication that an asset may be impaired. The assessment of the recoverable amount requires exercise of significant judgement as disclosed in Notes 3(b)(iii) and 3(b)(iv) to the financial statements.

Property, plant and equipment represent all of the Group's total non-current assets and finite-lived intangible assets have been fully impaired as at 31 March 2018.

Investment in subsidiary corporations represent 94% of Company's total non-current assets.

Due to the volatility in the oil and gas industry, there is a risk that the recoverable amounts of the above non-current assets are lower than their carrying amounts, resulting in potential impairment to be recognized.

Inappropriate management estimates made in the impairment assessment of the above non-current assets may result in a significant impact on their carrying amounts.

The key assumptions to the impairment test and, where relevant, the sensitivity of changes to these assumptions to the risk of impairment are disclosed in Notes 12 and 13 to the financial statements.

## Our audit performed and responses thereon

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

- We evaluated the appropriateness of the design and implementation of management's controls over the impairment assessment of non-current assets.
- We obtained and reviewed the impairment analysis of property, plant and equipment, finite-lived intangible assets and investment in subsidiary corporations.
- For assets with impairment indicators, we obtained and reviewed the management's basis and assumptions in deriving the recoverable amount for property, plant and equipment and the discounted cash flows for the investment in subsidiary corporations and intangible assets.
- We obtained management's representation that the basis and assumptions have been approved by the Board of Directors.
- We engaged our valuation specialist to review the valuation method and key assumptions used in the impairment assessment.
- We challenged the discounted cash flow forecasts used, with comparison to recent performance, trend analysis and market expectations.
- We also performed a retrospective review on prior year forecasts, where relevant, and assessed whether the Group has achieved them.

Based on our procedures, we noted management's key assumptions to be reasonable.

We have also assessed the adequacy and validated the appropriateness of the disclosures made in the consolidated financial statements.



# INDEPENDENT AUDITOR'S REPORT

To the Members of Gaylin Holdings Limited

## Key Audit Matters

## Our audit performed and responses thereon

### Allowance for receivables - trade receivables (Note 8)

Under FRS 39 *Financial Instruments: Recognition and Measurement*, the Group is required to assess at the end of each reporting period whether there is objective evidence that a financial asset is impaired. The identification of bad and doubtful trade receivables requires the use of judgement and estimates in assessing the ultimate realization of these receivables, including past collection history of each customer and on-going dealings.

These assets represent 8% of the Group's total current assets as at 31 March 2018.

Due to the slowdown in the oil and gas industry, there is a risk that customers may not make prompt payments due to their financial condition and inadequate allowances have been recognized for uncollectible aged trade receivables.

Inappropriate management judgement and estimates made in the identification of bad and doubtful trade receivables may result in a significant impact to the carrying amount of the receivable balances.

Our audit procedures included the following:

- We evaluated the appropriateness of the design and implementation of management's controls over the identification of bad and doubtful trade receivables.
- We reviewed the appropriateness of the Group's policy on allowance for receivables and assessed the adequacy of the allowance, including discussing with management on the credit quality and collectability of material long outstanding trade receivables.
- We reviewed management's basis of assessment for the recoverability of trade receivables and adequacy of allowance.
- We performed an independent search on the Group's key customers, with significant delay in payment, for indicators of financial difficulties.
- We reviewed debtors' aging and turnover, and assessed the recoverability of trade receivables up to the date of this report.

Based on our procedures, we noted management's allowance for receivables to be reasonable.

We have also assessed the adequacy and validated the appropriateness of the disclosures made in the consolidated financial statements.

### Information Other than the Financial Statements and Auditor's Report Thereon

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition; and transactions are properly authorized 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.

# INDEPENDENT AUDITOR'S REPORT

To the Members of Gaylin Holdings Limited

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- (a) 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.
- (b) 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.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (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.
- (e) 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.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

# INDEPENDENT AUDITOR'S REPORT

To the Members of Gaylin Holdings Limited

## Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Mr Patrick Tan Hak Pheng.

Deloitte & Touche LLP  
Public Accountants and  
Chartered Accountants  
Singapore

29 June 2018

# STATEMENTS OF FINANCIAL POSITION

31 March 2018

	Note	Group		Company	
		2018	2017	2018	2017
		\$	\$	\$	\$
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and bank balances	7	57,794,707	6,601,759	52,117,176	35,361
Trade receivables	8	11,421,341	21,173,232	3,112,098	3,486,820
Other receivables	9	952,237	2,118,279	61,670,934	44,162,691
Income tax receivable		119,427	101,106	–	–
Inventories	10	79,881,088	127,923,753	–	–
Total current assets		150,168,800	157,918,129	116,900,208	47,684,872
<b>Non-current assets</b>					
Property, plant and equipment	11	32,160,760	35,522,855	407,906	603,513
Intangible assets	12	–	2,566,164	–	–
Prepayment	9	1,769	150,599	–	–
Deferred tax assets	19	85,323	266,304	–	–
Investment in subsidiary corporations	13	–	–	6,019,555	6,019,555
Total non-current assets		32,247,852	38,505,922	6,427,461	6,623,068
<b>Total assets</b>		<b>182,416,652</b>	<b>196,424,051</b>	<b>123,327,669</b>	<b>54,307,940</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities</b>					
Trade payables	14	6,060,403	10,027,384	–	–
Other payables	15	7,975,339	7,553,529	1,438,867	188,484
Provisions	16	902,341	–	494,341	–
Current portion of bank borrowings	17	8,894,971	77,879,167	–	–
Current portion of finance leases	18	593,814	663,796	4,106	5,199
Income tax payable		58,383	233,656	–	–
Total current liabilities		24,485,251	96,357,532	1,937,314	193,683
<b>Non-current liabilities</b>					
Bank borrowings	17	48,158,841	5,093,179	–	–
Finance leases	18	347,540	908,179	–	4,106
Deferred tax liabilities	19	28,593	134,898	9,015	101,015
Total non-current liabilities		48,534,974	6,136,256	9,015	105,121
<b>Capital, reserves and non-controlling interests</b>					
Share capital	20	118,339,777	50,586,533	118,339,777	50,586,533
(Accumulated losses) Retained earnings		(9,744,561)	41,830,080	3,041,563	3,422,603
Translation reserve		718,803	1,479,013	–	–
Equity attributable to owners of the Company		109,314,019	93,895,626	121,381,340	54,009,136
Non-controlling interests		82,408	34,637	–	–
Total equity		109,396,427	93,930,263	121,381,340	54,009,136
<b>Total liabilities and equity</b>		<b>182,416,652</b>	<b>196,424,051</b>	<b>123,327,669</b>	<b>54,307,940</b>

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2018

	Note	2018 \$	2017 \$
<b>Revenue</b>	21	67,584,597	79,657,680
Cost of sales:			
Allowance for slow-moving and aged inventories		(35,490,017)	(2,271,225)
Other cost of sales		(56,433,363)	(66,352,808)
<b>Total cost of sales</b>		<u>(91,923,380)</u>	<u>(68,624,033)</u>
<b>Gross (loss) profit</b>		(24,338,783)	11,033,647
Other operating income	22	207,412	666,434
Distribution costs		(4,605,494)	(4,613,905)
Administrative expenses		(13,056,227)	(13,850,693)
Other expenses:			
Foreign exchange loss, net		(608,030)	–
Others		(5,938,942)	(2,054,497)
<b>Total other expenses</b>	23	<u>(6,546,972)</u>	<u>(2,054,497)</u>
Finance costs	24	<u>(2,942,843)</u>	<u>(2,782,074)</u>
<b>Loss before tax</b>		(51,282,907)	(11,601,088)
Income tax	25	<u>(311,908)</u>	198,768
<b>Loss for the year</b>	26	<u>(51,594,815)</u>	<u>(11,402,320)</u>
<b>Other comprehensive income:</b>			
<u>Items that may be reclassified subsequently to profit or loss</u>			
Translation (loss) gain arising on consolidation, representing other comprehensive income for the year, net of tax		<u>(760,883)</u>	508,587
<b>Total comprehensive income for the year</b>		<u>(52,355,698)</u>	<u>(10,893,733)</u>

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2018

	Note	2018 \$	2017 \$
<b>Loss attributable to:</b>			
Owners of the Company		(51,574,641)	(11,355,093)
Non-controlling interests		<u>(20,174)</u>	<u>(47,227)</u>
		<u>(51,594,815)</u>	<u>(11,402,320)</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		(52,334,851)	(10,847,211)
Non-controlling interests		<u>(20,847)</u>	<u>(46,522)</u>
		<u>(52,355,698)</u>	<u>(10,893,733)</u>
Basic and diluted loss per share	27	<u>(10.14 cents)</u>	<u>(2.59 cents)</u>

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY

Year ended 31 March 2018

	Share capital \$	Retained earnings (Accumulated losses) \$	Translation reserve \$	Attributable to owners of the Company \$	Non- controlling interests \$	Total \$
<b>Group</b>						
Balance as at 1 April 2016	50,586,533	53,185,173	971,131	104,742,837	81,159	104,823,996
Total comprehensive income for the year						
Loss for the year	–	(11,355,093)	–	(11,355,093)	(47,227)	(11,402,320)
Other comprehensive income for the year	–	–	507,882	507,882	705	508,587
Total	–	(11,355,093)	507,882	(10,847,211)	(46,522)	(10,893,733)
Balance as at 31 March 2017	50,586,533	41,830,080	1,479,013	93,895,626	34,637	93,930,263
Total comprehensive income for the year						
Loss for the year	–	(51,574,641)	–	(51,574,641)	(20,174)	(51,594,815)
Other comprehensive income for the year	–	–	(760,210)	(760,210)	(673)	(760,883)
Total	–	(51,574,641)	(760,210)	(52,334,851)	(20,847)	(52,355,698)
Transactions with owners, recognized directly in equity						
Issuance of shares	68,000,000	–	–	68,000,000	–	68,000,000
Share issuance expense	(246,756)	–	–	(246,756)	–	(246,756)
Contribution from non-controlling interest	–	–	–	–	68,618	68,618
Total	67,753,244	–	–	67,753,244	68,618	67,821,862
Balance as at 31 March 2018	118,339,777	(9,744,561)	718,803	109,314,019	82,408	109,396,427

# STATEMENTS OF CHANGES IN EQUITY

Year ended 31 March 2018

	Share capital \$	Retained earnings \$	Total \$
<b>Company</b>			
Balance as at 1 April 2016	50,586,533	2,222,013	52,808,546
Profit for the year, representing total comprehensive income for the year	–	1,200,590	1,200,590
Balance as at 31 March 2017	50,586,533	3,422,603	54,009,136
Loss for the year, representing total comprehensive income for the year	–	(381,040)	(381,040)
Transactions with owners, recognized directly in equity			
Issuance of shares	68,000,000	–	68,000,000
Share issuance expense	(246,756)	–	(246,756)
Total	67,753,244	–	67,753,244
Balance as at 31 March 2018	118,339,777	3,041,563	121,381,340

See accompanying notes to financial statements.



# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2018

	2018 \$	2017 \$
<b>Operating activities</b>		
Loss before tax	(51,282,907)	(11,601,088)
Adjustments for:		
Interest expense	2,652,746	2,782,074
Interest income	(3,988)	(4,040)
Depreciation	4,848,906	3,988,901
Amortization of intangible assets	476,124	666,516
Allowance for doubtful trade receivables	131,359	1,149,722
Doubtful trade receivables recovered	(97,592)	(59,340)
Trade receivables written off	300,402	87,315
Other receivables written off	–	95,082
Loss (Gain) on disposal of property, plant and equipment	1,310,874	(157,478)
Loss on disposal of club membership and related deposit	–	40,300
Property, plant and equipment written off	238,000	–
Provisions	442,000	–
Impairment of intangible assets	1,971,587	722,378
Net foreign exchange gain - unrealized	(23,858)	(209,313)
Allowance for slow-moving and aged inventories	35,490,017	2,271,225
Operating cash flows before movements in working capital	(3,546,330)	(227,746)
Trade receivables	8,949,811	(528,096)
Other receivables	989,057	1,557,110
Inventories	10,229,295	16,456,396
Trade payables	(3,677,439)	932,342
Other payables (Note A)	360,883	(22,757)
Provisions	902,341	–
Bank bills payable	(3,358,226)	(4,965,899)
Cash generated from operations	10,849,392	13,201,350
Interest paid on bank bills	(365,127)	(550,466)
Interest received	3,988	4,040
Income tax (paid) recovered	(436,770)	249,865
Net cash from operating activities	10,051,483	12,904,789

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2018

	2018 \$	2017 \$
<b>Investing activities</b>		
Proceeds on disposal of property, plant and equipment	272,549	2,460,899
Purchases of property, plant and equipment (Note A)	(1,950,988)	(4,859,787)
Net cash used in investing activities	(1,678,439)	(2,398,888)
<b>Financing activities</b>		
Proceeds from loan from Keh Swee	500,000	1,500,000
Interest paid on borrowings	(2,257,101)	(2,333,349)
Repayment of obligations under finance leases	(701,514)	(960,960)
Proceeds from bank loans	–	11,341,126
Repayment of bank loans	(21,258,190)	(18,820,506)
Transaction costs for loans	(184,918)	(112,499)
Proceed from issuance of shares of the Company	68,000,000	–
Payment of share issue expenses	(119,132)	–
Contribution from non-controlling interests	68,618	–
Restricted cash at bank	(190,270)	–
Net cash from (used in) financing activities	43,857,493	(9,386,188)
Net increase in cash and cash equivalents	52,230,537	1,119,713
Effect of exchange rate changes on cash and cash equivalents	(123,535)	59,427
Cash and cash equivalents at beginning of the year	5,431,203	4,252,063
<b>Cash and cash equivalents at end of the year</b>	<b>57,538,205</b>	<b>5,431,203</b>
Cash and cash equivalents consist of:		
Cash and bank balances	57,794,707	6,601,759
Restricted cash at bank	(190,270)	–
Bank overdrafts (Note 17)	(66,232)	(1,170,556)
	<b>57,538,205</b>	<b>5,431,203</b>

## Note A

During the year, the Group purchased property, plant and equipment with an aggregate cost of \$2,015,272 (2017 : \$6,202,883) of which \$73,600 (2017 : \$1,073,670) was acquired under finance lease arrangements. \$652,069 (2017 : \$810,215) remained unpaid as at the end of the reporting period.

See accompanying notes to financial statements.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## I GENERAL

The Company (Registration No. 201004068M) is incorporated in the Republic of Singapore with its principal place of business and registered office at 7 Gul Avenue, Singapore 629651. The Company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars, which is also the Company's functional currency.

The Company is engaged in investment holding and the provision of management services to its subsidiary corporations.

The principal activities of the significant subsidiary corporations are disclosed in Note 13 to the financial statements.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 31 March 2018 were authorized for issue by the Board of Directors on 29 June 2018.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF ACCOUNTING** - The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Financial Reporting Standards in Singapore ("FRSs").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

**ADOPTION OF NEW AND REVISED STANDARDS** - On 1 April 2017, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

**Adoption of a new financial reporting framework in 2018** - In December 2017, the Accounting Standards Council ("ASC") has issued a new financial reporting framework - Singapore Financial Reporting Standards (International) ("SFRS(I)"), which is to be adopted by Singapore-incorporated companies listed on the Singapore Exchange ("SGX"), for annual periods beginning on or after 1 January 2018. SFRS(I) is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Group and the Company will be adopting the new framework for the first time for the financial year ending 31 March 2019 and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) will be applied in the first set of SFRS(I) financial statements.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### SFRS(I) | First-time Adoption of Singapore Financial Reporting Standards (International)

As a first-time adopter, the Group and the Company are to apply retrospectively, accounting policies based on each SFRS(I) effective as at the end of the first SFRS(I) reporting period (31 March 2019), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ending 31 March 2019, an additional opening statement of financial position as at the date of transition (1 April 2018) will be presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are required for equity as at the date of transition (1 April 2018) and as at the end of the last financial year under FRS (31 March 2018), and for total comprehensive income and cash flows reported for the last financial year under FRS (for the year ended 31 March 2018). Additional disclosures may also be required for specific transition adjustments if applicable.

Management has performed a detailed analysis of the transition options and other requirements of SFRS(I) and has determined that there will be no change to the Group's and the Company's current accounting policies under FRS or material adjustments on the initial transition to the new framework, other than those that may arise from implementing certain new SFRS(I) pronouncements effective at the same time (see below), and the election of certain transition options available under SFRS(I) 1.

Management will not be electing the option to use fair value as deemed cost for certain property, plant and equipment and the option to reset the translation reserve.

As SFRS(I) 1 requires a first-time adopter to apply accounting policies based on each SFRS(I) effective as at the end of the first SFRS(I) reporting period (31 March 2019), it is not possible to know all possible effects as at date of authorization of the current year's financial statements. If there are any subsequent pronouncements on SFRS(I) that are effective as at 31 March 2019, they may impact the disclosures of estimated effects described below.

**New SFRS(I) that may have impact** - The following SFRS(I) pronouncements are expected to have an impact to the Group and the Company in the periods of their initial application under the new SFRS(I) framework:

#### Effective for annual periods beginning on or after 1 January 2018

- SFRS(I) 9 *Financial Instruments*
- SFRS(I) 15 *Revenue from Contracts with Customers*

#### Effective for annual periods beginning on or after 1 January 2019

- SFRS(I) 16 *Leases*

### **SFRS(I) 9 *Financial Instruments***

SFRS(I) 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting and (iii) impairment requirements for financial assets.

Key requirements of SFRS(I) 9:

- All recognized financial assets that are within the scope of SFRS(I) 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt instruments and equity investments are measured at fair value through profit or loss (FVTPL) at the end of subsequent accounting periods. In addition, under SFRS(I) 9, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognized in profit or loss.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- With some exceptions, financial liabilities are generally subsequently measured at amortized cost. With regard to the measurement of financial liabilities designated as at FVTPL, SFRS(I) 9 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to the financial liability's credit risk are not subsequently reclassified to profit or loss.
- In relation to the impairment of financial assets, SFRS(I) 9 requires an expected credit loss model to be applied. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms. Under SFRS(I) 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The adoption of SFRS(I) 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

SFRS(I) 9 will take effect from financial years beginning on or after 1 January 2018. The Group plans to elect to apply the short-term exemption under SFRS(I) 1, which exempt the Group from applying SFRS(I) 9 to comparative information.

The Group anticipates that the initial application of the new SFRS(I) 9 will result in changes to the accounting policies relating to the impairment provisions of financial assets and liabilities. The Group will consider whether a lifetime or 12-month expected credit losses on financial assets and liabilities should be recognized, which is dependent on whether there has been a significant increase in the credit risk of the assets and liabilities from initial recognition to the date of initial application of SFRS(I) 9. Additional disclosures will also be made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the Group is currently finalizing the transition adjustments.

### SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

The core principle of SFRS(I) 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

Under SFRS(I) 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in SFRS(I) 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by SFRS(I) 15.

The Group does not expect the adoption of the above SFRS(I) 15 to have a material impact on the financial statements of the Group and Company in the period of their initial adoption. However, additional disclosures for trade receivables and revenue may be required including any significant judgement and estimation made. The Group is currently finalizing the transition adjustments.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### SFRS(I) 16 Leases

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exemptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the existing framework.

SFRS(I) 16 will take effect from financial years beginning on or after 1 January 2019.

The standard will affect primarily the accounting for the Group's operating leases. The future minimum rental expense payable under significant non-cancellable leases is disclosed in Note 29(b). The Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit or loss and classification of cash flows. The Group does not plan to early adopt SFRS(I) 16 for financial year ending 31 March 2019.

**BASIS OF CONSOLIDATION** - The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiary corporations. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary corporation begins when the Company obtains control over the subsidiary corporation and ceases when the Company loses control of the subsidiary corporation. Specifically, income and expenses of a subsidiary corporation acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary corporation.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiary corporations is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiary corporations to bring their accounting policies in line with the Group's accounting policies.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Changes in the Group's ownership interests in existing subsidiary corporations

Changes in the Group's ownership interests in subsidiary corporations that do not result in the Group losing control over the subsidiary corporations are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary corporations. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary corporation, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary corporation and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary corporation are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary corporation (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary corporation at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's financial statements, investment in subsidiary corporations is carried at cost less any impairment in net recoverable value that has been recognized in profit or loss.

**BUSINESS COMBINATIONS** - Acquisitions of subsidiary corporations and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognized in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognized at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

**FINANCIAL INSTRUMENTS** - Financial assets and financial liabilities are recognized on the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

### Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense are recognized on an effective interest basis for debt instruments.

### **Financial assets**

All financial assets are recognized and de-recognized on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

### Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortized cost using the effective interest method less impairment. Interest is recognized by applying the effective interest method, except for short-term receivables where the effect of discounting is immaterial.

### Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

For all financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.



# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

### Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

### **Financial liabilities and equity instruments**

#### Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

#### Financial liabilities

Trade and other payables are initially measured at fair value net of transaction costs, and are subsequently measured at amortized cost, using the effective interest method, with interest expense recognized on an effective yield basis.

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

#### Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Group and the Company have a legally enforceable right to set off the recognized amounts; and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.

### The Group as lessee

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognized as expenses in the periods in which they are incurred.

Rental payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

INVENTORIES - Inventories comprise wire ropes, accessories and ship supplies. Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and where applicable, direct labor costs and overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method for accessories and ship supplies and specific identification method for wire ropes. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**PROPERTY, PLANT AND EQUIPMENT** - Property, plant and equipment are stated at cost, less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets, other than construction-in-progress, over their estimated useful lives, using the straight-line method, on the following bases:

Freehold buildings	–	40 years
Leasehold land and buildings	–	7 to 30 years (additions over the remaining life of the lease)
Leasehold improvements	–	15 years
Plant, machinery and equipment	–	2 to 15 years
Motor vehicles	–	3 to 9 years
Furniture and fittings	–	2 to 10 years
Office equipment	–	2 to 10 years

No depreciation is charged on freehold land.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Fully depreciated assets still in use are retained in the consolidated financial statements.

Construction-in-progress are not depreciated until they are ready for effective use.

**GOODWILL** - Goodwill arising in a business combination is recognized as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortized but is reviewed for impairment at least annually. 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 its carrying amount, 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 recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary corporation or the relevant cash generating unit, the amount of goodwill attributable to the disposal is included in the determination of profit or loss on disposal.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**INTANGIBLE ASSETS** - Intangible assets acquired in a business combination are identified and recognized separately from goodwill. The cost of such intangible assets is their fair value as at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Intangible assets of the Group relate to customer relationships acquired in business combinations and have finite useful lives and are measured at cost less accumulated amortization and impairment losses. These are amortized to profit or loss on a straight-line basis over their estimated useful lives of 4 to 8 years (2017 : 4 to 8 years).

**IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL** - At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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 for which the estimates of future cash flows have not been adjusted.

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 recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**PROVISIONS** - Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**GOVERNMENT GRANTS** - Government grants are recognized as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**REVENUE RECOGNITION** - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

### Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### Rendering of services

Revenue from the rendering of services such as inspection and training, is recognized upon the completion of the services rendered and acceptance by customers.

### Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

**BORROWING COSTS** - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

**RETIREMENT BENEFIT COSTS** - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

**EMPLOYEE LEAVE ENTITLEMENT** - Employee entitlements to annual leave are recognized 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.

**INCOMETAX** - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiary corporations operate by the end of the reporting period.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred tax is recognized on the differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized on taxable temporary differences arising on investments in subsidiary corporations except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interest are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

**FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION** - The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognized in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in a separate component of equity under the header of translation reserve.

On the disposal of a foreign operation, all of the accumulated exchange differences in respect of that foreign operation accumulated in the Group's translation reserve are reclassified to profit or loss. Any exchange differences that have been previously attributed to non-controlling interests are derecognized, but they are not reclassified to profit or loss.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (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 recognized in other comprehensive income and accumulated in a separate component of equity under the header of 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.

**CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS** - Cash and cash equivalents in the statement of cash flows comprise cash on hand, bank balances, bank overdrafts, and other short-term highly liquid assets and are subject to an insignificant risk of changes in value and are readily convertible to a known amount of cash.

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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.

### (a) *Critical judgements in applying the Group's accounting policies*

In the process of applying the Group's accounting policies, which are described in Note 2, management has not made any judgements that will have a significant effect on the amounts recognized in the financial statements, apart from those involving estimations as discussed below.

### (b) *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:

#### (i) Valuation of inventories

Management reviews the inventory listing on a periodic basis. This review involves a comparison of the carrying value of the inventory items with the respective net realizable value as well as assessing factors such as the shelf lives of the inventories, customer preferences and purchasing trends. The purpose is to ascertain whether a write-down is required to be made in the consolidated financial statements taking into consideration selling prices, condition of items and available demand.

Management considered the carrying value of inventory items with reference to prices of similar inventory items transacted around the year end date, inflation rates, foreign exchange rates and age and condition of inventory items. Management also performs a valuation of the inventories to assess their net realizable value after taking into consideration of the valuation of certain inventories by an independent valuation specialist.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES (CONT'D) OF ESTIMATION UNCERTAINTY

### (b) *Key sources of estimation uncertainty (Cont'd)*

#### (i) Valuation of inventories (Cont'd)

In determining the net realizable value of inventories, the Cost approach is used and net realizable values of inventories are estimated taking into consideration estimated current cost to replace the inventories. Factors affecting net realizable value, including physical deterioration, functional obsolescence and economic obsolescence, were also considered in the valuation. Estimates of net realizable value, after consideration of the selling prices of aged stocks in the current market, are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Based on the assessment and valuation performed, management is satisfied that adequate write downs for inventories have been made in the financial statements. The carrying amounts of the Group's inventories are disclosed in Note 10 to the financial statements.

#### (ii) Allowances for receivables

The Group makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Judgement is required in assessing the ultimate realization of these receivables, including the past collection history of each customer and on-going dealings with them. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debts expenses in the period in which such estimate has changed.

In particular, for receivables that are past due but not impaired, the Group reviews them closely to assess if there is any objective evidence of impairment, such as observable data indicating that there have been significant changes in the customer's payment ability or whether there have been significant adverse changes in the market, economic or legal environment in which the customer operates.

In respect of long outstanding balances, the Group reviews each debtor individually and considers legal actions where appropriate. The Group has receivables of \$414,993 (2017 : \$385,388) that were under legal claims which commenced either in the current or prior years. As at 31 March 2018, a total allowance of \$362,236 (2017 : \$229,499) has been made for these receivables as at the end of the reporting period and trade receivables of \$Nil (2017 : \$7,058) were written off. Management has assessed that the remaining balance of \$52,757 (2017 : \$148,831) can be collected on the basis of discussions held with the debtors and their legal representatives and accordingly, no allowance has been made for the remaining balance.

The carrying amounts of the Group's trade and other receivables are disclosed in Notes 8 and 9 to the financial statements respectively. As at the end of the reporting period, the Group has made a total allowance for receivables of \$1,529,715 (2017 : \$1,505,356).

#### (iii) Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment exhibit any indication of impairment. In determining the recoverable amount of property, plant and equipment, the Cost approach is used and recoverable amount of property, plant and equipment are estimated taking into consideration estimated current cost to replace the property, plant and equipment. Factors affecting recoverable amount including physical deterioration, functional obsolescence and economic obsolescence were also considered in the valuation. The carrying amounts of the Group's property, plant and equipment are disclosed in Note 11 to the financial statements.

#### (iv) Impairment of intangible assets

Determining whether an intangible asset is impaired requires an estimation of the value in use of the cash-generating units to which the intangible asset has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of intangible assets at the end of the reporting period is disclosed in Note 12 to the financial statements.



# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

### (a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2018 \$	2017 \$	2018 \$	2017 \$
<b>Financial assets</b>				
Loans and receivables (including cash and cash equivalents)	69,622,573	29,121,421	116,871,523	47,608,475
<b>Financial liabilities</b>				
Borrowings and payables, at amortized cost	71,973,228	102,125,234	1,442,973	197,789

### (b) Financial instruments subject to offsetting, enforceable master netting arrangements and similar arrangement

The Group and Company do not have any financial instruments which are subject to enforceable master netting arrangements or similar netting agreements.

### (c) Financial risk management policies and objectives

The Group's overall financial risk management policies and objectives seek to minimize potential adverse effects on the financial performance of the Group. Risk management is carried out in accordance with the risk management mandate of the Audit Committee and periodic reviews are undertaken to ensure that the Group's policy guidelines are complied with. There has been no significant change to the Group's exposure to these financial risks. There has been no change in the manner in which it manages and measures the risk.

#### (i) Foreign exchange risk management

The Group transacts its business in various currencies including the United States dollar, Euro, Singapore dollar, United Arab Emirates dirham, Azerbaijani manat and British pound and therefore is exposed to foreign exchange risk. The Group does not hedge against foreign exchange exposure as the currency risk is not expected to be significant.

At the end of the reporting period, the carrying amounts of significant monetary assets and monetary liabilities denominated in currencies other than the respective Group entities' functional currencies are as follows:

	Group			
	Assets		Liabilities	
	2018 \$	2017 \$	2018 \$	2017 \$
United States dollar	11,355,930	14,099,934	10,032,873	10,835,336
Euro	3,161,996	7,115,739	2,197,624	3,559,147
Singapore dollar	382,709	911,536	13,019,178	13,697,808
United Arab Emirates dirham	756,731	322,776	324,142	445,791
Azerbaijani manat	606,243	1,075,028	61,198	34,989
British pound	61,148	421,566	440,541	1,596,978

The Company has a number of investments in foreign subsidiary corporations, whose net assets are exposed to currency translation risk. The Group does not currently designate its foreign currency denominated balances as a hedging instrument for the purpose of hedging the translation of its foreign operations.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### (c) *Financial risk management policies and objectives (Cont'd)*

#### (i) Foreign exchange risk management (Cont'd)

##### *Foreign currency sensitivity*

The following table details the sensitivity to a 5% increase and decrease in United States dollar, Euro, Singapore dollar, United Arab Emirates dirham, Azerbaijani manat and British pound against the respective functional currencies of the entities in the Group. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis below includes only outstanding United States dollar, Euro, Singapore dollar, United Arab Emirates dirham, Azerbaijani manat and British pound denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external balances as well as balances to foreign operations within the Group where they give rise to an impact on the Group's profit or loss (pre-tax).

If the relevant foreign currencies weaken by 5% against the functional currency of each Group entity, the Group's profit or loss (pre-tax) will (decrease) increase by:

	Group	
	2018	2017
	\$	\$
United States dollar	(66,153)	(163,230)
Euro	(48,219)	(177,830)
Singapore dollar	631,823	639,314
United Arab Emirates dirham	(21,629)	6,151
Azerbaijani manat	(27,252)	(52,002)
British pound	18,970	58,771

If the relevant foreign currencies strengthen by 5%, there would be an equal and opposite impact on the Group's profit or loss (pre-tax).

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year. The foreign currency denominated sales and purchases can vary over time subject to the demands of the market.

The Group's sensitivity to the United States dollar and Euro have decreased due to the decrease in these foreign currency denominated trade receivables at the end of the reporting period.

No sensitivity analysis is prepared for the Company as its monetary assets and liabilities are mainly denominated in its functional currency.

#### (ii) Interest rate risk management

The primary source of the Group's interest rate risk relates to interest-bearing bank borrowings as disclosed in Note 17 to the financial statements. As the interests for bank borrowings are based on variable rates, the Group is exposed to risks arising from changes in interest rate. This risk is not hedged. Finance leases are at fixed interest rates in 2018 and 2017.

The Group has borrowings at variable rates totalling \$57,040,951 (2017 : \$77,802,891) and is therefore exposed to interest rate risks arising from the variability of cash flows.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### (c) *Financial risk management policies and objectives (Cont'd)*

#### (ii) Interest rate risk management (Cont'd)

##### *Interest rate sensitivity*

The sensitivity analyses below have been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the profit before income tax for the year ended 31 March 2018 of the Group would decrease/increase by \$285,205 (2017 : \$389,014).

#### (iii) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by the counterparty limits that are reviewed and approved by the management periodically.

The Group's bank balances are held with reputable financial institutions.

Concentration of credit risk exists when economic, industry or geographic factors similarly affect the Group's counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. There is no concentration of credit risk as the Group does not have any significant credit risk exposure to any single counterparty or any company of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities.

The Company is exposed to a concentration of credit risk as trade receivables and loans to subsidiary corporations amounting to about 97.6% (2017 : 98.9%) and 45.7% (2017 : 40.2%) of the respective balances are due from one subsidiary corporation. This subsidiary corporation has been assessed to be creditworthy and management has assessed that no allowance for doubtful receivables is required.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Further details of credit risks on trade and other receivables are disclosed in Notes 8 and 9 to the financial statements respectively.

#### (iv) Liquidity risk management

Management monitors its liquidity position to ensure the Group has sufficient funds to meet its contractual and financial obligations. To manage its liquidity risk, the Group closely monitors its net operating cash flows and maintains a level of cash and cash equivalents deemed adequate by management for the Group's working capital and operational purposes. As at the end of the reporting period, the Group's maximum available credit from its banking facilities excluding term loans is approximately \$27 million (2017 : \$36 million). The Group's unutilized available credit from its banking facilities excluding term loans is approximately \$6 million (2017 : \$9 million).

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### (c) Financial risk management policies and objectives (Cont'd)

#### (iv) Liquidity risk management (Cont'd)

Liquidity and interest risk analyses

#### Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The adjustment column represents future cash flow attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

	Weighted average effective interest rate %	On demand or within 1 year \$	Within 2 to 5 years \$	Over 5 years \$	Adjustment \$	Total \$
<b>Group</b>						
<b>2018</b>						
Trade and other payables	–	11,978,062	–	–	–	11,978,062
Loan from Keh Swee (Notes 5 and 6) (fixed rates)	2.5	2,050,000	–	–	(50,000)	2,000,000
Finance leases (fixed rates)	3.5	615,024	354,503	–	(28,173)	941,354
Bank borrowings (fixed rate)	3.9	13,360	–	–	(499)	12,861
Bank borrowings (variable rates)	3.3	10,545,471	51,512,674	–	(5,017,194)	57,040,951
		<u>25,201,917</u>	<u>51,867,177</u>	<u>–</u>	<u>(5,095,866)</u>	<u>71,973,228</u>
<b>2017</b>						
Trade and other payables	–	16,080,913	–	–	–	16,080,913
Loan from Keh Swee (Notes 5 and 6) (fixed rate)	2.0	1,530,000	–	–	(30,000)	1,500,000
Finance leases (fixed rates)	3.3	704,108	932,878	–	(65,011)	1,571,975
Bank borrowings (fixed rate)	6.2	6,460,549	–	–	(1,291,094)	5,169,455
Bank borrowings (variable rates)	3.1	75,891,493	2,738,671	3,528,691	(4,355,964)	77,802,891
		<u>100,667,063</u>	<u>3,671,549</u>	<u>3,528,691</u>	<u>(5,742,069)</u>	<u>102,125,234</u>

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

### (c) *Financial risk management policies and objectives (Cont'd)*

#### (iv) Liquidity risk management (Cont'd)

*Liquidity and interest risk analyses (Cont'd)*

#### Non-derivative financial liabilities (Cont'd)

	Weighted average effective interest rate %	On demand or within 1 year \$	Within 2 to 5 years \$	Over 5 years \$	Adjustment \$	Total \$
<u>Company</u>						
<b>2018</b>						
Trade and other payables	–	1,438,867	–	–	–	1,438,867
Finance lease (fixed rate)	5.9	4,208	–	–	(102)	4,106
		<u>1,443,075</u>	<u>–</u>	<u>–</u>	<u>(102)</u>	<u>1,442,973</u>
<b>2017</b>						
Trade and other payables	–	188,484	–	–	–	188,484
Finance lease (fixed rate)	5.9	5,611	4,209	–	(515)	9,305
		<u>194,095</u>	<u>4,209</u>	<u>–</u>	<u>(515)</u>	<u>197,789</u>

#### Non-derivative financial assets

All financial assets in 2018 and 2017 are repayable on demand or due within 1 year from the end of the reporting period.

Other than the loans to subsidiary corporations as disclosed in Note 9 to the financial statements, all financial assets in 2018 and 2017 are interest-free.

### (v) Fair value of financial assets and financial liabilities

The carrying amounts of cash and bank balances, trade and other current receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

### (d) *Capital management policies and objectives*

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group is required to maintain compliance with covenants under loan agreements with banks and the covenants include a maximum gearing ratio and a minimum tangible net worth amount. The Group reviews the capital structure on a regular basis to ensure the covenants are complied with.

During the year, certain credit facilities have been restructured in which a moratorium and suspension of financial covenants has been obtained for the restructured credit facilities. The Group is in compliance with externally imposed capital requirements for the financial year ended 31 March 2018.

The capital structure of the Group consists of debt, which includes bank loans and finance leases and equity, comprising share capital, reserves and accumulated losses. The Group's overall strategy remains unchanged from prior year.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 5 HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

As at 31 March 2017, the Company's immediate and ultimate holding company was Keh Swee Investment Pte. Ltd. ("Keh Swee"), a company incorporated in Singapore.

During the year, the Company entered into a share placement exercise for the allotment and issuance of 1,360,000,000 shares to PeakBayou Ltd., which represented 75.64% of the enlarged issued and paid-up share capital of the Company. Pursuant to the share placement exercise, the Company's immediate holding company became PeakBayou Ltd., a company incorporated in the Cayman Islands. PeakBayou Ltd. is ultimately wholly-owned by ShawKwei Asia Value Fund 2017, L.P. a closed-end private equity fund structured as a limited partnership organized and existing under the laws of the Cayman Islands. Related companies in these financial statements refer to members of the ultimate holding entity's group of companies.

Some of the Group's transactions and arrangements are between members of the Group and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free, repayable on demand and expected to be settled in cash, unless otherwise stated.

## 6 OTHER RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The related party balances are unsecured, interest-free, repayable on demand and expected to be settled in cash, unless otherwise stated.

### *Transactions with a related party*

	Group	
	2018	2017
	\$	\$
Interest expense on loan from Keh Swee (Note 5)	40,130	18,979

### *Compensation of directors and key management personnel*

The remuneration of directors and other members of key management are as follows:

	Group	
	2018	2017
	\$	\$
Short-term employee benefits	2,217,489	1,977,306
Post-employment benefits	73,139	51,897

## 7 CASH AND BANK BALANCES

	Group		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Cash on hand	31,757	193,821	–	–
Cash at bank	57,762,950	6,407,938	52,117,176	35,361
	57,794,707	6,601,759	52,117,176	35,361

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 8 TRADE RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Outside parties	12,781,930	22,589,171	–	–
Less: Allowance for doubtful trade receivables	(1,529,715)	(1,505,356)	–	–
	11,252,215	21,083,815	–	–
Subsidiary corporations (Notes 5 and 13)	–	–	3,099,775	3,486,820
Value added tax receivable	169,126	89,417	12,323	–
	11,421,341	21,173,232	3,112,098	3,486,820

The average credit period on trade receivables is 30 to 90 days (2017 : 30 to 90 days). No interest is charged on the outstanding balances.

As at the end of the reporting period, an allowance has been made for estimated irrecoverable amounts from the sales of goods to outside parties of \$1,529,715 (2017 : \$1,505,356). This allowance has been determined based on management's evaluation of the collectability of specific customer accounts.

Included in the Group's trade receivables balance are debtors with a carrying amount of \$6,382,730 (2017 : \$10,087,249) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. There has also not been a significant change in credit quality of the balances that are not past due.

The Group does not hold any collateral over these balances. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes that there is no further allowance required in excess of the allowance for doubtful trade receivables.

The table below is an analysis of the Group's trade receivables as at the end of the reporting period:

	Group	
	2018	2017
	\$	\$
Not past due and not impaired	5,038,611	11,085,983
Past due but not impaired	6,382,730	10,087,249
Trade receivables not impaired	11,421,341	21,173,232
Impaired receivables - individually assessed	1,529,715	1,505,356
Less: Allowance for doubtful trade receivables	(1,529,715)	(1,505,356)
Net trade receivables	11,421,341	21,173,232

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 8 TRADE RECEIVABLES (CONT'D)

Aging profile of receivables that are past due but not impaired:

	2018	Group	2017
	\$		\$
<hr/>			
<u>Past due for:</u>			
< 1 month	3,174,640		4,843,055
1 month to 2 months	1,690,042		2,251,309
> 2 months to 3 months	671,868		663,373
> 3 months to 6 months	396,690		1,398,584
> 6 months to 12 months	362,039		819,467
> 12 months to 24 months	84,451		108,142
> 24 months	3,000		3,319
	<u>6,382,730</u>		<u>10,087,249</u>

There are no past due receivables in the Company's trade receivables as at the end of the reporting period. The Company has not made any allowance for doubtful trade receivables as management is of the view that these receivables are recoverable.

Movements in the allowance for doubtful trade receivables:

	2018	Group	2017
	\$		\$
<hr/>			
At beginning of year	1,505,356		625,094
Charge to profit or loss (Note 23)	131,359		1,149,722
Doubtful trade receivables recovered (Note 22)	(97,592)		(59,340)
Written off against allowance	(9,408)		(210,120)
At end of year	<u>1,529,715</u>		<u>1,505,356</u>



# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 9 OTHER RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Due from subsidiary corporations (Notes 5 and 13)	–	–	100,645	111,375
Advances to subsidiary corporations (Notes 5 and 13)	–	–	25,724,747	8,438,920
Loans to subsidiary corporations (Notes 5 and 13)	–	–	35,778,918	35,535,749
Advance payments to suppliers	152,234	105,452	–	–
Deposits	309,778	406,344	–	250
Prepayments	395,247	816,996	28,685	76,397
Estimated receivable from vendor arising from profit guarantee per purchase agreement	–	300,000	–	–
Recoverable from third parties	96,747	640,086	37,939	–
<b>Total</b>	<b>954,006</b>	<b>2,268,878</b>	<b>61,670,934</b>	<b>44,162,691</b>
Less: Current portion	(952,237)	(2,118,279)	(61,670,934)	(44,162,691)
Non-current portion	1,769	150,599	–	–

Loans to subsidiary corporations bear interest of 3.5% (2017 : 3.5%) per annum.

The Group and the Company have not made any allowance for doubtful debts as management is of the view that other receivables are recoverable.

## 10 INVENTORIES

	Group	
	2018	2017
	\$	\$
Raw materials and products		
– Accessories and ship supplies	34,446,810	57,167,515
– Wire ropes	45,434,278	70,756,238
	<b>79,881,088</b>	<b>127,923,753</b>

The cost of inventories recognized during the year included write-downs of \$35,490,017 (2017 : \$2,271,225) to bring the carrying value of inventories to their net realizable value. Management has engaged professional valuers to review the net realizable value of the inventories based on suppliers' pricing, market demand and obsolescence.

The Group has pledged inventories with carrying amount of \$43,078,301 (2017 : \$59,340,206) to secure banking facilities available to the Group (Note 17).

During the year, the Group transferred certain equipment with a carrying value of \$1,754,963 (2017 : \$1,993,274) from inventories to property, plant and equipment (Note 11) as there was a change in the use of the equipment where the Group utilized these equipment as rental assets to generate rental income under operating leases.

The Group also transferred equipment with a carrying value of \$Nil (2017 : \$55,013) from property, plant and equipment (Note 11) to inventories. Those equipment items were formerly used by the Group as rental assets that generated rental income. Management intends to sell these equipment items and accordingly, the items were transferred to inventories.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## II PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Leasehold land and buildings	Leasehold improvements	Plant, machinery and equipment	Motor vehicles	Furniture and fittings	Office equipment	Construction in-progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Group</b>									
<b>Cost:</b>									
At 1 April 2016	2,438,014	17,159,083	869,609	23,236,826	2,931,410	1,570,820	2,397,587	1,510,600	52,113,949
Additions	1,420,492	7,460	41,437	3,722,860	164,552	165,543	93,642	586,897	6,202,883
Disposals	–	(1,764,600)	–	(216,663)	(1,170,382)	(40,551)	(55,793)	(60,389)	(3,308,378)
Transfer from (to) inventories (Note 10)	–	–	–	1,993,274	–	–	–	(55,013)	1,938,261
Transfer from construction-in-progress	1,324,651	–	–	33,149	–	–	12,000	(1,369,800)	–
Currency realignment	244,100	26,904	416	175,472	10,655	4,043	11,023	36,839	509,452
At 31 March 2017	5,427,257	15,428,847	911,462	28,944,918	1,936,235	1,699,855	2,458,459	649,134	57,456,167
Additions	3,672	6,500	–	1,617,922	89,903	13,082	63,598	220,595	2,015,272
Disposals	–	(222,836)	–	(2,068,828)	(175,748)	(73,863)	(80,668)	(181,762)	(2,803,705)
Written off	–	–	–	–	–	–	–	(238,000)	(238,000)
Transfer from inventories (Note 10)	–	–	–	1,754,963	–	–	–	–	1,754,963
Transfer from construction-in-progress	–	3,000	–	92,449	2,827	–	–	(98,276)	–
Currency realignment	(70,122)	(46,802)	(2,540)	(520,928)	(27,061)	(5,390)	(17,446)	(20,356)	(710,645)
At 31 March 2018	5,360,807	15,168,709	908,922	29,820,496	1,826,156	1,633,684	2,423,943	331,335	57,474,052
<b>Accumulated depreciation:</b>									
At 1 April 2016	–	4,061,649	130,440	10,620,771	1,593,945	1,374,728	1,107,520	–	18,889,053
Depreciation for the year	54,930	615,882	58,688	2,389,808	369,423	100,748	399,422	–	3,988,901
Eliminated on disposals	–	(322,989)	–	(76,632)	(534,356)	(20,810)	(50,170)	–	(1,004,957)
Currency realignment	2,035	3,014	7	40,481	5,560	2,529	6,689	–	60,315
At 31 March 2017	56,965	4,357,556	189,135	12,974,428	1,434,572	1,457,195	1,463,461	–	21,933,312
Depreciation for the year	67,155	565,759	62,051	3,420,418	299,845	89,192	344,486	–	4,848,906
Eliminated on disposals	–	(28,346)	–	(935,279)	(110,213)	(67,613)	(78,831)	–	(1,220,282)
Currency realignment	(133)	(9,330)	(189)	(205,661)	(18,042)	(3,624)	(11,665)	–	(248,644)
At 31 March 2018	123,987	4,885,639	250,997	15,253,906	1,606,162	1,475,150	1,717,451	–	25,313,292
<b>Carrying amount:</b>									
At 31 March 2018	5,236,820	10,283,070	657,925	14,566,590	219,994	158,534	706,492	331,335	32,160,760
At 31 March 2017	5,370,292	11,071,291	722,327	15,970,490	501,663	242,660	994,998	649,134	35,522,855

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 11 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Furniture and fittings \$	Office equipment \$	Construction in-progress \$	Total \$
<b>Company</b>				
<b>Cost:</b>				
At 1 April 2016	43,417	1,008,825	12,000	1,064,242
Additions	–	2,000	–	2,000
Disposals	(32,340)	–	–	(32,340)
Transfer	–	12,000	(12,000)	–
At 31 March 2017	11,077	1,022,825	–	1,033,902
Additions	–	6,949	–	6,949
At 31 March 2018	11,077	1,029,774	–	1,040,851
<b>Accumulated depreciation:</b>				
At 1 April 2016	12,125	209,977	–	222,102
Depreciation for the year	6,620	217,414	–	224,034
Eliminated on disposals	(15,747)	–	–	(15,747)
At 31 March 2017	2,998	427,391	–	430,389
Depreciation for the year	1,383	201,173	–	202,556
At 31 March 2018	4,381	628,564	–	632,945
<b>Carrying amount:</b>				
At 31 March 2018	6,696	401,210	–	407,906
At 31 March 2017	8,079	595,434	–	603,513

Included in the Group's additions to freehold land and buildings are borrowing costs incurred during the year of \$Nil (2017 : \$95,894) which arose from the loan taken by a subsidiary corporation to fund the construction of a building.

The Group's freehold land and buildings include the cost of freehold land of \$2,479,355 (2017 : \$2,512,869).

The Group has pledged certain property, plant and equipment with carrying amount of \$15,179,854 (2017 : \$15,860,612) to secure banking facilities granted to the Group (Note 17).

Certain of the Group's plant and equipment with total carrying amount of \$2,563,810 (2017 : \$2,930,274) are under finance lease obligations (Note 18).

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 12 INTANGIBLE ASSETS

	Group \$
<b>Cost:</b>	
At 1 April 2016	6,055,191
Currency alignment	183,782
At 31 March 2017	6,238,973
Currency alignment	(364,124)
At 31 March 2018	5,874,849
<b>Amortization:</b>	
At 1 April 2016	1,467,073
Amortization for the year	666,516
Currency alignment	46,452
At 31 March 2017	2,180,041
Amortization for the year	476,124
Currency alignment	(134,752)
At 31 March 2018	2,521,413
<b>Impairment:</b>	
At 1 April 2016	739,746
Impairment for the year (Note 23)	722,378
Currency alignment	30,644
At 31 March 2017	1,492,768
Impairment for the year (Note 23)	1,971,587
Currency alignment	(110,919)
At 31 March 2018	3,353,436
<b>Carrying amount:</b>	
At 31 March 2018	—
At 31 March 2017	2,566,164

The amortization expense has been included under “Administrative expenses” in the consolidated statement of profit or loss and other comprehensive income.

The Group tests intangible assets annually for impairment or more frequently if there are indications that the intangible assets might be impaired.

The recoverable amounts of the intangible assets are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, customer account attritions, revenue estimates and other factors. 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 cash generating units. Account attritions and revenue estimates are based on the current year results and expectations of future changes in the market.

The Group prepares value in use calculations derived from the most recent financial results and compares them to the estimates made in prior year and revises them prospectively for the account attritions and changes in revenue noted for the year. The rate used to estimate the customer account attritions is 9.2% (2017 : 10.5%) per annum and the rate used to discount the cash flows is 15.6% (2017 : 18.1%) per annum.

During the year, management re-assessed the recoverability of intangible assets and recorded an impairment loss amounting to \$1,971,587 (2017 : \$722,378).

A sensitivity analysis is performed with a possible 3% favorable/unfavorable change to the rate used to discount the cash flows on the basis that each of the other key assumptions remained unchanged, the impairment loss to be recognized will remain unchanged.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 13 INVESTMENT IN SUBSIDIARY CORPORATIONS

	Company	
	2018	2017
	\$	\$
Unquoted equity shares - at cost	6,101,394	6,101,394
Less: Allowance for impairment	(81,839)	(81,839)
	<u>6,019,555</u>	<u>6,019,555</u>

Movement in allowance for impairment:

At beginning of year	81,839	–
Charged to profit or loss	–	81,839
At end of year	<u>81,839</u>	<u>81,839</u>

As at the end of the reporting period, an allowance has been made for impairment of investment in a subsidiary corporation of \$81,839 as the management intends to wind up the subsidiary corporation.

The recoverable amounts of the cash generating units used in assessing for impairment are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and growth rates. 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 cash generating units. The growth rates are based on industry growth forecasts.

The Company prepared cash flow forecasts for the subsidiary corporations derived from the most recent financial budgets approved by management for the next five years and estimated cash flows for the following five years. The rate used to discount the cash flows is 5.4% (2017 : 5.3%).

If a sensitivity analysis is performed with a possible 50 basis points decrease/increase in the rate used to discount the cash flows on the basis that each of the other key assumptions remained unchanged, no further impairment loss will be recognized for the Company.

Details of the significant subsidiary corporations are as follows:

Name of subsidiary corporation	Place of incorporation and principal place of business	Proportion of ownership interest and voting power held		Principal activities
		2018	2017	
		%	%	
Allseas Marine Services Pte. Ltd. <sup>(1)</sup>	Singapore	100	100	Provision of ship chandler's supplies and services and general merchandise
Gaylin Asia Pte. Ltd. <sup>(1)</sup>	Singapore	100	100	Investment holding
Gaylin International Pte Ltd <sup>(1)</sup>	Singapore	100	100	Supply and manufacture of rigging and lifting equipment and provision of related services
Gaylin Malaysia Sdn. Bhd. <sup>(3)</sup>	Malaysia	100	100	Supply and manufacture of rigging and lifting equipment and provision of related services
Gaylin Marine Supply Pte. Ltd. <sup>(1)</sup>	Singapore	100	100	Investment holding

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 13 INVESTMENT IN SUBSIDIARY CORPORATIONS (CONT'D)

Name of subsidiary corporation	Place of incorporation and principal place of business	Proportion of ownership interest and voting power held		Principal activities
		2018 %	2017 %	
Gaylin Power Pte. Ltd. <sup>(1)</sup>	Singapore	100	100	Supply of rigging and lifting equipment
Lv Yang (Tianjin) Offshore Equipment Pte. Ltd. <sup>(1)</sup>	Singapore	100	100	Supply of rigging and lifting equipment
Phoenix Offshore Co., Ltd. <sup>(3)</sup>	South Korea	90	90	Provision of ship chandler's supplies and services and general merchandise
Rigmarine Azerbaijan LLC <sup>(2)</sup>	Azerbaijan	100	100	Supply and manufacture of rigging and lifting equipment and provision of related services
Rigmarine Europe Limited <sup>(2),(4)</sup>	United Kingdom	100	100	Supply and manufacture of rigging and lifting equipment and provision of related services
Rig Marine Holdings FZE <sup>(2)</sup>	United Arab Emirates ("UAE")	100	100	Investment holding
Rig Marine FZE <sup>(2)</sup>	UAE	100	100	Supply and manufacture of rigging and lifting equipment and provision of related services
Rigmarine Kazakhstan LLP <sup>(2)</sup>	Kazakhstan	100	100	Supply and manufacture of rigging and lifting equipment and provision of related services

Notes:

<sup>(1)</sup> Audited by Deloitte & Touche LLP, Singapore.

<sup>(2)</sup> Audited by member firms of Deloitte Touche Tohmatsu Limited for purposes of consolidation.

<sup>(3)</sup> Audited by Deloitte & Touche LLP, Singapore for purposes of consolidation.

<sup>(4)</sup> The subsidiary corporation has a branch which has its principal place of business in Azerbaijan.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 13 INVESTMENT IN SUBSIDIARY CORPORATIONS (CONT'D)

Information about the composition of the Group at the end of the financial year is as follows:

Principal activity	Place of operation	Number of wholly-owned subsidiary corporations	
		2018	2017
Rigging and lifting	Singapore	5	5
	Malaysia	1	1
	Vietnam	1	1
	Indonesia	1	1
	People's Republic of China	1	1
	UAE	1	1
	Azerbaijan	1	1
	Kazakhstan	1	1
	United Kingdom	1	1
	Ship chandling	Singapore	1
Investment holding	Singapore	5	5
	UAE	1	1
		<b>20</b>	<b>20</b>

Principal activity	Place of operation	Number of non wholly-owned subsidiary corporations	
		2018	2017
Rigging and lifting	Malaysia	1	1
	South Korea	1	1
Ship chandling	South Korea	1	1
		<b>3</b>	<b>3</b>

Management has assessed that there are no subsidiary corporations with non-controlling interests that are material to the Group.

## 14 TRADE PAYABLES

	Group	
	2018	2017
	\$	\$
Outside parties	<b>6,060,403</b>	<b>10,027,384</b>

The average credit period of trade payables is 30 days to 90 days (2017 : 30 days to 90 days). No interest is charged on the outstanding balances.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 15 OTHER PAYABLES

	Group		Company	
	2018 \$	2017 \$	2018 \$	2017 \$
Outside parties	2,406,303	3,088,010	536,834	49,274
Accruals	3,210,967	1,866,510	902,033	139,210
Advance payment from customer	57,680	–	–	–
Loan from Keh Swee (Notes 5 and 6)	2,000,000	1,500,000	–	–
Interest payable to Keh Swee (Notes 5 and 6)	44,110	3,979	–	–
Due to directors of subsidiary corporations	256,279	1,095,030	–	–
	<b>7,975,339</b>	<b>7,553,529</b>	<b>1,438,867</b>	<b>188,484</b>

The loan from Keh Swee of \$2,000,000 (2017 : \$1,500,000) bears interest ranging from 2.0% to 4.0% per annum (2017 : at 2.0% per annum), unsecured and repayable on demand.

The amount due to directors of subsidiary corporations is unsecured, interest-free, repayable on demand and expected to be settled in cash.

## 16 PROVISIONS

	Provision for cancellation of contract \$	Provision for restructuring <sup>(1)</sup> \$	Total \$
<b>Group</b>			
At 1 April 2016 and 31 March 2017	–	–	–
Additional provision during the year	408,000	494,341	902,341
At 31 March 2018	<b>408,000</b>	<b>494,341</b>	<b>902,341</b>
<b>Company</b>			
At 1 April 2016 and 31 March 2017	–	–	–
Additional provision during the year	–	494,341	494,341
At 31 March 2018	<b>–</b>	<b>494,341</b>	<b>494,341</b>

(1) Provision for restructuring comprises mainly the retirement compensation for previous management personnel.



# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 17 BANK BORROWINGS

	Group	
	2018	2017
	\$	\$
Bank overdrafts:		
– Secured	66,232	689,404
– Unsecured	–	481,152
	66,232	1,170,556
Bank loans:		
– Secured	46,658,841	58,501,553
– Unsecured	4,112,861	13,711,030
	50,771,702	72,212,583
Bank bills payable	6,215,878	9,589,207
Total bank borrowings	57,053,812	82,972,346
Due within 12 months	(8,894,971)	(38,364,422)
Due after 12 months but classified as current	–	(39,514,745)
Due after 12 months	48,158,841	5,093,179

The bank loans bear floating interest rates ranging from 2.4% to 6.3% (2017 : 2.3% to 6.3%) per annum. The bank bills payable bear interest rates ranging from 2.7% to 6.4% (2017 : 2.8% to 3.5%) per annum, and the bank overdrafts bear interest rates at the bank's prevailing prime lending rate of approximately 5% per annum. Bank loans at floating interest rates are contractually repriced on a short-term basis, typically six months or less.

In the prior year, the Group did not repay certain debts due to a bank in March 2017 of \$1,069,167. As a result, certain outstanding facilities with the bank became due immediately and was accordingly classified as current.

Securities include legal mortgage over the Group's and Company's property, plant and equipment (Note 11) and a corporate guarantee by the Company.

The estimated fair values of the loans approximate their carrying values as the loans are expected to be repriced on a timely basis depending on movements in the market lending rates.

### Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 April 2017	Financing cash flows	New finance leases (Note 18)	Foreign exchange movement	Other changes <sup>(1)</sup>	31 March 2018
	\$	\$	\$	\$	\$	
Bank loans	72,212,583	(21,258,190)	–	2,227	(184,918)	50,771,702
Finance leases (Note 18)	1,571,975	(701,514)	73,600	(2,707)	–	941,354
	73,784,558	(21,959,704)	73,600	(480)	(184,918)	51,713,056

<sup>(1)</sup> Other changes include transaction costs for loans paid.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 18 FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	2018	2017
	\$	\$	\$	\$
<b>Group</b>				
<i>Amounts payable under finance leases:</i>				
Within one year	615,024	704,108	593,814	663,796
In the second to fifth years inclusive	354,503	932,878	347,540	908,179
	<u>969,527</u>	<u>1,636,986</u>	<u>941,354</u>	<u>1,571,975</u>
Less: Future finance charges	(28,173)	(65,011)	N/A	N/A
Present value of lease obligations	<u>941,354</u>	<u>1,571,975</u>	<u>941,354</u>	<u>1,571,975</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)			(593,814)	(663,796)
Amount due for settlement after 12 months			<u>347,540</u>	<u>908,179</u>

	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	2018	2017
	\$	\$	\$	\$
<b>Company</b>				
<i>Amounts payable under finance leases:</i>				
Within one year	4,208	5,611	4,106	5,199
In the second to fifth years inclusive	–	4,209	–	4,106
	<u>4,208</u>	<u>9,820</u>	<u>4,106</u>	<u>9,305</u>
Less: Future finance charges	(102)	(515)	N/A	N/A
Present value of lease obligations	<u>4,106</u>	<u>9,305</u>	<u>4,106</u>	<u>9,305</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)			(4,106)	(5,199)
Amount due for settlement after 12 months			<u>–</u>	<u>4,106</u>

The effective interest rate ranged from 3.2% to 7.4% (2017 : 3.2% to 7.9%) per annum for the Group and 5.9% (2017 : 5.9%) per annum for the Company, with a remaining lease term of approximately 1 month to 39 months (2017 : 13 months to 36 months) and 9 months (2017 : 21 months) respectively. Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk.

The carrying amount of the finance lease obligations approximates their fair values which are determined using discounted cash flows analysis based on average incremental market lending rates.

The Group's obligations under finance leases are secured by the lessor's title to the leased assets (Note 11). At the end of the reporting period, certain leases are guaranteed by a corporate guarantee by the Company.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 19 DEFERRED TAX

	Group		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Deferred tax assets	(85,323)	(266,304)	–	–
Deferred tax liabilities	28,593	134,898	9,015	101,015
	(56,730)	(131,406)	9,015	101,015

The following are the deferred tax assets and liabilities recognized by the Group and the Company, and the movements thereon, during the reporting period:

	Accelerated tax depreciation	Unutilized tax losses	Unutilized capital allowances and other timing differences	Net
	\$	\$	\$	\$
<b>Group</b>				
At 1 April 2016	785,364	(195,147)	(652,312)	(62,095)
(Credit) Charge to profit or loss (Note 25)	(597,533)	33,543	494,679	(69,311)
At 31 March 2017	187,831	(161,604)	(157,633)	(131,406)
(Credit) Charge to profit or loss (Note 25)	(178,816)	91,288	162,204	74,676
At 31 March 2018	9,015	(70,316)	4,571	(56,730)
<b>Company</b>				
At 1 April 2016	69,364	–	(231,853)	(162,489)
Charge to profit or loss	31,651	–	231,853	263,504
At 31 March 2017	101,015	–	–	101,015
Credit to profit or loss	(92,000)	–	–	(92,000)
At 31 March 2018	9,015	–	–	9,015

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiary corporations for which deferred tax liabilities have not been recognized is \$8,841,715 (2017 : \$14,011,179). No liability has been recognized in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 20 SHARE CAPITAL

	Group and Company			2017 \$
	2018 Number of ordinary shares	2017	2018 \$	
Issued and paid-up:				
At beginning of year	438,000,000	438,000,000	50,586,533	50,586,533
Issuance of shares	1,360,000,000	–	68,000,000	–
Share issuance expense	–	–	(246,756)	–
At end of year	<u>1,798,000,000</u>	<u>438,000,000</u>	<u>118,339,777</u>	<u>50,586,533</u>

The fully paid ordinary shares, which have no par value, carry one vote per share and a right to dividends as and when declared by the Company.

## 21 REVENUE

	Group	
	2018 \$	2017 \$
Supply and manufacture of rigging and lifting equipment	44,122,652	58,400,448
Rendering of services	8,007,695	7,104,759
Ship chandling	15,454,250	14,152,473
	<u>67,584,597</u>	<u>79,657,680</u>

## 22 OTHER OPERATING INCOME

	Group	
	2018 \$	2017 \$
Interest income	3,988	4,040
Doubtful trade receivables recovered (Note 8)	97,592	59,340
Sundry income	30,850	56,648
Government grants	74,982	80,572
Gain on disposal of property, plant and equipment	–	157,478
Foreign exchange gain, net	–	308,356
	<u>207,412</u>	<u>666,434</u>

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 23 OTHER EXPENSES

	2018	Group 2017
	\$	\$
Foreign exchange loss, net	608,030	–
Others:		
Trade receivables written off	300,402	87,315
Other receivables written off	–	95,082
Allowance for doubtful trade receivables (Note 8)	131,359	1,149,722
Impairment of intangible assets (Note 12)	1,971,587	722,378
Property, plant and equipment written off (Note 11)	238,000	–
Loss on disposal of property, plant and equipment	1,310,874	–
Provision for cancellation of contract	442,000	–
Restructuring costs	1,544,720	–
	<u>5,938,942</u>	<u>2,054,497</u>
Total other expenses	<u>6,546,972</u>	<u>2,054,497</u>

## 24 FINANCE COSTS

	2018	Group 2017
	\$	\$
Bank facility fee	290,097	–
Interest expense on:		
Loan from Keh Swee (Notes 5 and 6)	40,130	18,979
Bank loans	2,208,590	2,239,257
Bank bills payable	295,396	385,010
Bank overdrafts	63,329	67,673
Finance leases	45,301	71,155
	<u>2,942,843</u>	<u>2,782,074</u>

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 25 INCOME TAX

	Group	
	2018	2017
	\$	\$
<b>Current tax:</b>		
Current	89,218	298,319
Under (Over) provision in prior years	148,014	(427,776)
<b>Deferred tax:</b>		
Current	40,317	(298,402)
Under provision in prior years	34,359	229,091
	311,908	(198,768)

Domestic income tax is calculated at 17% (2017 : 17%) of the estimated assessable income for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax for the year can be reconciled to the accounting loss as follows:

	2018	2017
	\$	\$
Loss before tax	(51,282,907)	(11,601,088)
Income tax benefit at 17%	(8,718,094)	(1,972,185)
Effect of non-deductible items	1,310,911	473,269
Effect of exemption and incentives	(76,751)	(114,199)
Effect of different tax rate of overseas operations	(178,026)	(124,371)
Effect of deferred tax benefits not recognized	7,792,943	1,862,496
Utilization of deferred tax benefits previously not recognized	(15,334)	(111,412)
Under (Over) provision of current tax in prior years	148,014	(427,776)
Under provision of deferred tax in prior years	34,359	229,091
Others	13,886	(13,681)
	311,908	(198,768)

The tax loss carryforwards arise from local and foreign subsidiary corporations of the Group which have tax losses of \$51,154,528 (2017 : \$13,661,027) available for offsetting against future taxable income.

The total tax loss carryforwards for the year can be reconciled as follows:

	Local	Foreign	Total
	\$	\$	\$
At 1 April 2016	1,602,965	1,212,664	2,815,629
Arising during the year	10,193,509	1,766,767	11,960,276
Adjustment during the year	165,758	635,994	801,752
Utilized during the year	(1,916,630)	–	(1,916,630)
At 31 March 2017	10,045,602	3,615,425	13,661,027
Arising during the year	40,286,514	1,676,154	41,962,668
Adjustment during the year	(2,123,022)	(538,106)	(2,661,128)
Utilized during the year	(1,808,039)	–	(1,808,039)
At 31 March 2018	46,401,055	4,753,473	51,154,528
<b>Deferred tax asset on above:</b>			
Recognized	–	70,316	70,316
Not recognized	7,888,179	1,072,112	8,960,291
Total	7,888,179	1,142,428	9,030,607

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 25 INCOME TAX (CONT'D)

The realization of the future income tax benefits from the tax loss carryforwards for the local subsidiary corporations is available for an unlimited future period subject to conditions imposed by law including the retention of majority shareholders as defined.

The realizable of the future income tax benefits from the tax loss carryforwards for the foreign subsidiary corporations is available for a maximum of five to ten years subject to agreement with the Inland Revenue Board of the country in which the foreign subsidiary corporations operate.

Future tax benefits arising from these tax loss carryforwards have not been recognized in the financial statements as there is no reasonable certainty of their recovery in future periods.

## 26 LOSS FOR THE YEAR

Loss for the year has been arrived at after charging (crediting):

	Group	
	2018	2017
	\$	\$
Directors' remuneration:		
– of the Company	882,232	950,389
– of the subsidiary corporations	830,932	1,280,919
Employee benefits expense (including directors' remuneration)		
Salaries and related benefits	16,735,523	17,378,936
Costs of defined contribution plan	791,444	823,959
Total employee benefits expense	17,526,967	18,202,895
Cost of inventories recognized as expense	77,436,128	42,488,669
Foreign exchange loss (gain), net	608,030	(308,356)
Audit fees:		
– paid to auditors of the Company	170,000	180,000
– paid to other auditors	137,415	129,238
Total audit fees	307,415	309,238
Non-audit fees:		
– paid to auditors of the Company	8,000	–
– paid to other auditors	58,240	62,848
Total non-audit fees	66,240	62,848
Aggregate amount of fees paid to auditors	373,655	372,086

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 27 LOSS PER SHARE

The calculation of the loss per share attributable to the ordinary equity holders of the Group is based on the following data:

	2018	Group	2017
	\$		\$
Net loss attributable to shareholders of the Company	<u>(51,574,641)</u>		<u>(11,355,093)</u>
		<b>Number of shares ('000)</b>	
Weighted average number of ordinary shares for purpose of earnings per share	<u>508,795</u>		<u>438,000</u>

There are no dilutive equity instruments for 2018 and 2017.

## 28 SEGMENT INFORMATION

For the purpose of the resource allocation and assessment of segment performance, the Group's chief operating decision maker has focused on the business operating units which in turn, are segregated based on their services. This forms the basis of identifying the operating segments of the Group under FRS 108 *Operating Segments*.

Operating segments are aggregated into a single operating segment if they have similar economic characteristics. The Group's reportable segments under FRS 108 *Operating Segments* are set out below:

### Rigging and lifting

This segment comprises the supply and manufacture of rigging and lifting equipment and provision of related services.

### Ship chandling

This segment provides ship chandler's supplies and services and general merchandise.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment results represent the results of each segment and is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible, intangible and financial assets and liabilities attributable to each segment.

All assets and liabilities are allocated to reportable segments. Assets and liabilities, if any, used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.



# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 28 SEGMENT INFORMATION (CONT'D)

	Rigging and lifting \$	Ship chandling \$	Total \$
<b>2018</b>			
<b>Revenue</b>			
Sales	52,430,061	15,676,229	68,106,290
Inter-segment sales	(299,714)	(221,979)	(521,693)
Sales to external customers	52,130,347	15,454,250	67,584,597
<b>(Loss) Profit from operations</b>			
Segment results	(45,310,033)	242,723	(45,067,310)
Restructuring costs	–	–	(1,544,720)
Interest expense			(2,652,746)
Income tax expense			(311,908)
Unallocated loss from operations			(2,018,131)
Loss for the year			(51,594,815)
<b>Assets</b>			
Segment assets	117,612,562	12,162,384	129,774,946
Unallocated assets			52,641,706
Total assets			182,416,652
<b>Liabilities</b>			
Segment liabilities	65,196,687	5,877,209	71,073,896
Unallocated liabilities			1,946,329
Total liabilities			73,020,225
<b>Other information</b>			
Impairment of intangible assets	1,971,587	–	1,971,587
Loss on disposal of property, plant and equipment	1,307,417	3,457	1,310,874
Trade receivables written off	300,402	–	300,402
Allowance for doubtful trade receivables	131,359	–	131,359
Property, plant and equipment written off	238,000	–	238,000
Provision for cancellation of contract	442,000	–	442,000
Allowance for slow-moving and aged inventories	35,490,017	–	35,490,017
Allocable depreciation and amortization	4,592,063	530,411	5,122,474
Unallocated depreciation			202,556
Total depreciation and amortization			5,325,030
Allocable additions to non-current assets	1,998,838	9,485	2,008,323
Unallocated additions to non-current assets			6,949
Total additions to non-current assets			2,015,272

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 28 SEGMENT INFORMATION (CONT'D)

	Rigging and lifting \$	Ship chandling \$	Total \$
<b>2017</b>			
<b>Revenue</b>			
Sales	65,784,131	14,274,150	80,058,281
Inter-segment sales	(278,924)	(121,677)	(400,601)
Sales to external customers	65,505,207	14,152,473	79,657,680
<b>(Loss) Profit from operations</b>			
Segment results	(10,602,296)	318,478	(10,283,818)
Interest expense			(2,782,074)
Income tax			198,768
Unallocated profit from operations			1,464,804
Loss for the year			(11,402,320)
<b>Assets</b>			
Segment assets	182,336,354	13,213,966	195,550,320
Unallocated assets			873,731
Total assets			196,424,051
<b>Liabilities</b>			
Segment liabilities	91,563,948	10,631,036	102,194,984
Unallocated liabilities			298,804
Total liabilities			102,493,788
<b>Other information</b>			
Impairment of intangible assets	722,378	–	722,378
Trade receivables written off	87,315	–	87,315
Other receivables written off	92,699	2,383	95,082
Allowance for doubtful trade receivables	1,120,881	28,841	1,149,722
Allowance for slow-moving and aged inventories	2,271,225	–	2,271,225
Allocable depreciation and amortization	3,868,802	562,581	4,431,383
Unallocated depreciation			224,034
Total depreciation and amortization			4,655,417
Allocable additions to non-current assets	4,772,985	1,427,898	6,200,883
Unallocated additions to non-current assets			2,000
Total additions to non-current assets			6,202,883

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 28 SEGMENT INFORMATION (CONT'D)

### *Geographic information*

The Group operates mainly in the geographic areas of Singapore, Azerbaijan, Middle East, Malaysia, Australia, Other Asia, Europe and Others. The Group's revenue from external customers and information about its segment assets (non-current assets) by geographic location are detailed below:

	2018	Group 2017
	\$	\$
<u>Revenue from external customers (based on location of customer)</u>		
Singapore	14,196,499	15,427,522
Azerbaijan	9,233,445	13,548,044
France	4,145,813	8,119,251
Other Asia <sup>(1) (2)</sup>	23,214,233	24,861,311
Europe <sup>(1) (3)</sup>	7,275,106	11,464,168
Others <sup>(1)</sup>	9,519,501	6,237,384
	<u>67,584,597</u>	<u>79,657,680</u>

### Non-current assets (based on location of assets)

Singapore	10,384,869	11,292,400
Malaysia	6,551,744	7,353,093
South Korea	7,380,239	7,743,060
Azerbaijan	684,563	3,085,044
Middle East	3,589,345	5,098,835
Others	3,571,769	3,667,186
	<u>32,162,529</u>	<u>38,239,618</u>

<sup>(1)</sup> Revenue from countries in "Other Asia", "Europe" and "Others" include revenue from customers in countries that individually account for less than 10% of the Group's revenue.

<sup>(2)</sup> Revenue from Other Asia excludes revenue from Singapore.

<sup>(3)</sup> Revenue from Europe excludes revenue from France.

### *Information about major customers*

Included in revenue arising from the Group's Rigging and Lifting segment of \$ 52.1 million (2017 : \$65.5 million), is an amount of approximately \$4.2 million (2017 : \$8.3 million) which arose from sales to the Group's largest customer.

# NOTES TO FINANCIAL STATEMENTS

31 March 2018

## 29 COMMITMENTS

### (a) Capital commitments

	2018	Group	2017
	\$		\$
Commitment for plant and equipment	–		408,000

### (b) Operating lease arrangements

The Group as lessee

	2018	Group	2017
	\$		\$
Minimum lease payments under non-cancellable operating leases recognized as an expense in the year	2,946,479		3,062,922

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases which fall due as follows:

	2018	Group	2017
	\$		\$
Within 1 year	1,926,570		1,941,778
Within 2 to 5 years	3,595,494		3,338,435
After 5 years	5,355,522		5,968,007
	<u>10,877,586</u>		<u>11,248,220</u>

The lease of land is subject to annual adjustment to market rate with any increase capped at a percentage of the immediate preceding year's rental.

Operating lease payments represent rentals payable by the Group for rental of land, office space, warehouse and dormitory. These leases have varying terms and are subject to revisions to reflect current market rental and value. The operating lease commitments estimated above were determined assuming the same rental expense fixed as at end of the reporting period till the end of the lease.

### (c) Other commitments

The Company has granted corporate guarantees to banks in respect of bank facilities utilized by the subsidiary corporations of the Group. The maximum amount that the Group and the Company could be forced to settle, if the full guaranteed amount is claimed by the counterparty to the guarantee is \$57,952,158 and \$57,952,158 respectively (2017 : \$84,298,305 and \$84,289,824 respectively). The earliest period that the guarantee could be called is within 1 year (2017 : 1 year) from the end of the reporting period. Management has assessed the fair value of the corporate guarantees to be immaterial and is of the view that no amount will be payable under this arrangement.

# SHAREHOLDERS' STATISTICS

As at 14 June 2018

## SHARE CAPITAL

Issued and Fully Paid Up Capital	:	S\$120,563,000**
Class of Shares	:	ordinary shares
Number of Shares	:	1,798,000,000
Voting Rights	:	1 vote per share
Treasury Shares and Subsidiary Holdings	:	Nil

\*\* This is based on records kept with the Accounting and Corporate Regulatory Authority ("ACRA") and differs from the accounting records of the Company which is S\$118,339,777 due to certain share issue expenses.

Based on the information provided, to the best knowledge of the Directors and the substantial shareholders of the Company, 24.36% of the issued ordinary shares of the Company is held in the hands of the public as at 14 June 2018. Accordingly, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

## ANALYSIS OF SHAREHOLDERS

### DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	0	0.00	0	0.00
100 - 1,000	128	15.49	122,800	0.01
1,001 - 10,000	355	42.98	1,620,000	0.09
10,001 - 1,000,000	317	38.38	33,443,600	1.86
1,000,001 AND ABOVE	26	3.15	1,762,813,600	98.04
<b>TOTAL</b>	<b>826</b>	<b>100.00</b>	<b>1,798,000,000</b>	<b>100.00</b>

### TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	PEAKBAYOU LTD.	1,360,000,000	75.64
2	ESTATE OF NG KEH MIN, DEC'D	52,882,000	2.94
3	TEO BEE CHIONG	52,882,000	2.94
4	TEO BEE HOE	52,882,000	2.94
5	TEO BEE HUA	52,882,000	2.94
6	TEO BEE YEN	52,882,000	2.94
7	UOB KAY HIAN PRIVATE LIMITED	33,740,800	1.88
8	RAFFLES NOMINEES (PTE.) LIMITED	19,403,700	1.08
9	KHWAJA ASIF RAHMAN	17,000,000	0.95
10	CITIBANK NOMINEES SINGAPORE PTE LTD	14,418,000	0.80
11	COMFORT SHIPPING PTE. LTD.	8,400,000	0.47
12	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	7,047,000	0.39
13	WEE SENG INVESTMENTS PTE. LTD.	6,490,000	0.36
14	CHRYSES ENGINEERING SINGAPORE PTE LTD	5,500,000	0.31
15	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	5,435,000	0.30
16	MICHAEL JOHN DUNCAN	3,529,412	0.20
17	LIM KUAN KANG	2,500,000	0.14
18	ALEXANDER CHARLES COBBAN	2,470,588	0.14
19	LOY CHIAT JIAM	2,410,000	0.13
20	TAN AH LAM	1,969,800	0.11
<b>TOTAL</b>		<b>1,754,724,300</b>	<b>97.60</b>

# SHAREHOLDERS' STATISTICS

As at 14 June 2018

## Substantial Shareholders

Name of Substantial Shareholder	Shareholdings registered in the name of substantial shareholder		Shareholdings in which the substantial shareholders are deemed to be interested	
	No. of Shares	%	No. of Shares	%
PeakBayou Ltd	1,360,000,000	75.64	–	–
Kyle Arnold Shaw, Jr <sup>(1)</sup>	–	–	1,360,000,000	75.64

**Note:**

<sup>(1)</sup> Kyle Arnold Shaw, Jr is the sole manager of ShawKwei Investments LLC, which is the sole general partner of Shaw Kwei Asia Value Fund 2017,L.P., which is in turn the sole shareholder of PeakBayou Ltd.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Raffles Marina Club, Bridge Room, 10 Tuas West Drive, Singapore 638404 on Monday, 23 July 2018 at 10.00 a.m. to transact the following business: -

## Ordinary Business

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 March 2018 and the Auditors' Report thereon. [Resolution 1]
2. To re-elect the following Directors retiring pursuant to Regulation 118 of the Company's Constitution:-
  - (a) Mr Kyle Arnold Shaw, Jr [Resolution 2]
  - (b) Mr Peter Pil Jae Ko [Resolution 3]
  - (c) Mr Lim Shook Kong [Resolution 4]  
[See Explanatory Note 1]
  - (d) Mr Alan John Hargreaves [Resolution 5]  
[See Explanatory Note 2]
  - (e) Mr David Wood Hudson [Resolution 6]  
[See Explanatory Note 3]
3. To approve the sum of S\$14,193.56/- as additional Directors' fees for the financial year ended 31 March 2018. [Resolution 7]
4. To approve the sum of S\$300,000/- as Directors' fees for the financial year ending 31 March 2019 to be paid quarterly in arrears. (FY2018: S\$153,000) [Resolution 8]
5. To re-appoint Messrs Deloitte & Touche LLP as Auditors of the Company and to authorize the Directors to fix their remuneration. [Resolution 9]
6. To transact any other business that may be transacted at an Annual General Meeting.

## Special Business

To consider and, if thought fit, to pass the following as Ordinary Resolution, with or without modifications: -

### 7. Authority to allot and issue shares in the capital of the Company

That pursuant to Section 161 of the Companies Act, Chapter 50 (the "Act"), the Constitution and the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to:-

- (a)
  - (i) allot and issue shares in the capital of the Company ("Shares") (whether by way of rights, bonus or otherwise); and/or
  - (ii) make or grant offers, agreements, or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force):

- (i) issue additional instruments as adjustments in accordance with the terms and conditions of the Instruments made or granted by the Directors while this Resolution was in force; and
- (ii) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force or such additional Instruments in (b)(i) above,

# NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) at the time of the passing of this Resolution (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares issued other than on a pro rata basis to existing shareholders (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) (as calculated in accordance with sub-paragraph (2) below); and
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) shall be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) at the time of the passing of this Resolution, after adjusting for:-
  - (a) new Shares arising from the conversion or exercise of convertible securities;
  - (b) new Shares arising from the exercise of share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the SGX-ST Listing Manual; and
  - (c) any subsequent bonus issue, consolidation or subdivision of Shares;
- (3) the 50% limit in sub-paragraph (1) above may be increased to 100% for issue of Shares and/or Instruments by way of a renounceable rights issued where shareholders of the Company are entitled to participate in the same on a pro-rata basis ("Enhanced Rights Issue Limit")
- (4) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the listing rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (5) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

[See Explanatory Note 4]

[Resolution 10]

## 8. Authority to issue shares under the Gaylin Employee Share Option Scheme

That pursuant to Section 161 of the Companies Act, Chapter 50, authority be and is hereby given to the Directors to:

- (a) offer and grant options from time to time in accordance with the rules of the Gaylin Employee Share Option Scheme (the "ESOS"); and
- (b) allot and issue from time to time such number of shares ("Shares") in the capital of the Company as may be required to be issued pursuant to the exercise of options granted under the ESOS,

provided that the aggregate number of Shares to be issued pursuant to the ESOS shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note 5]

[Resolution 11]

By Order of the Board

Sharon Yeoh  
Company Secretary

6 July 2018  
Singapore



# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes:

- 1) Mr Lim Shook Kong, if re-elected, will remain as the Chairman of the Audit Committee. Mr Lim Shook Kong will be considered as an Independent Director of the Company.
- 2) Mr Alan John Hargreaves, if re-elected, will remain as the Chairman of the Nominating Committee and a member of Audit Committee and Remuneration Committee. Mr Alan John Hargreaves will be considered as an Independent Director of the Company.
- 3) Mr David Wood Hudson, if re-elected, will remain as the Chairman of the Remuneration Committee and a member of Nominating Committee. Mr David Wood Hudson will be considered as an Independent Director of the Company.
- 4) The ordinary resolution 10 in item 7 above, if passed, will empower the Directors from the date of this Annual General Meeting until the date of the next Annual General Meeting or the date by which the next Annual General Meeting is required by law to be held or such authority is revoked or varied by the Company in general meeting, whichever is earlier, to issue Shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such instruments up to a number not exceeding in (i) total 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company, with a sub-limit of 20% for issues other than on a pro rata basis to shareholders, and (ii) additional 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) issued by way of renounceable rights issue on a pro rata basis in the capital of the Company, provided that the total number of Shares which may be issued pursuant to (i) and (ii) shall not exceed 100% of the issued Shares excluding treasury shares and subsidiary holdings.

### Enhanced Rights Issue Limit

With regard to item 7 sub-paragraph (3), the mandate for the issue of Shares pursuant to a pro-rata renounceable rights issue is subject to conditions set out in Practice Note 8.3 dated 13 March 2017. The Company will release immediate announcements on the use of the proceeds as and when the funds are materially disbursed and provides a status report on the use of proceeds in its annual report. The Board is of the view that the Enhanced Rights Issue Limit is in the interests of the Company and its shareholders.

For the purpose of determining the aggregate number of Shares that may be issued, the percentage of issued Shares shall be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company, at the time when this ordinary resolution is passed, after adjusting for new Shares arising from the conversion or exercise of convertible securities, share options or vesting of share awards outstanding or subsisting at the time this ordinary resolution is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

- 5) The ordinary resolution 11 in item 8 above, if passed, will empower the Directors, from the date of this Annual General Meeting until the date of the next Annual General Meeting or the date by which the next Annual General Meeting is required by law to be held or such authority is revoked or varied by the Company in general meeting, whichever is earlier, to offer and grant options and to issue Shares in the capital of the Company pursuant to the ESOS, provided that the aggregate number of Shares to be issued under the ESOS shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company for the time being.

## Notes:

1. A member (other than a relevant intermediary) entitled to attend and vote at the Annual General Meeting may appoint not more than two proxies to attend and vote on his behalf and where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy.
2. A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.  
  
"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.
3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 7 Gul Avenue, Singapore 629651 not less than 48 hours before the time set for holding the Annual General Meeting.

# NOTICE OF ANNUAL GENERAL MEETING

## PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.



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**IMPORTANT**

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Annual General Meeting in person. CPF and SRS Investors who are unable to attend the Annual General Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Annual General Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Annual General Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. Please read the notes to the Proxy Form.

**PROXY FORM**

I/We \_\_\_\_\_ NRIC/Passport/Co. Registration No. \_\_\_\_\_

of \_\_\_\_\_

being a member/members of **GAYLIN HOLDINGS LIMITED** hereby appoint

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Annual General Meeting (the "AGM") of the Company to be held at **Raffles Marina Club, Bridge Room, 10 Tuas West Drive, Singapore 638404 on Monday, 23 July 2018 at 10.00 a.m.** and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

Voting would be conducted by poll. Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.

No.	Resolutions Relating To:	For	Against
<b>AS ORDINARY BUSINESS</b>			
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 March 2018 and the Auditors' Report thereon		
2	Re-election of Mr Kyle Arnold Shaw, Jr as a Director		
3	Re-election of Mr Peter Pil Jae Ko as a Director		
4	Re-election of Mr Lim Shook Kong as a Director		
5	Re-election of Mr Alan John Hargreaves as a Director		
6	Re-election of Mr David Wood Hudson as a Director		
7	Approval of Additional Directors' fees FY2018		
8	Approval of Directors' fees FY2019		
9	Re-appointment of Deloitte & Touche LLP as Auditors		
<b>AS SPECIAL BUSINESS</b>			
10	Authority to issue new shares		
11	Authority to issue shares under the Gaylin Employee Share Option Scheme		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018

<b>Total Number of Shares Held</b>

\_\_\_\_\_  
 Signature(s) of Member(s) and  
 Common Seal of Corporate Member

**Notes:**

- 1 Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, (Cap 289)), you should insert that number of shares. If you have shares registered in your name in the Register of Members (maintained by or on behalf of the Company), you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
- 2 A member who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote on his behalf at the AGM. Where a member appoints more than one proxy, the proportion of his shareholding to be represented by each proxy shall be specified. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his name in the Depository Register and any second named proxy as an alternate to the first named or at the Company's option to treat the instrument of proxy as invalid.
- 3 A proxy need not be a member of the Company.
- 4 For any member who acts as an intermediary pursuant to Section 181(6) of the Companies Act, Chapter 50, who is either:
  - (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
  - (b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or
  - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

You are entitled to appoint one (1) or more proxies to attend and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy. The proxy need not be a member of the Company. Please note that if any of your shareholdings are not specified in the list provided by the intermediary to the Company, the Company may have the sole discretion to disallow the said participation of the said proxy at the forthcoming AGM.

- 5 The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 7 Gul Avenue, Singapore 629651 not less than 48 hours before the time set for holding the AGM.
- 6 The instrument appointing a proxy or proxies shall be in writing and signed by the appointor or his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or signed on its behalf by an attorney or a duly authorized officer of the corporation.
- 7 Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney or other authority or a notarially certified copy thereof shall be deposited at the Company's registered office at 7 Gul Avenue, Singapore 629651 not less than 48 hours before the time set for holding the AGM or adjourned meeting. Otherwise, the person so named in the instrument of proxy shall not be entitled to vote in respect thereof.
- 8 A corporation which is a member may by resolution of its directors or other governing body authorize any person to act as its representative at the AGM.

**General:**

The Company shall be entitled to reject this instrument of proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in this instrument of proxy. In addition, in the case of members whose shares are entered in the Depository Register, the Company may reject an instrument of proxy lodged if the member, being the appointer, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time set for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

**PERSONAL DATA PRIVACY**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 6 July 2018.

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