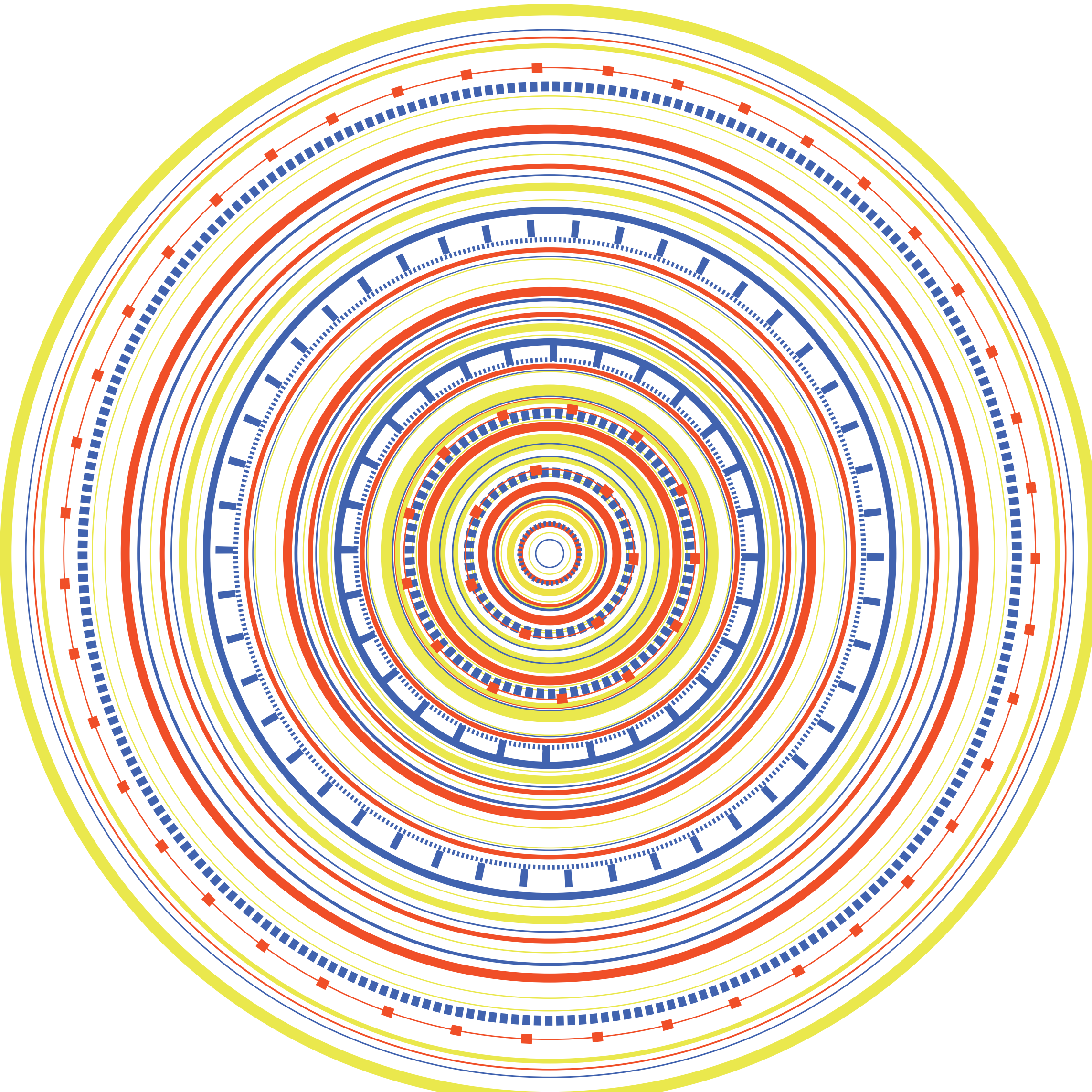
SOLIS HOLDINGS LIMITED
守益控股有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code: 2227

Annual Report 2017



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Corporate Information

Executive Directors

Mr. Tay Yong Hua *(Executive Chairman)*
Mr. Tay Yong Meng
Mr. Kenneth Teo Swee Cheng (Kenneth Zhang Ruiqing)

Independent Non-executive Directors

Ms. Theng Siew Lian Lisa
Mr. Law Wang Chak Waltery
Mr. Tan Sin Huat Dennis

Audit Committee

Mr. Law Wang Chak Waltery *(Chairman)*
Ms. Theng Siew Lian Lisa
Mr. Tan Sin Huat Dennis

Remuneration Committee

Ms. Theng Siew Lian Lisa *(Chairlady)*
Mr. Tay Yong Hua
Mr. Law Wang Chak Waltery

Nomination Committee

Mr. Tan Sin Huat Dennis *(Chairman)*
Mr. Law Wang Chak Waltery
Mr. Tay Yong Meng

Corporate Governance Committee

Mr. Kenneth Teo Swee Cheng (Kenneth Zhang Ruiqing) *(Chairman)*
Ms. Theng Siew Lian Lisa
Mr. Tan Sin Huat Dennis

Company Secretary

Mr. Ng Chit Sing

Authorised Representatives

Mr. Kenneth Teo Swee Cheng (Kenneth Zhang Ruiqing)
Mr. Ng Chit Sing

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Headquarters and Principal Place of Business in Singapore

85 Tagore Lane
Singapore 787527

Principal Place of Business in Hong Kong

Rooms 802–804, 8/F.,
Kin Wing Commercial Building
24–30 Kin Wing Street
Tuen Mun, New Territories
Hong Kong

Independent Auditors

Deloitte & Touche LLP
Public Accountants and Chartered Accountants
6 Shenton Way
OUE Downtown 2 #33-00
Singapore 068809

Compliance Adviser

Altus Capital Limited
21 Wing Wo Street
Central, Hong Kong

Principal Bankers

Standard Chartered Bank (Singapore) Limited
8 Marina Boulevard
Marina Bay Financial Centre Tower 1
Singapore 018981

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

Principal Share Registrar and Transfer Office in the Cayman Islands

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Stock Code

2227

Company Website

www.TheSolisGrp.com

Chairman's Statement

Dear Shareholders,

Our behalf of the board (the "Board") of directors (the "Directors") of Solis Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), I would like to present to our shareholders the first annual report of the Group for the year ended 31 December 2017 (the "Year").

The Company was successfully listed (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 December 2017 (the "Listing Date"). The Listing was an important milestone in the Group's history because it enhances the Group's credibility and visibility in particular with main contractors and owners of building developments that have a regional or international presence, who may view a public listed contractor as one with higher standards of corporate governance and financial disclosure. The Listing also provides capital for its expansion and allows the Group to gain access to capital market funding.

Looking forward, it is anticipated that the business environment for the Group will remain challenging in light of fierce competition and rising costs. We will continue to leverage our resources to improve our profitability and simultaneously take prudent measures to control our operating costs. Besides, the Group will continue to strengthen our competitive advantage for the continuous development and creation of values for the shareholders of the Company.

I would like to take this opportunity to express my sincere gratitude to my fellow Directors, the management team and staff for their diligence, commitment and contributions throughout the years, and to the shareholders, business partners and suppliers for their trust and support.

Tay Yong Hua
Executive Chairman and Executive Director

Singapore, 26 March 2018

Management Discussion and Analysis

Business Review and Outlook

The Group is a design and build mechanical and electrical ("M&E") engineering contractor in Singapore and our scope of services comprises (i) designing of M&E systems, which involves the design for functionality and connectedness of various building systems; and (ii) building and installation of the M&E systems. The Group has been established for over 25 years and specialises in electrical engineering, and the projects are in relation to new building developments and major additions and alterations ("A&A") works, which include private residential, mixed residential and commercial developments and institutional buildings.

The Group has distinguished itself to be at the forefront of Singapore's M&E industry developments. The Group has successfully partnered with reputable contractors, for M&E projects that span different market segments including residential, commercial, institutional, educational, and industrial market segments. Led by a very experienced management team and armed with a strong track record of successful public and private sectors projects, the Group has, through the years, established itself as a highly competitive and reliable outfit, with an uncanny ability to enhance its business reach and secure new contract tenders.

Our Group is mainly registered under various M&E workheads under the Contractors Registration System that is administered by the Building and Construction Authority of Singapore. Out of our registered workheads, we are graded L6 under the ME05 "Electrical engineering" workhead, L5 under ME15 "Integrated building services" workhead and L4 under ME04 "Communication and security systems" workhead which allow us to tender directly for Singapore public sector projects of unlimited amount, up to S$13 million and up to S$6.5 million respectively.

In the financial year ended 31 December 2017, the Group's revenue decreased by 6.0% to approximately S$37.6 million as compared to approximately S$40.0 million recorded in the last financial year. The decrease in revenue was mainly due to the decrease in revenue contributed by public sector projects from approximately S$14.0 million for the year ended 31 December 2016 to approximately S$10.8 million for the year ended 31 December 2017. The lower revenue resulted in a 18.6% decrease in gross profit to approximately S$14.4 million as compared to approximately S$17.7 million recorded in the last financial year. Gross profit margin for the year ended 31 December 2017 was 5.9% lower than the 44.2% achieved in the last financial year.

Completed projects

During the year ended 31 December 2017, the Group had completed three projects with an aggregated contract value of approximately S$29.0 million.

Ongoing projects

As at 31 December 2017, the Group had six ongoing projects with an aggregate contract sum of approximately S$63.2 million, of which approximately S$33.6 million had been recognised as revenue as at 31 December 2017. The remaining balance will be recognised as our revenue in accordance with the stage of completion.

The management considered that all of the ongoing projects were on schedule and none of which would cause the Group to indemnify the third parties and increase the contingent liabilities. The details of ongoing projects as at 31 December 2017 are as follows:

Type of building development	Sector	Scope of works	Contract sum[1] S$ million	Expected completion date
Mixed residential and commercial	Private	Design and Build, and installations of M&E systems	22.3	August 2018
Institutional	Public	Build and installation of M&E systems	12.8	July 2018
Mixed residential and commercial	Private	Build and installation of M&E systems	7.1	July 2018
Education institutional	Public	Build and installation of M&E systems	9.0	Third Quarter of 2019
Private residential	Private	Design and Build, and installations of M&E systems	6.7	Third Quarter of 2019
Educational institution	Public	Build and installation of M&E systems	5.3	June 2019

Note:

(1) The contract sum includes variation orders received to-date where we performed additional works to the originally contracted.

Newly awarded projects

During the year ended 31 December 2017, the Group has secured three newly awarded contracts with an aggregated contract value of approximately S$21.0 million. Details of the newly awarded projects are as follows:

Type of building development	Sector	Scope of works	Contract value S$ million	Expected completion date
Education institutional	Public	Build and installation of M&E systems	9.0	Third Quarter of 2019
Private residential	Private	Design and Build, and installations of M&E systems	6.7	Third Quarter of 2019
Educational institution	Public	Build and installation of M&E systems	5.3	June 2019

The M&E industry in Singapore and the region is expected to remain challenging in the next 12 months with continuous pressures on contract values and stiff competition for new projects. Nonetheless, with the development of Singapore real estate industry, the number of newly built buildings has grown rapidly, especially the private residential housing properties and executive condominiums. Moreover, Singapore government is actively pushing the development of tourism industry, which brings substantial demand for A&A works for commercial buildings, such as hotels, retail buildings and restaurants to attract more tourists. In this case, there are more business opportunities for M&E solution service providers in the market.

Our past sound track record will put us in good stead for future growth. To meet the potential demand of the projects, we have put in place a dedicated and experienced team to tender for the projects. The Group will continue to leverage its resources to improve the profitability and simultaneously take prudent measures to control the operating costs.

Financial Highlight and Review

	For the year ended 31 December 2017 S$' million	2016 S$' million	Change %
Revenue	**37.6**	40.0	–6.0
Gross profit	**14.4**	17.7	–18.6
Gross profit margin	**38.3%**	44.2%	–13.3
Net profit before listing expenses	**8.6**	11.5	–25.2
Net profit after listing expenses	**5.4**	11.5	–53.0
Earnings per share (S$ cents)	**0.84**	1.83	–54.1

Revenue

The Group derived revenue from our design and/or build and installation of M&E systems for both private sector and public sector projects.

	For the year ended 31 December					
	2017			2016		
	Number of projects with revenue contribution	S$ million	% to total revenue	Number of projects with revenue contribution	S$ million	% to total revenue
Private sector projects	**9**	**26.8**	**71.3**	9	26.0	65.0
Public sector projects	**5**	**10.8**	**28.7**	2	14.0	35.0
Total	**14**	**37.6**	**100.0**	11	40.0	100.0

Our revenue decreased by approximately S$2.4 million or 6.0%, from approximately S$40.0 million for the year ended 31 December 2016 to approximately S$37.6 million for the year ended 31 December 2017, which was mainly due to the decrease in revenue contributed by public sector projects from approximately S$14.0 million for the year ended 31 December 2016 to approximately S$10.8 million for the year ended 31 December 2017. Such decrease in revenue was mainly due to the decrease in the work performed for a public sector project, which the majority of the work for such project had already been performed during the year ended 31 December 2016. In particular, the public sector project had contributed to our Group's revenue of approximately S$13.9 million for the year ended 31 December 2016, which is higher than the revenue contribution of approximately S$0.2 million for the year ended 31 December 2017. On the other hand, revenue contributed by private sector projects increased from approximately S$26.0 million for the year ended 31 December 2016 to approximately S$26.8 million for the year ended 31 December 2017, mainly due to more works performed for a private sector project which contributed revenue of approximately S$18.9 million for the year ended 31 December 2017 (and only approximately S$2.8 million for the year ended 31 December 2016). Aside from the aforementioned projects, there were increases and decreases in revenue recognised from our projects due to varying amount of works performed in different financial periods.

Cost of services

Our cost of services increased slightly by approximately S$0.8 million or 3.6%, from approximately S$22.3 million for the year ended 31 December 2016 to approximately S$23.1 million for the year ended 31 December 2017, which was mainly due to the increase in our subcontracting costs from approximately S$0.9 million for the year ended 31 December 2016 to approximately S$2.8 million for the year ended 31 December 2017. Such increase in subcontracting costs was attributable to the increased subcontracting works for our projects with significant works performed during the year ended 31 December 2017.

Gross Profit and Gross Profit Margin

	For the year ended 31 December					
	2017			2016		
	Revenue S$' million	**Gross profit S$' million**	**Gross profit margin %**	Revenue S$' million	Gross profit S$' million	Gross profit margin %
Private sector projects	**26.8**	**10.6**	**39.6**	26.0	10.0	38.5
Public sector projects	**10.8**	**3.8**	**35.2**	14.0	7.7	54.8
Total	**37.6**	**14.4**	**38.3**	40.0	17.7	44.2

Our gross profit decreased by approximately S$3.3 million or 18.6%, from approximately S$17.7 million for the year ended 31 December 2016 to approximately S$14.4 million for the year ended 31 December 2017. The gross profits and gross profit margin decreased for public sector projects due to the completion of a more profitable public sector project in 2016.

Administrative Expenses

The administrative expenses of the Group increased by approximately S$0.4 million or 9.8%, from approximately S$4.1 million for the year ended 31 December 2016 to approximately S$4.5 million for the year ended 31 December 2017. Such increase was primarily due to the unrealised exchange loss from the listing proceeds in Hong Kong dollars which amounted to S$0.4 million (2016: S$Nil).

Finance Costs

The finance costs of the Group comprised interest expenses on obligations under finance leases for our motor vehicles and bank borrowing. Our finance costs increased from approximately S$3,000 for the year ended 31 December 2016 to approximately S$31,000 for the year ended 31 December 2017. The increase was mainly due to the increase in obligations under finance leases and bank borrowing, which was related to the finance leases for our motor vehicles and drawdown of the mortgage loan for our second self-owned property acquired in March 2017.

Income Tax Expenses

The Group's income tax expenses decreased from approximately S$2.3 million for the year ended 31 December 2016 to approximately S$1.5 million for the year ended 31 December 2017. The decrease was mainly due to the decrease in assessable profits, excluding the tax effect of the non-deductible listing expenses of approximately S$3.2 million incurred during the year ended 31 December 2017.

Profit Attributable to Owners of the Company

The profit attributable to owners of the Company decreased from approximately S$11.5 million for the year ended 31 December 2016 to approximately S$5.4 million for the year ended 31 December 2017, representing a decrease of approximately S$6.1 million. Excluding the listing expenses of approximately S$3.2 million, the profit for the year ended 31 December 2017 of the Group would have been approximately S$8.6 million and the decrease of profit would be approximately 25.2% compared to the corresponding year ended 31 December 2016.

Dividend

The Board did not recommend the payment of dividend for the year ended 31 December 2017.

Liquidity and Financial Resources

The Group practiced prudent financial management and maintained a strong and sound financial position during the year ended 31 December 2017. As at 31 December 2017, the Group had cash and bank balances of approximately S$30.7 million (2016: approximately S$8.8 million) and available unutilised banking facilities of approximately S$6.3 million (2016: approximately of S$3.2 million). The total interest-bearing borrowings, including bank borrowing and obligations under finance leases was approximately S$1.9 million (2016: approximately S$0.3 million). The current ratio, being the ratio of current assets to current liabilities was approximately 3.8 times as at 31 December 2017 (2016: approximately 1.9 times). As at 31 December 2017, the gearing ratio of the Group was 3.7% (2016: 1.3%). The gearing ratio is calculated as total debt divided by total capital.

For further details regarding to the borrowings, please refer to notes 25 and 31 to the combined financial statements.

Pledge of Assets

As at 31 December 2017, the Group had pledged fixed deposits of approximately S$0.2 million (2016: approximately S$0.2 million) to secure the banking facilities granted to the Group. The Group's owned properties with a fair value amounted to approximately S$16.7 million (2016: approximately S$11.0 million) were also pledged for mortgage to secure the bank facilities of S$6.3 million (2016: S$3.2 million).

Exposure to Foreign Exchange Rate Risks

The Group transacts mainly in Singapore dollars, which is the functional currency of all the Group's operating subsidiaries. However, the Group retains some listing proceeds in Hong Kong dollars amounting to approximately S$28.1 million that are exposed to foreign exchange rate risks.

The Group will continue to monitor its foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Capital Structure

The Company's capital comprises ordinary shares and capital reserves. The Group finances its working capital, capital expenditures and other liquidity requirements through a combination its cash and cash equivalents, cash flows generated from operations, bank facilities, and net proceeds from the Share Offer.

Contingent Liabilities and Capital Commitments

As at 31 December 2017, the Group did not have any material contingent liabilities and capital commitments.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

During the year ended 31 December 2017, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies save for those in relation to the Group Reorganisation in preparation of the Listing of the Company as set out in the Company's prospectus dated 28 November 2017 (the "Prospectus").

Significant Investments Held and Principal Properties

Save for those disclosed in the Prospectus in relation to the investment in listed equity shares and properties held by the Group, as at 31 December 2017, the Group did not have any other investment in equity interest in any other company.

Employees and Remuneration Policy

As at 31 December 2017, the Group had a total of 264 employees (2016: 286 employees), including executive Directors. Total staff costs (including Directors' emoluments) were approximately S$9.4 million for the year ended 31 December 2017 as compared to approximately S$10.3 million for the year ended 31 December 2016.

The Group's employees are remunerated according to their job scope, responsibilities, and performance. On top of basic salaries, employees are also entitled to discretionary bonuses depending on their respective performance and the profitability of the Group. The Group's foreign workers are typically employed on two-year basis depending on the period of their work permits, and subject to renewal based on their performance, and are remunerated according to their work skills.

The emoluments of Directors and senior management were reviewed by the remuneration committee of the Company, having regard to salaries paid by comparable companies, experience, responsibilities and performance of the Group, and approved by the Board.

Future Plans for Material Investment or Capital Assets

The Group does not have any other plans for material investments and capital assets as at 31 December 2017, save for the purchase of additional self-owned property, details of which are set out in the Company's Prospectus.

Details of the principal properties held by the Group are set out in note 15 to the combined financial statements.

Comparison of Business Objectives with Actual Business Progress and Use of Proceeds

The net proceeds from the Listing, after deducting listing related expenses, were approximately HK$132.2 million (approximately S$22.6 million). As at 31 December 2017, the Company has not yet utilised the proceeds from the Listing as per plans as set out in the Prospectus.

The future plan and scheduled use of proceeds as disclosed in the Prospectus were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus, while the proceeds were applied with consideration of the actual development of business and market. As of 31 December 2017, the Group does not anticipate any change to the plan as to the use of listing proceeds.

Biographical Details of the Directors and Senior Management

Executive Directors

Mr. Tay Yong Hua ("Mr Tay"), aged 59, is the founder of the Group. He was appointed as a Director on 21 June 2017. He was re-designated as an executive Director and appointed as the executive Chairman on 11 July 2017. Mr. Tay founded the Group as a sole proprietor business in 1983 and has been our Group's chairman and managing director since the incorporation of Sing Moh Electrical Engineering Pte Ltd ("Sing Moh"). Mr. Tay presides over a skilled workforce of about 260. Apart from setting the vision and the mission for the Group and guiding the Group to achieve its long-term business and financial objectives, Mr. Tay is also responsible for key clients/vendors partnership development and new business development.

Mr. Tay is an entrepreneur with over three decades of start-up and operational experience with a wide range of mechanical and electrical projects. In 1983, Mr. Tay founded Sing Moh Electrical Engineering Company as a sole-proprietorship, and in 1988, the sole proprietor business became Sing Moh Electrical Engineering Pte. Ltd.

Mr. Tay is the brother of Mr. Tay Yong Meng (an executive Director) and the uncle of Mr. Kenneth Teo Swee Cheng (Kenneth Zhang Ruiqing) (an executive Director).

Mr. Tay Yong Meng, aged 54, was appointed as a Director on 21 June 2017. He was re-designated as an executive Director and appointed as our Chief Operating Officer on 11 July 2017. He is also a member of nomination committee.

Mr. Tay Yong Meng has close to three decades of experience in the engineering industry. He joined the Group in June 1990 and is currently a director of the Group. Mr. Tay Yong Meng is responsible for leading the operational departments and providing guidance and management experience in project management, including approving contracts and liaising with customers and suppliers. In addition, he is responsible for quality assurance, environmental health and workplace safety. He also oversees our Group's human resources and manpower management.

Prior to joining our Group, Mr. Tay Yong Meng worked as an assistant engineer at Maxtor Singapore Limited between 1989 and 1992.

Mr. Tay Yong Meng obtained a Certificate of Performance in Quantity Surveying (Contract Administration) awarded by Ngee Ann Polytechnic in November 1997 and a certificate in Mechanical and Electrical Coordination awarded by the Construction Authority in November 1999.

He also completed the course in Cable Installation for MATV System compatible for Cable-TV Operation conducted by Institute of Technical Education in November 1996. Mr. Tay Yong Meng attained a certificate for completion of the Safety Management Course awarded by the Ministry of Labour, Singapore in January 1996 and completed four modules of National Technical Certificate Grade Three Electrical Installation & Servicing course conducted by the Institute of Technical Education by January 1997. He is certified for completing training in Small Electrical Installation Inspection and Testing awarded by the Singapore Power Training Institute in March 1998. Mr. Tay Yong Meng attained a Building Construction Safety Supervisors course certificate awarded by the Singapore Contractors Association Ltd in September 1999. He was admitted as an associate of the Singapore Institute of Engineering Technologists in February 1996 and is a qualified licensed electrician issued by the Energy Market Authority since December 2015. He was trained by Singapore Telecommunication Academy in 1999 and passed the Singtel's cable locating course and further trained by Starhub on their T.C. D.W course in April 2000. Mr. Tay Yong Meng has been a qualified installer for Info-Communications Development Authority of Singapore since 19 August 2002.

Mr. Tay Yong Meng obtained a Diploma in Mechanical Engineering from Ngee Ann Polytechnic Singapore in August 1986 and a Certificate in Industrial Management from Ngee Ann Polytechnic Singapore in August 1993.

Mr. Tay Yong Meng is the brother of Mr. Tay Yong Hua (executive Chairman and an executive Director) and the uncle of Mr. Kenneth Teo Swee Cheng (an executive Director).

Mr. Kenneth Teo Swee Cheng (Kenneth Zhang Ruiqing) ("Mr Kenneth Teo"), aged 45, was appointed as a Director on 21 June 2017. He was re-designated as an executive Director and appointed as the Chief Executive Officer of the Company on 11 July 2017. He is also the chairman of corporate governance committee.

Mr. Kenneth Teo joined our Group in May 2000 as a director and was promoted to a chief executive officer and became a director of Sing Moh in April 2008. Mr. Kenneth Teo currently oversees all aspects of the operations of our Group including strategic planning, procurement, tender, sales and marketing and business development. He is responsible for the project management for all mechanical and electrical engineering projects of our Group. During his tenure with the Group, Mr. Kenneth Teo had secured one of the first pre-fabricated, pre-finished volumetric construction (PPVC) projects in Singapore, an initiative of the Singapore government to increase productivity and reduces demand for manpower.

Mr. Kenneth Teo was instrumental in leading the Group to be awarded ISO 9001 certification in December 2000 as well as leading the Group's upgrade of its BCA ME05 grading to L6 level in 2010. Under Mr. Kenneth Teo's leadership, the Group achieved the BIZSAFE STAR status in November 2010. He was also responsible for guiding the Group to be awarded the OHSAS 180001 certification in December 2011. Prior to joining the Group, Mr. Kenneth Teo worked at Sembcorp Construction Pte Ltd as an engineer between June 1997 and April 2000.

Mr. Kenneth Teo obtained a Bachelor's Degree (Honours) of Engineering from the Nanyang Technological University in July 1997 and obtained a Graduate Diploma in Business Administration from Singapore Institute of Management in October 2000.

Mr. Kenneth Teo is the nephew of Mr. Tay Yong Hua (executive Chairman and an executive Director) and nephew of Mr. Tay Yong Meng (an executive Director).

Independent Non-executive Directors

Ms. Theng Siew Lian Lisa ("Ms. Theng"), aged 51, was appointed as an independent non-executive Director on 14 November 2017. She is also the chairlady of remuneration committee and a member for each of audit committee and corporate governance committee.

Ms. Theng is currently the Managing Partner of Colin Ng & Partners LLP and has been in practice since 1991. She has vast experience in corporate litigation prior to focusing her practice in the areas of Corporate Advisory and Corporate and Commercial services.

In the area of corporate law, she has advised both Singapore and foreign companies in major acquisitions and disposal transactions and has also advised on investment and other corporate agreements where parties are in dispute. Her major clients comprise public listed companies and multi-national corporations in Singapore and in the region. Ms. Theng has advised healthcare, electronics, technology, engineering, oil and gas, logistics, manufacturing, exhibition, publishing, food and leisure and entertainment companies and private equity and venture capitalist houses on a range of issues. These issues include restructurings, investments, joint ventures, corporate governance and compliance, and acquisitions.

In the area of corporate advisory, Ms. Theng has advised listed companies and their audit committees and boards in relation to potential disputes, irregularities, fraud and issues involving directors and shareholders; an example, Ms. Theng has advised the audit committee of a listed company in Singapore over the fraudulent acts of its managing director and advised the board in relation to ensuring good corporate governance in the company. Her other experiences include cross-border joint ventures and mergers and acquisitions in the region.

Ms. Theng started her career with Colin Ng & Partners in 1991, and between 2000 and 2006, she was an equity partner of Chui Sim Goh & Lim. She returned to Colin Ng & Partners in July 2006 as an equity partner and became the Head of Corporate Advisory Practice Group and Head of Dispute Resolution Practice Group. Ms. Theng became joint managing partner in 2011 and managing partner in 2017.

Ms. Theng obtained a Degree of Bachelor of Laws from the National University of Singapore in July 1990. She is an advocate and solicitor of the Supreme Court of Singapore and has been in practice since 1991.

Mr. Law Wang Chak Waltery ("Mr. Law"), aged 54, was appointed as an independent non-executive Director on 14 November 2017. He is also the chairman of audit committee and a member for each of remuneration committee and nomination committee.

Mr. Law is currently a senior vice president of the finance and corporate development of Gold Peak Industries (Holdings) Limited, a company listed on the Hong Kong Stock Exchange ("HKSE") (stock code: 0040). He has 30 years of experience in financial audit, financial due diligence, mergers and acquisitions, corporate restructuring, accounting and corporate finance advisory.

Since September 2014, Mr. Law has been an independent non-executive director, chairman of the audit committee, and a member of both the remuneration committee and the nomination committees of Orient Victory China Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 0265). Since April 2015, Mr. Law has been an independent non-executive director, chairman of the audit committee, and a member of the remuneration committee of D&G Technology Holding Company Limited, a company listed on the Hong Kong Stock Exchange (stock code: 1301). Since November 2016, Mr. Law has been a non-executive director of In Technical Productions Holdings Limited, a company listed on the GEM of the Stock Exchange (stock code: 8446). Since November 2017, Mr. Law has been an independent non-executive director, chairman of the audit committee, and a member of the nomination committee of Vicon Holdings Limited, a company listed on the HKSE (stock code: 3878).

Previously, Mr. Law was an executive partner of Profundas Capital Limited, a private equity and investment advisory firm from December 2010 to January 2018 and had been the chief financial officer and non-executive director of Nine Dragons Paper (Holdings) Limited, a company listed on the Hong Kong Stock Exchange (stock code: 2689), from June 2004 to October 2008 and from August 2008 to October 2008, respectively.

Mr. Law also served in different key roles such as chief financial officer and vice president of the finance department in four other companies between November 1992 and May 2004, all of which were listed on Main Board of the Hong Kong Stock Exchange at the relevant time. Mr. Law had worked in the audit division of Coopers & Lybrand (currently known as PricewaterhouseCoopers) between August 1987 and November 1992.

Mr. Law was admitted as a fellow of both the Association of Chartered Certified Accountants in the United Kingdom in October 1995 and the Hong Kong Institute of Certified Public Accountants in February 1998. Mr. Law is currently registered as a Certified Public Accountant (Practising) with the Hong Kong Institute of Certified Public Accountants. Mr. Law was also admitted as a fellow of the Institute of Chartered Accountants in England and Wales since July 2017.

Mr. Law obtained a Bachelor of Science degree in economics from the University of London in August 1991. He was awarded a Master of Science degree in financial economics by the University of London in December 1995.

Mr. Tan Sin Huat Dennis ("Mr. Tan"), aged 55, was appointed as an independent non-executive Director of the Company on 14 November 2017. He is also the chairman of nomination committee and a member for each of audit committee and corporate governance committee.

Mr. Tan is the founder of Innospaces Consulting Pte. Ltd, a consulting firm that deals with business, organizational and leadership development. He is also an executive director of RHT Human Capital Institute Pte Ltd, a firm focused on coaching and training & development to enable companies to better build and sustain their human capital in a volatile and changing business environment.

Mr. Tan's career as a leader, coach, and consultant spans over 35 years in both the private and public sectors. He is an independent director of Renewable Energy Asia Group Ltd since August 2013 and an independent director of Chasen Holdings Ltd since July 2009: both companies are listed on the Singapore Stock Exchange. Mr. Tan is a leadership coach affiliated to the Centre for Leadership Development, Singapore Armed Forces ("SAF") since 2007, where he coaches potential battalion commanding officers at the Goh Keng Swee Command and Staff College. He is also an associate coach affiliated to the Centre for Creative Leadership based in North Carolina, United States, APAC Campus since 2005.

Mr. Tan joined the SAF in 1982 and was a Regular Senior Military Officer until May 2007. Mr. Tan's highest rank attained while in service was Lieutenant Colonel. After 25 successful years with the SAF, Mr. Tan retired from service and started his second career, founding Innospaces Consulting Pte. Ltd in 2007.

Mr. Tan is a member of the Singapore Institute of Directors since August 2007 and a founding member of Board Certified Coach, the centre for credentialing & education since 2012. Mr. Tan served as an Adjunct Professorship with the Nanyang Technological University, Singapore from 2008 to 2011. Mr. Tan co-authored the books: "Leading and Managing Organizational Behavior" (Pearson, 2010) and "Transforming and Leading Organizational Behavior" (Cengage, 2012). Mr. Tan obtained a Degree of Bachelor of Arts from the National University of Singapore in June 1988 and a Master in Business Administration from the Nanyang Technological University, Singapore in December 2004. He also obtained a Graduate Diploma in Organizational Learning from the Civil Service College, Singapore in May 2003 and a Postgraduate Certificate in Executive Coaching from the University of Lancaster, United Kingdom in July 2008. Mr. Tan was awarded the Singapore Armed Forces Long Service Medal (for his 25 years of service) and the 1998 National Day Parade Certificate of Appreciation from Dr. Tony Tan, Deputy Prime Minister cum Minister for Defence.

Senior Management

Ms. Chan Huishan ("Ms. Chan"), aged 31, joined the Group in January 2017 as Chief Financial Officer. She is responsible for financial planning, accounting operations & reporting, taxation and internal control systems of our Group. Ms. Chan has nine years of experience in accounting and auditing. Prior to joining our Group, Ms. Chan worked at Deloitte & Touche LLP in the audit department between December 2010 and December 2016 where she led various audit teams in providing audit and assurance services. The last position that Ms. Chan held in Deloitte & Touche LLP was audit manager. Prior to that, she worked at Crowe Horwath LLP, Singapore as a staff accountant and later as an audit senior between July 2008 and November 2010 where she carried out audit for both private and public companies (including companies listed in Singapore).

Ms. Chan obtained a Bachelor's Degree in accounting and finance from the Singapore Institute of Management in August 2008, an external programme of the University of London, United Kingdom.

Mr. Tan Boon Pin (Chen Wenbin) ("Mr. Tan"), aged 37, joined the Group in February 2006 as a project electrical engineer and was promoted to project manager of our Group in January 2013. He was further promoted to General Manager in July 2017 and is currently responsible for project management of our Group's projects and oversees quality assurance as well as assists in the overall management of our Group's electrical engineering services. Mr. Tan has over 11 years of experience in electrical engineering. Mr. Tan obtained a Bachelor's Degree in electrical engineering (Second Class Honors) from the RMIT University, Australia in December 2005.

Company Secretary

Mr. Ng Chit Sing ("Mr. Ng"), aged 45, was appointed as our company secretary in February 2017. He is the Chief Executive Officer of IN Corporate Services Limited specialising in the provision of corporate secretarial services to listed issuers and private companies.

Mr. Ng is currently acting as named company secretary/joint company secretary of certain companies listed on the Main Board or GEM of the Stock Exchange of Hong Kong Limited. Mr. Ng was admitted as an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in England in July 2000. Mr. Ng received a Bachelor's Degree in Social Sciences in 1996 and a Bachelor's Degree in Laws in August 2008.

Report of the Directors

The Board have pleasure in presenting their first annual report together with the audited combined financial statements of the Group for the Year.

Principal Activities

The Company is an investment holding company, and the principal activities of its principal subsidiaries are set out in note 35 to the combined financial statements.

Reorganisation and Share Offer

The Company was incorporated in the Cayman Islands on 21 June 2017 as an exempted company with limited liability. Its shares were listed on the Main Board of the Stock Exchange on 11 December 2017.

Pursuant to the reorganisation of the Group ("Group Reorganisation") in connection with the Listing, the Company became the holding company of the Group on 14 November 2017. Details of the Group Reorganisation are set out in the section headed "History, Reorganisation and corporate structure" to the Prospectus.

Results and Business Review

The results of the Group for the Year are set out in the section headed "Combined Statement of Profit or Loss and Other Comprehensive Income" on page 60 in this report. The business review of the Group for the Year is set out in the section headed "Management Discussion and Analysis" on pages 5 to 11 in this report. This discussion forms part of the report of the Directors.

Environment Policies and Performance

Discussion on the environmental policies and performance is set out in the section headed "Environmental, Social and Governance Report" on pages 41 to 54 in this report. This discussion forms part of the report of the Directors.

Compliance with Laws and Regulations

Sufficient resources and training have been allocated and provided to ensure the on-going compliance with applicable laws and regulations. During the Year, the Board is not aware of any incidence of non-compliance with the relevant laws and regulations that have a significant impact on the Group's business where the Group is operating. In particular, we did not record any non-compliance with applicable environmental regulations.

Relationship with Key Parties

The Group's success depends on, amongst other matters, the support from key parties which comprises of the customers, suppliers, employees and shareholders.

Customers

We have provided a variety of M&E services for main contractors for building development projects in the past 25 years, including M&E services for private residential, mixed residential and commercial developments, institutional and industrial buildings. Recognition from our sound track records and project portfolio in the market, the Group has secured various new projects from public and private sectors. Our reputation and high standard of quality work enable the Group and the customers to achieve their profitability and sustainable growth.

During the Year, revenue derived from the Group's top five customers accounted for approximately 90.9% (2016: 94.0%) of the total revenue.

Suppliers and subcontractors

We maintain an approved suppliers list for suppliers who have passed our assessment criteria and any supplier who receives a scoring less than the minimum score will be removed from the approved suppliers list upon assessment based on various performance indicators. We have over nine years of relationship with several of our five largest suppliers and we have received good support from them in terms of pricing and delivery of their supplies.

We engage subcontractors mainly for the design and/or installation of air-conditioning and mechanical ventilation systems, and fire protection systems and to provide on-site support to meet project timing when we do not have adequate internal resources to fulfill the project's requirements. We have established good relationships with our subcontractors.

Employees

The Group regards its employees as one of its most important and valuable assets. We strive to reward and recognise employees who demonstrate outstanding performance by providing a competitive remuneration package, appropriate incentives, and to promote career development and progression by appropriate training and providing opportunities within the Group for career advancement.

We also place great importance in establishing a safe and healthy work environment for our employees. We have established a set of occupational health and safety procedures, quality plan and procedures. In particular, the Group has secured two projects where we performed off-site on prefabrication and prefinished volumetric construction ("PPVC") modules, helping to reduce the time of working onsite and working-at-height of employees, further improving the safety of employees.

Shareholders

The principal goal of the Group is to maximise the return to the shareholders of the Company. The Group will focus on our core business for achieving sustainable profit growth and rewarding the shareholders with dividend payouts taking into account the business development needs and financial health of the Group.

Share Capital

Details of movements in the share capital of the Company during the Year are set out in note 27 to the combined financial statements.

Reserves and Distributable Reserves

Details of movements in the reserves of the Group and the Company during the Year are set out in the combined statement of changes in equity on page 62 and note 37 to the combined financial statements.

As at 31 December 2017, no reserve was available for distribution to the owners of the Company.

Dividend

The Board has resolved not to recommend the declaration of any dividend for the Year.

Purchase, Sales or Redemption of the Company's Securities

The Company has not redeemed any of its shares during the period from the Listing Date to 31 December 2017. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares from 11 December 2017 to 31 December 2017.

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group during the Year are set out in note 15 to the combined financial statements.

Charitable Donations

During the Year, charitable and other donations made by the Group amounted to S$104,407 (2016: S$8,900).

Pre-emptive Rights

There is no provision for the pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Equity-Linked Agreements

Other than the share option scheme of the Company (as defined below), no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Year or subsisted at the end of the Year.

Corporate Governance

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 29 to 40 in this report.

Annual General Meeting ("AGM")

The AGM will be held on 12 June 2018 (Tuesday) and the notice convening such meeting will be published and despatched to the shareholders of the Company in due course.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 6 June 2018 to Monday, 11 June 2018 (both days inclusive), during which period to transfers of shares will be registered. To determine the entitlement to attend and vote at the AGM of the Company, all transfer document, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 5 June 2018.

Directors and Directors' Service Contracts

The Directors of the Company who held office during the Year and up to the date of this report are:

Executive Directors:

Mr. Tay Yong Hua *(Executive Chairman)*
Mr. Tay Yong Meng
Mr. Kenneth Teo Swee Cheng (Kenneth Zhang Ruiqing) *(Chief Executive Officer)*

Independent Non-executive Directors:

Ms. Theng Siew Lian Lisa
Mr. Law Wang Chak Waltery
Mr. Tan Sin Huat Dennis

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing on 11 December 2017, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of one year commencing on 11 December 2017, which may be terminated by not less than three months' notice in writing served by either party on the other.

All Directors are subject to retirement by rotation and re-election at annual general meeting, and will continue thereafter until terminated in accordance with the terms of the service contract/letter of appointment.

In accordance with the Article 83(3) of Company's Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In accordance with the Article 84(1) of Company's Articles of Association, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation.

Accordingly, Mr. Tay Yong Hua, Mr. Tay Yong Meng, Mr. Kenneth Teo Swee Cheng (Kenneth Zhang Ruiqing), Ms. Theng Siew Lian Lisa, Mr. Law Wang Chak Waltery and Mr. Tan Sin Huat Dennis, being all Directors of the Company, shall retire from office at the forthcoming annual general meeting to be held on 12 June 2018. All of the retired directors, being eligible, offer themselves for re-election, at the AGM.

Apart from the foregoing, no Director proposed for re-election at the AGM has a service contract/letter of appointment which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of The Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

Non-Competition Undertaking

The controlling shareholders have entered into the deed of non-competition dated 20 November 2017 in favour of our Group, pursuant to which each of them had irrevocably undertaken with the Company on joint and several basis (for itself and for the benefit of each of our subsidiaries) that he/it would not, and would procure that any of his/its associates (except any members of the Group) would not, during the period from the Listing Date to the date when the controlling shareholders or their associates cease to hold equity interest in our Company and they are not considered as substantial shareholders of the Company, directly or indirectly, either on his own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise) any business which is or may be in competition with the business of any member of our Group from time to time.

The Company has received the confirmation from the controlling shareholders in respect of their compliance with the terms of non-competition undertaking for the period from the Listing Date to 31 December 2017.

The independent non-executive Directors had reviewed and confirmed that the controlling shareholders have complied with the non-competition undertaking and the non-competition undertaking has been enforced by the Company in accordance with its terms for the period from the Listing Date to 31 December 2017.

Saved as disclosed above, during the period from the Listing Date, to 31 December 2017, none of the directors, the substantial shareholders or the management shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group or has any other conflict of interests with the Group.

Four Years Financial Summary

A summary of the published results, assets and liabilities of the Group for the last four financial years is set out on page 116. This summary does not form part of the combined financial statements.

Principal Risks and Uncertainties

The business operations and results of the Group may be affected by various factors, some of which are external causes and some are inherent to the business. The Board is aware that the Group is exposed to various risks and the principal risks and uncertainties are summarised below:

1. Inability to achieve continuity of our order book, given the non-recurring nature of our projects, could materially affect our financial performance

   Our contracts are on a non-recurring and project basis. As our projects are not recurring in mature, we cannot guarantee that we will continue to secure new projects from our customers after the completion of the existing projects. Although we are invited by our customers to tender for their projects, our Group nonetheless has to go through a competitive tendering process to secure new projects. If we fail to secure new projects of similar or higher value or similar number of projects on a continual basis, our financial performance will be adversely affected.

   In addition, so far as our executive Directors are aware, most of our customers will evaluate their contractors based on their past performance, financial capability, pricing and certifications. If a contractor receives a poor safety performance review or has regulatory non-compliance incidents, it may lead to a poor evaluation and therefore affect future tender success rate. There is no assurance that we will be evaluated favourably by our customers or that we will be invited to tender. If we fail to secure new projects of similar or higher value or similar number of projects on a continual basis, our financial performance will be adversely affected.

   The Group will continue to leverage on its various registrations and licenses and extensive experience to solidify and expand its market share in the M&E industry in Singapore.

2. We may experience delays or defaults in collecting our trade receivables, and failure to receive payment on time and in full, or delay in the release of retention monies or if retention monies are not fully released to us after expiry of the defect liability period, may affect our liquidity position

   The Group normally make monthly progress claims to our customers in respect of the value of the work we have performed, thereafter, subject to our customer's approval of our progress claims, we will proceed to issue the invoices with a credit term in accordance with the provision of the contract. A portion of the contract value, normally 5% is withheld by our customers as retention monies, of which half will be released upon substantial completion and the remaining will be released upon final completion (which is after the defect liability period, usually 12 months from date of substantial completion). If a customer delays payment, or fails to release our retention monies as scheduled, our cash flow and working capital may be materially and adversely affected.

   In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new customer, the Group carries out research on the credit risk of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed when necessary. In addition, our accounts department follows a set of monitoring procedures to ensure that follow-up steps are taken for collection of receivables.

3. Majority of our workforce is made up of foreign labour and inability to recruit and/or retain foreign labour could materially affect our operations and financial performance

   Our business is highly dependent on foreign workers as the local construction labour force is of limited supply and more costly. Majority of our workforce made up of foreign employees (including site workers and other employees). Any shortage in the supply of foreign workers, increase in foreign worker levy for foreign workers, or restriction on the number of foreign workers that we can employ will adversely affect our operations and financial performance.

   Our human resources department assesses our available human resources on a regular basis, and together with our executive Directors, determines whether additional employees are required to cope with our business operations and expansion. We will also assess the sufficiency of our foreign workforce and ensure that we have an adequate workforce to meet our projects' needs.

Directors' Material Interests in Transactions, Arrangements and Contracts that are Significant in Relation to the Company's Business

Save for the service contract/letter of appointment with the Directors, no other transactions, arrangements or contracts that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had, directly or indirectly, a material interest subsisted at the end of the Year or at any time during the Year.

Biographical Details of Directors and Senior Management

The biographical details of Directors and senior management of the Group are disclosed in the section headed "Biographical Details of the Directors and Senior Management on pages 12 to 16 in this report.

Update on Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of Directors' information of the Company are as follows:

Since 1 February 2018, Mr. Law Wang Chak Waltery ("Mr. Law") has been appointed as a senior vice president of the finance and corporate development of Gold Peak Industries (Holdings) Limited, a company listed on the Hong Kong Stock Exchange ("HKSE") (stock code: 0040).

Since November 2017, Mr. Law has been appointed as an independent non-executive Director, chairman of the audit committee, and a member of the nomination committee of Vicon Holdings Limited, a company listed on the HKSE (stock code: 3878).

Mr. Law resigned as an executive partner of Profundas Capital Limited, a private equity and investment advisory firm with effect from January 2018.

Since 30 September 2017, Mr. Tan Sin Huat Dennis ("Mr Tan") has relinquished his role as an executive Director of P99 Holdings Ltd as the company was voluntarily delisted.

Save for the information disclosed, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Emolument Policy

A remuneration committee was set up by the Board to develop the Group's emolument policy and structure for remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

Directors' Emoluments

The Directors' emoluments are subject to shareholders' approval at annual general meeting. Other emoluments are determined by the Board of the Company with reference to the recommendations by remuneration committee of the Company, Directors' duties, responsibilities and performance and the results of the Group.

Details of the Directors' emoluments are set out in note 14 to the combined financial statements.

Permitted Indemnity Provisions

Pursuant to the Company's articles of association, every Director or other officers of the Company shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses, including legal expenses as a result of any act or failure to act in carrying out his/her functions.

Such provision was in force during the Year. In addition, the Company has also maintained Directors' and officers' liability insurance since Listing, which provides appropriate cover for the Directors and officers of the Group.

Directors and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2017, the interests or short positions of Directors and the chief executives of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to standards of dealing by Directors contained in the Listing Rules, were as follows:

Long Position in the Ordinary Shares and Underlying Shares of the Company

(i) Interests in the Company

Interests in ordinary shares

Name of director	Personal interests	Family interests	Corporate interests	Total interests in ordinary shares	Total interests in underlying shares	Aggregate interests	% of the Company's issued voting shares
Mr. Tay Yong Hua Note 1	—	—	630,000,000	630,000,000	—	630,000,000	75%
Mr. Tay Yong Meng Note 2	—	—	630,000,000	630,000,000	—	630,000,000	75%
Mr. Kenneth Teo Swee Cheng Note 3	—	—	630,000,000	630,000,000	—	630,000,000	75%

Notes:

1. Mr. Tay Yong Hua holds 90% shares in HMK Investment Holdings Limited ("HMK") and he is therefore deemed to be interested in the 630,000,000 Shares held by HMK under the SFO.

2. Mr. Tay Yong Meng holds 6% shares in HMK and he is therefore deemed to be interested in the 630,000,000 Shares held by HMK under the SFO.

3. Mr. Kenneth Teo Swee Cheng holds 4% shares in HMK and he is therefore deemed to be interested in the 630,000,000 Shares held by HMK under the SFO.

(ii) Interests in the associated corporation

Name of directors	Name of associated corporation	Capacity/Nature	No. of shares held	% of the issued voting shares of associate corporation
Mr. Tay Yong Hua	HMK	Beneficial owner	90	90%
Mr. Tay Yong Meng	HMK	Beneficial owner	6	6%
Mr. Kenneth Teo Swee Cheng	HMK	Beneficial owner	4	4%

Save as disclosed above, as at 31 December 2017, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to standards of dealing by Directors contained in the Listing Rules.

Substantial Shareholder's Interests And/Or Short Position in Shares and Underlying Shares of the Company

As at 31 December 2017, the following persons/entities (not being Directors or chief executive of our Company) have an interest or a short position in the Shares or the underlying Shares which were disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, were as follows:

Long position in the ordinary shares and underlying shares of the Company

Name of shareholders	Capacity	Number of shares held	% of the Company's issued voting shares
HMK [Note 1]	Beneficial owner	630,000,000	75%
Mr. Tay Yong Hua [Note 1]	Interest in controlled corporation	630,000,000	75%
Ms. Lim Sim Swee ("Mrs. Tay") [Note 2]	Deemed interest by virtue of interest held held by spouse	630,000,000	75%

Notes:

1. The 630,000,000 shares are beneficially held by HMK which is owned as to 90% by Mr. Tay Yong Hua, 6% by Mr. Tay Yong Meng and 4% by Mr. Kenneth Teo Swee Cheng (Kenneth Zhang Ruiqing), and they are deemed to be interested in 630,000,000 Shares held by HMK by virtue of the SFO.

2. Mrs. Tay, the spouse of Mr. Tay Yong Hua, is deemed under the SFO to be interested in the interests held by Mr. Tay Yong Hua.

Save as disclosed above, as at 31 December 2017, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Share Option Scheme

The Company has conditionally adopted the share option scheme ("Share Option Scheme"), which was approved by written resolutions passed by its sole Shareholder on 14 November 2017 and became unconditional on 27 October 2017. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

The purpose of the Share Option Scheme is to give the eligible persons an opportunity to have a personal stake in the Company and help motivate them to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executives (including executive Director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

The Share Option Scheme shall be valid and effective for a period of ten years from 11 December 2017, after which no further options will be granted or offered.

As at 31 December 2017, there was no option outstanding, granted, cancelled, exercised or lapsed.

Details of the principal terms of the Share Option Scheme are set out in paragraph headed "Share Option Scheme" in section headed "Statutory and General Information" in Appendix V to the Prospectus.

Apart from the aforesaid Share Option Schemes, at no time during the year ended 31 December 2017 was the Company or any associated corporation a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercise any such rights.

Major Customers and Suppliers

The Group's top five customers accounted for approximately 90.9% (2016: 94.0%) of the total revenue. The top five suppliers accounted for approximately 32.8% (2016: 26.2%) of the total purchases for the year. In addition, the Group's largest customer accounted for approximately 50.2% (2016: 36.0%) of the total revenue and the Group's largest supplier accounted for approximately 22.4% (2016: 9.9%) of the total purchases for the year.

During the year, none of the Directors, their respective close associates or any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

Related Parties Transactions

During the year ended 31 December 2017, details of the significant related party transactions undertaken in the normal course of business are set out in the note 13 to the combined financial statements, and none of which constitutes a disclosable connected transaction as defined under the Listing Rules. In addition to note 13 to the combined financial statements, the personal guarantees provided by the controlling shareholders will be released and replaced by corporate guarantees.

Connected Transactions

During the year ended 31 December 2017, the Company has no connected transaction which is subject to the reporting, annual review, announcement and independent shareholders' approval under Chapter 14A of the Listing Rules.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, the Company has maintained the prescribed public float under the Listing Rules of at least 25% of the Company's total number of issued shares which was held by the public.

Retirement Scheme

The Group participates in the Central Provident Fund in Singapore which is a defined contribution retirement plan, when employees have rendered service entitling them to the contributions. Save as the aforesaid, the Group did not participate in any other pension schemes during the Year.

Auditors

The combined financial statements for the Year have been audited by Deloitte & Touche LLP, who will retire and, being eligible, offer itself for re-appointment at the forthcoming AGM.

By order of the Board
Solis Holdings Limited

Tay Yong Hua
Executive Chairman and Executive Director

Singapore, 26 March 2018

Corporate Governance Principles and Practices

The Group is committed to maintaining high corporate governance standards to safeguard the interest of shareholders and to enhance corporate value and accountability. The Company's corporate governance practices are based on the principles and code provisions as set out in the corporate governance codes (the "CG Code") as contained in Appendix 14 of the Listing Rules.

The Company's Shares have been listed on the Main Board of the Stock Exchange since Listing Date. The Board considers that the Company has complied with all the applicable principles and code provisions as set out in the CG Code during the period from Listing Date to 31 December 2017. Details of compliance of Code provisions (including certain provisions not fully applicable due to the short period of time) during the period from Listing Date to 31 December 2017 are explained in this corporate governance report.

Code of Conduct for Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by directors (the "Model Code") on terms no less exacting than the required standard of dealings as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company from Listing Date to 31 December 2017.

The Board has also adopted the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision A.6.4 of the CG Code. No incident of non-compliance with the Model Code by the Company's relevant employees has been noted during the period from the Listing Date to 31 December 2017 after making reasonable enquiry.

The Board of Directors

Responsibilities

The Board assumes responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs. The management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Company. The delegated functions and work tasks are reviewed by the Board periodically.

Composition

Throughout the period from Listing Date to 31 December 2017, the Board comprises of six Directors. As at the date of this report, there are three executive Directors and three independent non-executive Directors of the Company. The composition of the Board is as follows:

Executive Directors:

Mr. Tay Yong Hua *(Executive Chairman)*
Mr. Tay Yong Meng
Mr. Kenneth Teo Swee Cheng (Kenneth Zhang Ruiqing) *(Chief Executive Officer)*

Independent Non-executive Directors:

Ms. Theng Siew Lian Lisa
Mr. Law Wang Chak Waltery
Mr. Tan Sin Huat Dennis

During the period from Listing Date to 31 December 2017, there was no change in the composition of the Board.

The relationship among members of the Board and biographical details and responsibilities of the Directors as well as the senior management are set out in the section headed "Biographical Details of the Directors and Senior Management" on pages 12 to 16 in this report.

Save as disclosed in the section headed "Biographical Details of the Directors and Senior Management" to this report, the Directors have no other financial, business, family or other material/relevant relationships with each other.

Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer of the Company are separated. Mr. Tay Yong Hua is the Executive Chairman of the Board. The Chairman provides an effective leadership and ensure the continuing effectiveness of the management team of the Company. Mr. Kenneth Teo Swee Cheng is the Chief Executive Officer of the Company. He focuses on daily operations of the Group. Their respective responsibilities are clearly defined in writing.

Independent Non-executive Directors

The Company has throughout the period from Listing Date to 31 December 2017 met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of them possessing appropriate professional qualifications, accounting or related financial management expertise. At all times during the period from Listing Date to 31 December 2017, the independent non-executive Directors represent at least one-third of the Board pursuant to Rule 3.10A of the Listing Rules. Prior to their respective appointment, each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence.

Confirmation of Independence

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules to the Company in respect of their independence for the period from Listing Date to 31 December 2017. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines throughout the period from Listing Date to 31 December 2017.

Appointment and Re-election of Directors

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing on 11 December 2017, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of one year commencing on 11 December 2017, which may be terminated by not less than three months' notice in writing served by either party on the other.

All Directors are subject to retirement by rotation and re-election at annual general meeting, and will continue thereafter until terminated in accordance with the terms of the service agreement/letter of appointment.

In accordance with the articles of association of the Company, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Such retiring Directors shall be eligible for re-election at the annual general meeting.

Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after their appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors take decisions objectively in the interests of the Company.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances at the Company's expenses for discharging their duties to the Company.

The Board reserves its decisions for all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. The Board has delegated the responsibility of implementing the strategies and the daily operations to the management of the Group under the leadership of executive Directors. The chief financial officer and/or the company secretary attend all regular Board meetings and Board committee meetings to advise on accounting and financial, corporate governance and statutory compliance matters. Senior management has formal or informal contact with the Board members as and when necessary.

Board/Board Committee/and General Meetings

According to code provision A.1.1 of the CG Code, board meetings should be held at least four times a year at approximately quarterly intervals with active participation from the majority of the Directors, either in person or through electronic means of communication.

According to code provision A.5.2 of the CG Code, nomination committee should review the structure, size and composition (including the skills, knowledge and experience) of the board at least annually and make recommendations on any proposed changes to the board to complement the issuer's corporate strategy.

According to code provision C3.3 (e)(i) of the CG Code, audit committee must meet, at least twice a year, with the auditors of the Company.

As the Company's shares were only listed on the Stock Exchange on 11 December 2017, no Board meeting, Board committee meetings and general meeting were held during the period from Listing Date to 31 December 2017. A Board meeting has been held on 26 March 2018 to consider and approve the final results announcement and annual report of the Group for the year ended 31 December 2017. The Company expects to convene at least four regular board meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the CG Code.

Three Board committee meetings were held on 26 March 2018 in compliance with the CG Code and the Company will also convene the AGM on 12 June 2018 in compliance with the Listing Rules and CG Code onwards.

Induction and Continuous Professional Trainings of Directors

Arrangements have been made to provide each new director a comprehensive, formal and tailored induction on the first occasion of his appointment and continuing briefing and professional development when necessary.

Each newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

The Directors have also been informed of the requirement under A.6.5 of the CG Code regarding continuous professional development.

The Group will, if necessary, provide timely and regular trainings to senior personnel (including all Directors) to ensure that they keep abreast with the current requirements under the Listing Rules.

Board Committees

The Board has established four board committees, namely audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee"), nomination committee (the "Nomination Committee") and corporate governance committee (the "Corporate Governance Committee") for overseeing specific aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

Audit Committee

The Company established an Audit Committee on 14 November 2017 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules. The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

The responsibility of the Audit Committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting, risk management and internal control principles and procedures, and to provide advice and comments to the Board. The members meet regularly with the external auditor and/or the Company's senior management for the review, supervision and discussion of the Company's financial reporting, risk management and internal control procedures and ensure that the board and the management have discharged their duties to have an effective risk management and internal control systems.

The composition of the Audit Committee during the period from Listing Date to 31 December 2017 and up to the date of this report is as follows:

Mr. Law Wang Chak Waltery *(Chairman)*
Ms. Theng Siew Lian Lisa
Mr. Tan Sin Huat Dennis

All of the members of the Audit Committee are independent non-executive Directors. None of them is a former partner of the Company's existing auditing firm. Mr. Law Wang Chak Waltery, who has appropriate professional qualifications and experience in accounting matters, was appointed as the Chairman of the Audit Committee.

Since its establishment on 14 November 2017, the Audit Committee did not hold any meeting during the period from Listing Date to 31 December 2017. An Audit Committee meeting was held on 26 March 2018 to review the final results announcement and annual report for the year ended 31 December 2017 of the Group, internal control and risk management system.

The summary of work of the audit committee meeting held on 26 March 2018 is as follows:

— To meet with the external auditors, review and make recommendation to the Board for approving the annual financial statement of the Group;

— To review and approve audit fee;

— To review the terms of engagement and make recommendation to the Board for the re-appointment of auditors of the Company, subject to the Shareholders' approval at the annual general meeting;

— To review the non-competition undertaking by the controlling shareholders of the Company;

— To review the effectiveness of the Company's risk management and internal control systems; and

— To review the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

The audit committee has not taken a different view from the Board regarding the selection and re-appointment of external auditors.

Remuneration Committee

The Company established the Remuneration Committee on 14 November 2017 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The written terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

The Remuneration Committee is responsible for formulating and making recommendations to the Board on the Company's emolument policy and on the establishment of a formal and transparent procedure for developing such policy. The Board expects the Remuneration Committee to exercise independent judgment and ensures that executive Directors do not participate in the determination of their own remuneration.

The composition of the Remuneration Committee during the period from Listing Date to 31 December 2017 and up to the date of this report is as follows:

Ms. Theng Siew Lian Lisa *(Chairlady)*
Mr. Tay Yong Hua
Mr. Law Wang Chak Waltery

The Remuneration Committee is chaired by an independent non-executive Director and majority members of the remuneration committee are also independent non-executive Directors. Since its establishment on 14 November 2017, the Remuneration Committee did not hold any meeting during the period from Listing Date to 31 December 2017.

A Remuneration Committee meeting was held on 26 March 2018 to review the remuneration policy and structure and to make recommendations to the Board on determining the annual remuneration packages of the executive Directors and the senior management and other related matters.

The summary of work of the Remuneration Committee meeting held on 26 March 2018 is as follows:

— To review and recommend to the Board on the Group's remuneration policy and strategy;

— To review and recommend to the Board on the remuneration packages of the executive Directors and senior management of the Company; and

— To review and recommend to the Board on the Directors' fees of independent non-executive Directors.

Details of the emoluments paid to the Directors and highest paid individuals for the year ended 31 December 2017 are set out in Note 14 to the combined financial statements.

Nomination Committee

The Company established the Nomination Committee on 14 November 2017 with written terms of reference in compliance with the CG Code. The written terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The primary duties of the Nomination Committee include reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Directors, assessing the independence of independent non-executive Directors and making recommendations to the Board on appointment and re-appointment of Directors.

The composition of the Nomination Committee during the period from Listing Date to 31 December 2017 and up to the date of this report is as follows:

Mr. Tan Sin Huat Dennis *(Chairman)*
Mr. Law Wang Chak Waltery
Mr. Tay Yong Meng

The Nomination Committee is chaired by an independent non-executive Director and majority members of the Nomination Committee are also independent non-executive Directors. Since its establishment on 14 November 2017, the Nomination Committee did not hold any meeting during the period from Listing Date to 31 December 2017.

A Nomination Committee meeting was held on 26 March 2018 to review composition of the Board, assess the independence of independent non-executive Directors and recommend the Board on the re-election of Directors.

The summary of work of the Nomination Committee meeting held on 26 March 2018 is as follows:

— To review the existing Board's structure, size and composition;

— To review the board diversity policy;

— To review and assess the independence of the independent non-executive Directors; and

— To make recommendations on the retiring Directors at the 2018 AGM of the Company.

Board diversity policy

The Company recognises the benefits of having diversity in the composition of the Board and adopted its own board diversity policy.

The Company noted that people from different backgrounds and with different professional and life experience are likely to approach problems in different ways and accordingly, members of the Board with diverse backgrounds will bring different concerns and questions to the table, and allow the Board to consider a wider range of options and solutions when deciding on corporate issues and formulating policies for the Group. In determining the Board's composition and selection of candidates to the Board, nomination committee will consider factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, industry knowledge and length of service.

All Board appointments will be based on meritocracy, and candidates will be considered against the above selection criteria, having regard for the benefits of diversity on the Board, the business model and specific needs of the Group. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The nomination committee has monitored the implementation of the board diversity policy since its adoption, and also reviewed it to ensure its effectiveness and concluded that no revision to the policy is required at the last nomination committee meeting held.

Corporate Governance Committee

The Company established the Corporate Governance Committee on 14 November 2017 with written terms of reference in compliance with the CG Code. The written terms of reference of the Corporate Governance Committee are available on the websites of the Company and the Stock Exchange.

The primary functions of the Corporate Governance Committee are to keep the effectiveness of the corporate governance and system of internal controls of our Group. The Corporate Governance Committee shall introduce and propose relevant principles concerning corporate governance and to review and determine the corporate governance policy, so as to enhance and to ensure a high standard of corporate governance practices in our Group.

The composition of the Corporate Governance Committee during the period from Listing Date to 31 December 2017 and up to the date of this report is as follows:

Mr. Kenneth Teo Swee Cheng *(Chairman)*
Ms. Theng Siew Lian Lisa
Mr. Tan Sin Huat Dennis

Majority members of the Corporate Governance Committee are also independent non-executive Directors. Since its establishment on 14 November 2017, the Corporate Governance Committee did not hold any meeting during the period from Listing Date to 31 December 2017.

A Corporate Governance Committee meeting will be held in late 2018 to review the corporate governance practices. The scope of work of the corporate governance committee meeting will be as follows:

— To review the Company's policies and practices on corporate governance and make recommendations;

— To review and monitor the training and continuous professional development of Directors and senior management of the Group;

— To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

— To develop, review and monitor the code of conduct and compliance manual applicable to employees of the Group and the Directors; and

— To review the Company's compliance with CG Code and disclosure in the corporate governance report.

Accountability and Audit

Financial Reporting

The Board is responsible for presenting a balanced, clear and understandable assessment of financial reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The Board acknowledges its responsibility for the preparation of the combined financial statements for the year ended 31 December 2017 which give a true and fair view of the state of affairs of the Group in accordance with the statutory requirements and accounting standards and other financial disclosure requirement under the Listing Rules. The financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the auditors about their reporting responsibilities is set out in the "Independent Auditors' Report" on pages 55 and 59 of the combined financial statements.

Risk Management and Internal Control Systems

The Board is accountable for overseeing the Group's risk management and internal control systems and reviewing its effectiveness annually, while the management are responsible for implementing and maintaining the internal controls systems that covers governance, compliance, risk management, financial and operational controls to safeguard the Group's assets and stakeholders' interests. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. Procedures are in place to identify major business risks and evaluate potential financial implications.

During the year ended 31 December 2017, the Audit Committee of the Company, through the engagement of Baker Tilly Consultancy (Singapore) Ptd Ltd. ("Baker Tilly"), reviewed the adequacy and effectiveness of the Group's system of internal controls, including financial, operational, compliance, risk management policies and systems established by the Company in connection with risk management process, financial reporting, handling and dissemination of inside information process and so on.

Baker Tilly reported to the Audit Committee that they have identified and evaluated the risk management and internal control systems of the Group and concluded that no significant deficiencies were identified and all suggested recommendations in their internal audit report dated 20 January 2017 have been remediated during their follow-up review.

Based on the follow-up review on the risk management and internal control systems of the Group provided by Baker Tilly, Audit Committee reported such findings to the Board. In addition, the Board had received confirmation from the management that:

— The financial records have been properly maintained and the financial statements give a true and fair view of the operations and finances of the Group; and

— The risk management and internal control systems of the Group are effective.

Based on the above, the Board, with the concurrence of the Audit Committee, considered that such systems including financial, operational and compliance were effective and adequate for the year ended 31 December 2017. The Company will perform the ongoing assessment to update the all material risk factors on a regular basis and conduct review on its risk management and internal control system annually.

Internal Audit

During the year ended 31 December 2017, the Group had engaged an independent internal control consultant to assess our overall internal controls and to give recommendations to make any enhancement. It was reported that there were no significant deficiencies were identified in relation to the Group's internal controls. The Board is of the view that the internal control measures of the Group are adequately and effectively monitor our business operations for the year ended 31 December 2017.

Inside Information

The Group has adopted and implemented its own disclosure policy aiming to provide a general guide to the directors and senior management of the Company in handling of confidential information and/or monitoring of information disclosure pursuant to applicable laws and regulations in compliance with the Listing Rules and SFO.

The disclosure policy provides the procedures and internal controls for the handling and dissemination of inside information by publication of the announcement to the websites of the Stock Exchange and the Company on a timely basis to enable the public, namely shareholders, institutional investors, potential investors and other stakeholders of the Company to access the latest information of the Group, unless such information fall within the safe harbours with the SFO. The management has notified all employees to comply with the disclosure policy. Briefing and training on the implementation of the policy have been provided to Directors, officers and senior management of the Group. The Board emphasises that only the authorised representatives registered in the Stock Exchange are authorised to speak on behalf of the Company.

External Auditors' Remuneration

During the Year, the Company engaged Deloitte & Touche LLP as the external auditors. Their fees in respect of audit services and non-audit services provided for the year ended 31 December 2017 amounted to S$140,000 and S$645,800 respectively. The amount of fee incurred for the non-audit services mainly included S$637,800 of the service fee paid to Deloitte & Touche LLP and its member firms as the reporting accountants in relation to the Listing.

The Audit Committee has expressed its views to the Board that the level of fees paid/payable to the Company to the Company's external auditors for annual audit services is reasonable. There has been no major disagreement between the auditors and the management of the Company during the Year.

Company Secretary

The Company appointed Mr. Ng Chit Sing ("Mr. Ng"), an external service provider, as its company secretary. Ms. Chan Huishan, Chief Financial Officer, is the primary contact person to Mr. Ng at the Company in respect of any compliance and company secretarial matters of the Company.

The biographical details of Mr. Ng are set out under the section headed "Biographical Details of Directors and Senior Management" of this report. During the Year, Mr. Ng, undertook over 15 hours' professional training to update his skill and knowledge in compliance with the CG Code.

Changes in Constitutional Documents

Pursuant to the Listing Rules, the Company has published on the websites of the Company and the Stock Exchange its Memorandum and Articles of Association. During the Year, the shareholder has passed resolution on 14 November 2017 approving the adoption of amended and restated Memorandum and Articles of Association of the Company. Save as the aforesaid, there has been no changes in the constitutional documents of the Company.

The restated Memorandum and Articles of Association of the Company are available for viewing on the websites of the Company and the Stock Exchange.

Non-Competition Undertaking from Controlling Shareholders

The controlling shareholder (as defined in the Listing Rules) of the Company gave a non-competition undertaking in favour of the Company and confirm that they and their close associates have not breached the terms of the undertaking contained in the Non-competition Deed during the period from Listing Date to 31 December 2017.

The Board comprising all the independent non-executive Directors, based on the written confirmation provided by the controlling shareholder, is of the view that the controlling shareholder has been in compliance with the non-competition undertaking in favour of the Company for period from Listing Date to 31 December 2017.

Shareholders' Rights

The Way by Which Shareholders Can Convene Extraordinary General Meeting ("EGM")/Put Forward Proposal

According to Article 58 of the articles of association of the Company, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Article 85 of the articles of association provides that no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

Accordingly, if a member of the Company wishes to propose a person other than a Director for election as a Director at the Company's general meeting ("Proposal"), he/she should lodge a written notice setting out the Proposal and his/her contact details to the head office and principal place of business of the Company.

The relevant procedures are set out in the circular to the shareholders which is sent together with this annual report and the Company's website at www.TheSolisGrp.com.

The Procedures for Sending Enquiries to the Board

Shareholders may send their enquiries and concerns in writing to the Board/Company Secretary by addressing them to the Company at our Headquarters and principal place of business in Singapore or principal place of business in Hong Kong or by email through the Company's website.

Communication with Shareholders and Investors

The Company endeavors to maintain effective communications with the shareholders and potential investors of the Company.

Save as mentioned under the sub-heading "The Procedures for Sending Enquiries to the Board" above, in order to provide more relevant information to our shareholders, the Company has published all corporate information about the Group on its website at www.TheSolisGrp.com. It is a channel of the Company to communicate with the shareholders and potential investors with our latest corporate development. All our corporate communications, such as statutory announcement, circular and financial reports are available on the website for easy access by the shareholders and potential investors. In addition, the Company meets its shareholders at the annual general meeting so as to promote the development of the Company through mutual and efficient communications.

The forthcoming annual general meeting of the Company is scheduled to be held on 12 June 2018. At the annual general meeting, the Chairman of the Board as well as Chairmen of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees shall attend to answer questions from shareholders at the annual general meeting. The representatives of the external auditors shall also present and available to answer questions at the meeting.

The notice of annual general meeting and the necessary information on issues to be considered in the annual general meeting will be set out in the circular to be dispatched to the shareholders of the Company in due course.

Environmental, Social and Governance Report

The Group is committed to the principles of good corporate governance, and strives to integrate corporate social responsibility ("CSR") into its business strategy and management approach. This report aims to provide the Group's stakeholders with an overview of the Group's efforts regarding environmental, social and governance ("ESG") impacts arising from its daily operations.

Introduction

This is the first ESG report presented by Solis Holdings Limited (the "Company") and its subsidiaries (together, the "Group"). This ESG report aims to provide the Group's stakeholders with a summary of the Group's ESG-related impacts arising from its business operations as well as sustainable initiatives implemented to achieve a balance between profitability and sustainability.

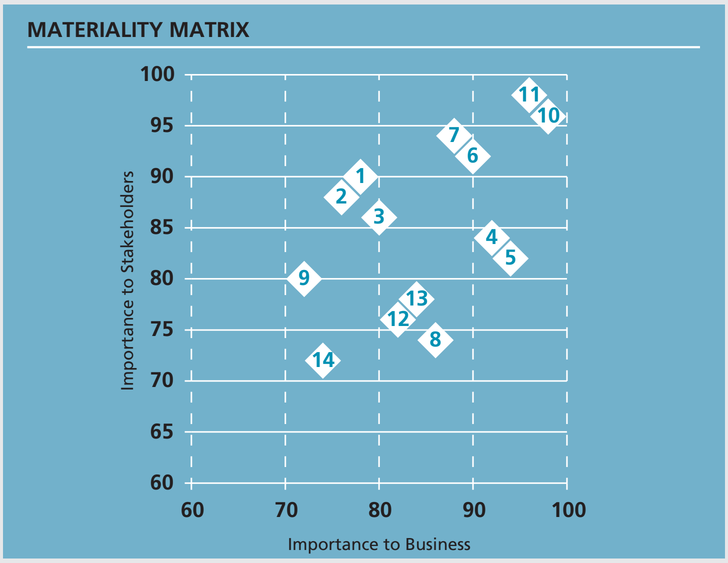
Reporting Framework, Scope

The ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide ("the Guide") set out in Appendix 27 to the Listing Rules.

The ESG report covers mainly the Group's performance in the 2 main subject areas of environmental and social aspects of its core business in the provision of installations of mechanical and electrical systems. For details of our corporate governance, please refer to the Corporate Governance Report contained on pages 29 to 40 in this report.

Materiality Assessment

During the year, meetings and vigorous discussions were carried out by the management to identify key environmental, social and governance issues faced by our organisation. These issues were then prioritised in order of their importance to stakeholders as well as its impact on the business. Our stakeholders include employees, customers and suppliers. Based on the engagement with stakeholders, 14 key areas that are deemed to be significantly important to the Group were selected.



Subject Areas, Aspects, and Material Areas

SUBJECT AREAS	ASPECTS	MATERIAL AREAS
Environmental	A1 — Emissions A2 — Use of Resources A3 — The Environment and Natural Resources	1. Air Pollutants and Greenhouse Gas Emission 2. Non-hazardous Waste Management 3. Waste Management 4. Responsible Project Management
Social — Employment and Labour Practices	B1 — Employment Conditions	5. Attraction and Retention 6. Working/Living Environment
	B2 — Health and Safety	7. Workplaces' Health and Safety
	B3 — Development and Training	8. Professional Development
	B4 — Labour Standards	9. Child and Forced Labour
Social — Operating Practices	B5 — Supply Chain Management	10. Supplier relationship Management
	B6 — Product Responsibility	11. Quality Control and Assurance 12. Confidentiality of Stakeholder's Data
	B7 — Anti Corruption	13. Business Conduct and Ethics
Social — Community	B8 — Community Investment	14. Social contributions

Environmental Aspects A1 to A3

The business of the Group is mainly involved in the design of electrical and mechanical systems as well as the building and installation of these systems. We understand the importance of good environmental stewardship and is committed to adopting environmentally responsible practices in our daily operations. Our operations do not result in potential environmental hazards, such as those in relation to noise pollution, air pollution or breeding of vectors. During the financial year, we did not record any non-compliance with applicable environmental regulations.

Environmental Objectives: *(1) To reduce potential pollutants in the daily operations. (2) To reduce water and energy usage by 5%. (3) Minimise wastage by adhering to the Group's threshold of < 5% for each project. (4) Strive to be at the forefront of environmental stewardship.*

Aspect A1: Emissions

Material Area 1: Air Pollutants and Greenhouse Gas Emission

The Group is governed by the Singapore environmental-related regulation, namely the Environmental Protection and Management Act ("EPMA") and The Environmental Public Health Act ("EPHA").

The nature of work carried out by the Group generally results in minimal emission of air pollutants. The emission of air pollutants may arise during the use of generators and vehicles.

The Group has implemented initiatives to minimize air emissions by using environmentally friendly equipment in our daily operations, including (i) Generators and (ii) Vehicles.

Generators

The National Environmental Agency ("NEA") requires all off-road diesel engines to comply with the EU Stage II, US Tier II of off-road diesel engine emission standards. Emission standards governs the permissible amount of specific air pollutants to be released from specific sources.

As such, all generators that are used by the Group comply with Tier 2 emission standards, leading to reductions in emissions of particulate matter (PM) and nitrogen oxides (NOx) as well as regulating hydrocarbon and carbon monoxide emissions.

Statistics of air emissions

In year 2017, the Group has 6 generators and the total emissions for the year are within the range stipulated by EU stage II, US Tier II standards. They are as follows:

		Emissions (g/h)		
Net Power (kW)	No. of generators	CO	NMHC +NOx	PM
640	2	<4,880	<8,192	<256
560	1	<1,560	<3,584	<112
420	1	<1,470	<2,688	<84
320	1	<1,120	<2,080	<64
40	1	<200	<300	<16

Vehicles

The Group complies with the relevant environmental laws and regulations, including the Euro VI emission standards for petrol vehicles, which was adopted by Singapore's National Environment Agency ("NEA") in September 2017.

As at 31 December 2017, the Group has five petrol vehicles that are in accordance to the EURO VI emission standards. Hence, the emission of air pollutants such as fine particulate matter and nitrogen oxides emitted are substantially minimised.

Aside, the Group also owns nine vehicles that are on diesel for its daily transportation of materials and labour. The emissions amount of NOx and PM are detailed in Table 1.

Statistics of air emissions

		Emissions (g)	
Vehicle Type	No. of vehicles	NOx	PM
Light Goods (≤ 2.5 tonnes)	1	129,949	1,700
Light Goods (2.5 – 3.5 tonnes)	5	17,746	12,099
Light Goods (3.5 – 5.5 tonnes)	1	77,419	3,590
Medium & Heavy Goods (5.5 – 15 tonnes)	2	196,803	19,509

Table 1

The Group is also committed to taking active steps in tackling climate change by minimising Greenhouse Gas (GHG) emissions.

The GHG emissions of the Group are mainly indirect emissions caused by the Company's in-house consumption of purchased or acquired electricity, which amounted to 48,556 Kg carbon dioxide equivalent and 28 Kg carbon dioxide equivalent/square metre.

Emission generated directly from business operations owned by the Company and all other indirect greenhouse gas emitted outside the Group are minimal. Nevertheless, to reduce emissions, the Group has implemented a series of electricity-savings measures (refer to section A2: Use of Resources).

The Group also sees the importance of minimising the use of non-renewable resources. The Group has adopted the use of "Green" power transformers that are environmentally sustainable and eco-efficient. Oil is used for insulation and cooling of the transformer. The oil that our transformer uses can be recycled and reused again, reducing wastage in the process. Approximately 30% of the total oil quantity used by our transformer is recyclable oil.

The Group utilises 4 transformers in year 2017, and the total usage of all transformers is 5,308 cubic metre of oil. In all, the Group has recycled 1,592 cubic metre of oil.

Material Area 2: Non-hazardous Waste Management

During the course of operations, the Group does not produce hazardous waste. Used electrical wires are the key non-hazardous wastes that are generated. Raw materials used to make the electrical cables consist of Polyvinyl Chloride ("PVC") insulation which is a petrochemical product and metals such as copper.

We are meticulous at the project planning stage and are committed to ensure that waste generated by each project is <5%. These wastages might occur as we have to order excess to buffer against material shortage. In the event of wastage, we will return these materials to our warehouse for storage or sell these cables to intermediaries who will dissemble the wires into their respective plastic and metal components for resale to corporations to be reused in their production lines.

As at 31 December 2017, we have completed 3 projects and the total waste generated from these projects has satisfied our wastes threshold of <5%. Our Group will continue to strive to further reduce wastage in the coming years in our environmental conservation efforts.

In addition, the Group is in the process of expanding our operations through the construction of a secondary property at 202 Tagore Lane, Singapore 787591, for the purpose of housing our foreign workers and for office use. The construction process utilises water for cleaning and construction-related purposes which results in used water that are soiled with sediments and suspended particulate matters. As part of our Group's efforts in environmental protection, all construction wastewater is channelled to a treatment plant for proper filtration before they are discharged into open drains.

Aspect A2: Use of Resources

Material Area 3: Utilities Management

The Group understands that our country of operation, Singapore, imports natural resources such as water and gas from its neighbouring countries. Water and electricity have always been deemed as scarce resources in the nation. The Group proactively encourages employees to cultivate environmentally responsible habits to minimise resources wastages.

Currently, the Group's energy and water consumption data for the year 2017 are as follows:

Office and Dormitory utility usage and intensity: 85 Tagore Lane

Electricity	114,411 kWh	66.8 kWh/sq.m.
Water	17,718.4 m^3	10.3 m^3/sq.m.

As the Group is in its first year of ESG reporting, there are no meaningful past year data for comparison. We plan to monitor current utility usage and will look at more "green" initiatives to aid in the conservation of water and energy usage. Hence, the utility data for this year will act as our benchmark for subsequent years' improvement. For the following year, we aim to reduce utility consumption by 5% of our current year's utility consumption data.

Office

The Group has launched a number of green initiatives in its office operations. For example, office lights will be turned off and office equipment are put on standby mode during periods of non-usage. Instead of using a centralised lighting and air-conditioning system, our electrical appliances in the head of department's offices are separated by zones to allow for more controlled and targeted usage. Majority of the electrical appliances, e.g. refrigerators and air-conditioners are energy efficient and affixed with an energy label.

Dormitories

The Group houses our foreign workers in our self-owned dormitories. We ensure that lights and fans are switched off during the day when the workers are at the work-site. We highly encourage lights-off timing to be at 10:30pm to prevent excessive noise and lights at night, in turn contributing to our energy saving initiatives.

Secondary property at 202 Tagore Lane, Singapore 787591

The Group extends its initiatives to the upcoming property, which will be fitted with energy efficient LED bulbs as opposed to regular florescent bulbs, which will help to reduce our energy consumption by at least 30%. Additionally, automatic light timers, eco-plugs, motion sensors and energy efficient air-conditioning units will also be installed in our new building in an effort to further reduce our energy consumption.

End consumers

Since 2015, the Group commenced distribution of eco-plugs to end customers, mainly residential households. To date, The Group has distributed complimentary eco-plugs to approximately 1,800 residential households from various projects. These eco-plugs allow households to keep track of the energy usage for each household electrical appliances. Through this initiative, we strive to instil environmental awareness and conservation in our end-users.

Aspect A3: The environment and natural resources

Material Area 4: Responsible Project Management

As part of the construction supply chain, we do our part by participating in eco-friendly projects so as to reduce our impact on the environment.

Building and Construction Authority of Singapore ("BCA") Green mark scheme is a benchmarking scheme which incorporates internationally recognised best practices in environmental design and performance. Buildings that are Green mark certified have the following properties:

— Reduction in energy, water and material resource usage

— Reduction in potential environmental impact

— Indoor environmental quality for better health and well being

As at 31 December 2017, 100% of the projects undertaken by the Group are green-mark certified. These projects involve the installation of energy saving electrical appliances such as LED lights, motion sensors, automatic light timers, sun pipes as well as kilowatt meters to increase awareness for energy consumption.

As the owner of the upcoming property at 202 Tagore Lane, Singapore 787591, we have imposed stringent environmental criteria in the selection of our main contractor. Our current main contractor ("IMCS Construction Pte Ltd") possesses a BCA Green and Gracious Builder award ("GGBA"). The BCA takes into account several factors such as Materials, Energy, Water, Noise, Waste, Public Safety and Workforce Management in granting the award. Our main contractor is in adherence with the relevant regulations such as the performance of sediment yield calculations to ensure that construction wastewater is channelled to the filtration system for proper treatment before discharging into open drains. Our main contractor has also taken numerous steps to prevent mosquito breeding at the construction site.

Social Aspects B1 to B8

At Solis, we have a current workforce of 251 talented individuals who are key to helping us deliver the best services to our clients. They are the heart of our operations, without which, we would not have been able to reach the level of success that we are at now. We believe in treating our employees fairly and in creating a close-knit organisation where employees treat each other with respect and enjoy coming to work and working together.

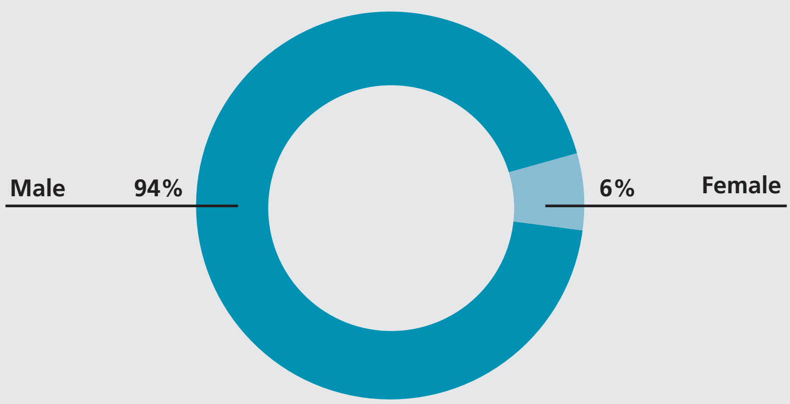
Social Objectives: *(1) To foster a workplace culture and is able to attract and retain talent. (2) To provide decent living conditions for our dormitory residents. (3) To achieve zero work-site incidents. (4) To actualise the full potential of employees via training. (5) To achieve less than 2 quality-related incidents per project.*

Aspect B1: Employment

Material Area 5: Attraction and Retention

The Group adopts a meritocratic approach towards our human resource management. We believe in recruiting and rewarding employees on the basis of merit regardless of age, race, gender, religion, marital status and family responsibilities, or disability. As at 31 December 2017, the proportion of male employees within our workforce is greater than our female employees, and the majority of our employees are below 40 years old as shown in Figure 1 & 2. However, this distribution is due to the nature of the industry and work, rather than a reflection of discriminatory practices within our organisation. We are an equal opportunity employer and this is strongly emphasised in our recruiting policies and practices within our organisation.

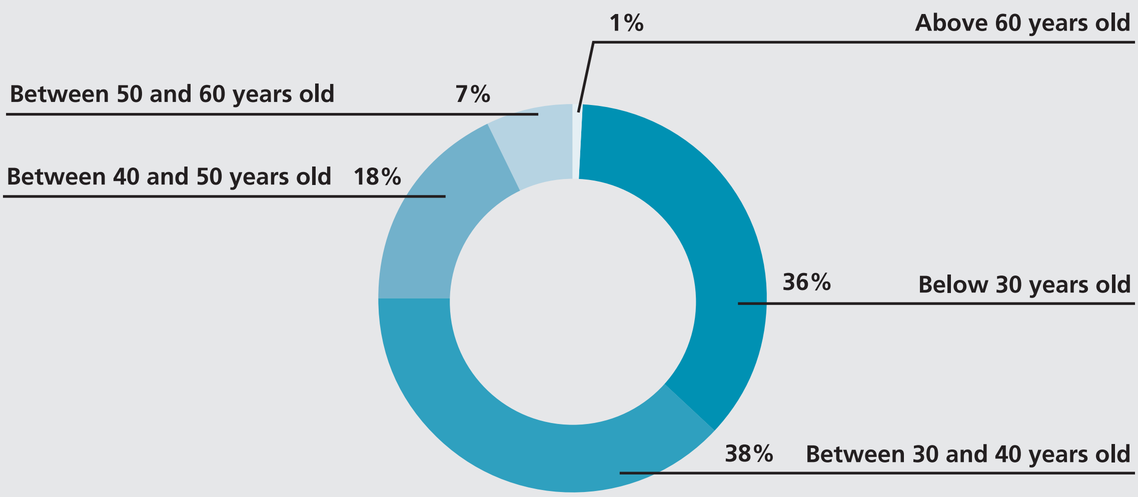
EXISTING EMPLOYEES AS AT 31 DECEMBER 2017 **Figure 1**



We value the services of our employees and strongly believe that they should be fairly remunerated for their work. On top of the fixed compensation package, we provide Company cars and reimbursement for all work-related travel expenses for our employees whose job scope requires frequent commuting. We also engage in other activities to enhance the welfare of our employees. These include organising events and giving out awards throughout the year to express our gratitude.

DISTRIBUTION OF WORKFORCE BY AGE

Figure 2



For the past 8 years, we have held annual Deepavali dinner and Chinese New Year Lunch for all employees. Food and beverages are provided and activities, such as lucky draws, are organised for employees to win prizes.

There is also a larger scale incentive trip that is organised on an annual basis. All employees are invited to participate in this all-expenses paid trip. As a business with strong family orientation, we understand the importance of family and as such, these trips are also extended to immediate family members of our employees. Our employees are highly encouraged to invite their family members to join these trips with expenses being subsidised by the Group.

	Number of Employees			Percentage of Employees who worked
Management Level	**5–10 years**	**10–15 years**	**> 15 years**	**> 5 years**
Senior Management	—	1	3	80%
Middle Management	8	9	6	48%
Foreign Workers	22	6	2	15%

The average employment period of our employees is approximately 4 years. We also have long serving employees who have remained with us for more than 10 years. This stands around 8% of our total workforce.

While we appreciate the hard work and services of all our employees, we are extremely grateful for our long serving employees. Long service awards are given out to employees who are in their 10th or 15th year of employment, during our Group's annual Deepavali dinner. In year 2017, there was a total of 24 recipients for the long service awards.

Material Area 6: Working/Living Environment

More than half of our work force is made up of foreign workers. These foreign workers currently live in the Group's dormitory at 85 Tagore Lane. We view our foreign workers as valuable assets of the organisation and as their employer, we are accountable for their welfare both at work and in the dormitory. As such, we see it as our responsibility to ensure that acceptable living conditions are provided to them at all times.

Residents of our dormitory are provided meals (up to 4 meals a day) and laundry services. Our dormitories are equipped with facilities such as an entertainment centre, gym and internet networks on each floor of the dormitory. Additionally, the rooftop serves as a common area for all residents to come together. We are extremely proud of our dormitory services. In 2012, we were mentioned in the newspaper for providing outstanding dormitory facilities and services to our dormitory residents. We have also been commended in a Singapore Parliament session for maintaining our self-owned dormitory with good living conditions.

Currently, approximately 36% of our foreign workers are housed in our dormitory while the remaining employees are housed in an externally managed dormitory. It is important to us that we are able to have greater control over the quality of services provided in these dormitories. As such, we are in the process of expanding our dormitories through a secondary property at 202 Tagore Lane. With this secondary property, we aim to house majority of our foreign workers in our self-managed dormitories so that we can ensure a consistently high standard of living for all of our foreign workers.

prime.news

Drive to ensure foreign workers get proper housing

Clean dorm = happier, more productive workers

Of rats and rubbish

Clean dorm = happier, more productive workers

AMID reports of foreign workers living in appalling conditions, one dormitory set up by an engineering company in Tagore Lane is a bright spot.

The 150 workers employed by Sing Moh Electrical Engineering have a Wi-Fi connection and a rooftop area for their meals; they are also provided with televisions, washing machines and dryers.

And get this: These workers stay free of charge. They need only pay for their meals.

It was not always like this.

Sing Moh bit the bullet and put $3.5 million into buying the plot of land in Tagore Lane and building the dormitory and office after it received complaints from its workers that the dormitories they lived in were overcrowded and dirty.

There was also a cost imperative: The company's workers, mostly from India, were being housed in dormitories across the island, which made it a logistical nightmare transporting them to and from their work sites.

Sing Moh director Kenneth Teo says the expenditure was a wise investment, with the workers now "happier and more productive".

He adds: "We operate the dorm, so we can set strict rules and get the workers to follow them. This ensures the dorm is clean and tidy. The senior workers are in charge of reminding the other workers that they must not eat in their rooms."

Mr Teo says the company hopes to make the dorm "a home away from home" for its workers.

Sing Moh organises celebrations at the dorm during Chinese New Year and Deepavali, during which the workers are treated to meals. Games are also organised.

Workers say they are thankful for the effort put into improving their living conditions.

Mr Pulikuttiya Pillai Srinivasan, 41, says: "The dorm is clean and comfortable. I can rest well at night and work hard the next day."

Mr Ravuthayan Vasan, 31, says: "I used to work in Malaysia and the dorm there had cockroaches and the toilets were dirty. The dorm here is very nice. I am happy here."

AMELIA TAN

ST FILE PHOTO

Aspect B2: Health and Safety

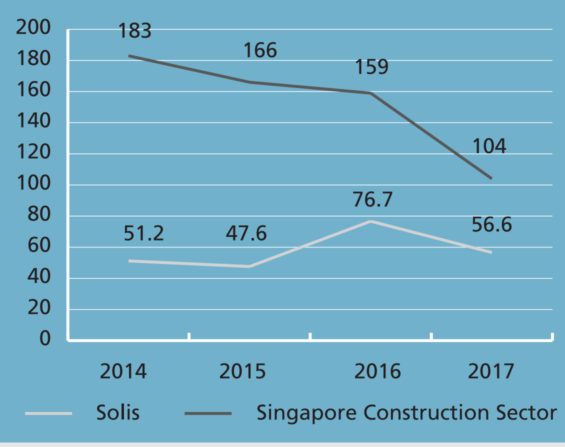
The Group acknowledges the safety risks that are inherent in the construction business that we operate in. As such, we place great emphasis on maintaining workplace health and safety. The Group's health and safety is managed in two areas: On-site and Off-site.

Material Area 7: Workplaces' Health and Safety

Over the years, we have maintained a healthy safety records with our Accident Severity Rate (ASR) falling significantly below the national average. This is evidenced in Figure 3.

Internally, we have also put in place a Health and Safety policy, which are conducted in 3 stages: Planning, Implementation and Monitoring. At the planning stage, we conduct rigorous planning to ensure that all potential risks are identified and precautionary measures are put in place. Following this, we implement and communicate to all employees to increase their awareness towards the importance of health and safety. Lastly, ongoing monitoring helps us to identify and rectify the weaknesses in our current procedures.

ACCIDENT SEVERITY RATE YEAR 2014–2017 Figure 3



The Group's efforts placed on health and safety has gained recognition from external professionals, as well as our main contractors. At present, the Group is certified under OHSAS18001:2007 Health and Safety Management and have also achieved the bizSAFE STAR accreditation. We have also received multiple awards for our excellent safety awareness on site by our main contractors for the projects that we have worked on.

New construction technologies have also been adopted by the Group to reduce the inherent industrial risks faced by our employees. Previously, we adopted the Building Informational Modelling (BIM) technology in our projects. This technology allowed us to visualise our projects better and helped us to identify problems prior to execution. Currently, we are one of the first few companies who have adopted the new construction methodology known as Prefabricated Pre-Finished Volumetric Construction (PPVC) method. This method allows our workers to be able to conduct all the work at ground level thus effectively reducing a significant proportion of risk. This method is being used for 2 of our projects and we have been specially mentioned in The SME Magazine by The Business Times for being one of the first few SMEs who have adopted the PPVC method.

Construction Productivity

AN OFF-SITE REVOLUTION

MORE SMEs IN THE CONSTRUCTION SECTOR ARE ADOPTING NEW TECHNOLOGIES TO SAVE COSTS AND BOOST PRODUCTIVITY

GAME CHANGING TECHNOLOGY

E

UTION

reliance on foreign workers. The Second Construction Productivity Roadmap that was unveiled earlier this year aims to drive the sector towards meeting the national productivity target of an average 2-3 per cent improvement annually from 2011 to 2020.

A big part of that push involves promoting labour-efficient construction methods such as PPVC, where as much work as possible is done off-site. PPVC can be used for a variety of developments, including residential, mixed-use and hotels, and contractors and service providers here are already starting to employ this exciting technology.

One SME that has adopted PPVC is mechanical and electrical (M&E) engineering services company Sing Moh Electrical Engineering. The firm is responsible for installing all the fittings in the units of the North Hill project at the off-site location.

Apart from the cost and productivity benefits, being able to do its work at the ground level also increases worker safety, says Sing Moh director Kenneth Teo. "If we didn't use PPVC, we might have to work as high as 12 or 13 floors up, where there is the risk of working at height. Now, the risk is reduced and there is no value you can put on that - it is priceless," he says.

The North Hill project is Sing Moh's first experience with PPVC, and required some changes in thinking initially. "Being something new, there was a learning curve for us. It required everyone to change their mindset. But once we overcame that, we recognised the benefits of working this way," remarks Mr Teo.

Sing Moh had earlier adopted other construction technologies such as Building Information Modelling (BIM), which can be used to model everything from graphics, drawings and reports to design analysis, schedules and facilities management. This helps to surface problems before actual work begins and allows building teams to make better-informed decisions as well as foster greater collaboration among team members.

Says Mr Teo: "Before it happens on-site, we can already visualise problems using the software and coordinate with other teams on how to correct it."

Aspect B3: Development and Training

Material Area 8: Professional Development

At Solis, we believe that success is never for certain and that continuous development is the key to ensuring sustainable success. As such, all employees are encouraged to attend training sessions that support them in their professional development. Our human resource department also play an active role in assisting them in the identification of appropriate courses.

For our foreign workers, they are sent for training relating to quality, occupational health and safety courses that are required by Ministry of Manpower ("MOM") or BCA. For other employees, they also attend conferences and training courses for the purposes of skill enhancement or the renewal of their professional license. In year 2017, a total of 148 employees received external training that were related to their job scope.

Aspect B4: Labour Standards

Material Area 9: Child and Forced Labour

As our operations are based in Singapore, we strictly adhere to the regulations laid out by the Singapore Government. The minimum legal age for working in Singapore is governed by Part VII of the Employment Act and the Employment (Children and Young Persons) Regulations, which are both enforced by MOM. During the reporting period, the Group has not hired any child labour or forced labour, nor has the Group found to have any significant non-compliances with any relevant laws and regulations. This is attributable to the set of internal working standards and guidelines, which the Group has established to carefully verify the background, identity, qualification and competence of each worker.

Aspect B5: Supply Chain Management

Material Area 10: Supplier Relationship Management

The Group's supply chain is especially critical as we subcontracted various scope of works, namely in relation to air-conditioning and mechanical ventilation systems, and fire protection systems, due to the absence of onsite workers for installation of the mechanical engineering works. To ensure continuous stream of services and products provided, we avoid excessive reliance on a small number of suppliers.

We currently maintain a list of more than 170 suppliers on our approved vendor list. Specifically, for each major category of supplies, such as electrical cables, switchgears, electrical components, low voltage systems and lightings, we will ensure that a back-up supplier has been identified. In the event of supply chain disruption from our main suppliers, we will be able to resume our supplies from these back-up suppliers.

As at 31 December 2017, a majority of our suppliers are long term suppliers who have worked with us for more than 5 years. This is attributable to our efforts spent in establishing good relationships with our key vendors. We have not encountered any material disagreement nor dispute with our suppliers to date.

Aspect B6: Product Responsibility

Material Area 11: Quality Control and Assurance

The success of our business hinges on customer's confidence in our quality and reliability of our services, hence we constantly strive to provide the best quality to our customers.

We have been certified under ISO9001:2008 since 2000 due to the presence of our robust quality management system in the provision of mechanical and electrical services. Prior to the delivery of end-products to our customers, we conduct the following quality checks:

— Site performance testing to ensure that M&E systems are installed as per customers' requirements.

— Pre-handover inspection conducted to rectify any defective works before handover inspection;

— Testing and commissioning of the installed M&E systems; and

— Handing over inspection that is carried out jointly with our customer.

For Prefabricated Prefinished Volumetric Construction ("PPVC") projects, in particular, we carry out site performance testing to ensure that the M&E systems are properly installed in each PPVC module. For overseas PPVC M&E installations carried out by our sub-contractors, our project team will perform inspection at the off-site location to ensure that the installation works are properly carried out. Prior to the shipment of the PPVC modules to the various sites, our customer (the main contractor) will have its project team to ensure that each PPVC module is constructed as specified, including the installation of M&E works. Once on-site, our project team will also perform final quality checks to ensure that each PPVC module can be safely connected to the next module before installation.

In the event of complaints received from customers, we have established a set of policies and procedures to address our customers' concerns on a timely manner. Investigations will be carried out to establish the root causes of the complaints. The Group will also follow-up with the affected customers to provide resolutions and reassurance.

Material Area 12: Confidentiality of Stakeholder's Data

Our stakeholders trust us with their personal information. We strive to uphold this trust by putting in place data-security measures to ensure the confidentiality of our customers' data. We comply with all laws and regulations, including Personal Data Protection Act, and have implemented a range of data-security procedures to enhance our data privacy process. In year 2017, we have also rolled out a data protection policy to increase employees' awareness towards the handling of confidential information. Sensitive customer data are restricted on a need-to-know basis.

Aspect B7: Anti-Corruption

Material Area 13: Business Conduct and Ethics

We maintain a high standard of business integrity throughout our operations and tolerate no corruption or bribery in any form. We have developed a Code of Conduct that defines the minimum standard of business practices that all directors, officers and employees are required to abide by.

We engage in and are committed to maintain constant dialogue with employees, including key management as well as directors, regarding code of conduct. Our key management places great emphasis on the compliance to the code and any instance of non-compliance will be met with harsh disciplinary action.

Aspect B8: Community Investment

Material Area 14: Social Contribution

The Group has always been philanthropic and with social responsibility in mind, we are committed to contributing back to society. During the reporting period, the major donations were mainly to help the need in the society. We made donations through our support to the activities of The Community Chest of Hong Kong, which would donate to other institutions. Rehabilitation and aftercare services, community development services, family and child welfare services and elderly services account for a major proportion.

Moving forward, we will continue in our efforts in giving back to society and look into expanding our community engagement to include volunteer services with charitable organisations.

To the Shareholders of Solis Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Report on the Audit of the Combined Financial Statements

Opinion

We have audited the combined financial statements of Solis Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the combined statement of financial position as at 31 December 2017, the combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows for the year then ended, and notes to the combined financial statements, including a summary of significant accounting policies set out on pages 60 to 115.

In our opinion, the accompanying combined financial statements give a true and fair view of the combined financial position of the Group as at 31 December 2017, and of its combined financial performance, combined changes in equity and combined cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). 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 International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA 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 combined financial statements of the current period. These matters were addressed in the context of our audit of the combined financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in the audit
Revenue recognition from contracts	
The Group's main revenue is contract revenue for the installation of mechanical and electrical systems. The Group recognises contract revenue and contract cost by reference to the stage of completion of the contract activity at the end of each reporting period, measured based on the proportion that revenue recognised with reference to the proportion that contract cost incurred for work performed to date relative to the estimated total contract costs. As disclosed in Note 5(a) to the combined financial statements, significant assumptions are required in determining the estimated total contract costs. Any change to the total contract costs will impact the percentage of completion resulting in an impact to the revenue recognised during the year. Revenue recognised from contracts is disclosed in Note 6 to the combined financial statements.	Our audit procedures included: • Evaluated the design and implementation of relevant key controls over the revenue recognition from contracts. • For a selection of completed projects during the year, we performed retrospective reviews by comparing the total actual cost incurred at completion against the budgeted cost to assess the reasonableness of management's estimate. • For a selection of projects in progress at the end of the reporting period, we assessed management's assumptions on costs to complete the projects by, (i) agreeing estimated costs that have been committed to quotations and contracts entered; (ii) assessing reasonableness of budget by comparing progress billing over total contract sum % with percentage of completion %. • In relation to claims or variation orders raised against customers, we selected samples and checked to supporting documents to validate whether it is probable that the customers will accept the claims or approve the variation orders, and whether the amount can be measured reliably. We also assessed the historical experience of management's judgement on the settlement of claims and variation orders. • On a sample basis, performed cut-off testing to check that contract costs incurred are taken up in the appropriate financial period.

Information Other Than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the 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 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 IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern basis, disclosing, as applicable, matters relating 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 are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 combined financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Ng Meng Chuan.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants

Singapore
26 March 2018

Combined Statement of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2017

	Note	2017 S$'000	2016 S$'000
Revenue	6	**37,570**	39,953
Cost of services		**(23,126)**	(22,302)
Gross profit		**14,444**	17,651
Other income	7	**122**	181
Other (losses) gains	7	**(23)**	57
Administrative expenses		**(4,460)**	(4,066)
Finance costs	8	**(31)**	(3)
Listing expenses		**(3,151)**	—
Profit before taxation		**6,901**	13,820
Income tax expense	9	**(1,506)**	(2,272)
Profit for the year	10	**5,395**	11,548
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Surplus (deficit) on revaluation of freehold property	15	**443**	(919)
Items that may be reclassified subsequently to profit or loss:			
Surplus (deficit) on changes in fair value of intangible assets	16	**38**	(5)
Surplus (deficit) on changes in fair value of available-for-sale investment	17	**39**	(4)
		77	(9)
Other comprehensive income (loss) for the year		**520**	(928)
Total comprehensive income for the year		**5,915**	10,620
Basic and diluted earnings per share (S$ cents)	36	**0.84**	1.83

See accompanying notes to combined financial statements.

Combined Statement of Financial Position

As at 31 December 2017

	Note	2017 S$'000	2016 S$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**17,801**	12,169
Intangible assets	16	**192**	135
Available-for-sale investment	17	**164**	125
		18,157	12,429
Current assets			
Trade receivables	18	**5,814**	8,726
Other receivables, deposits and prepayments	19	**221**	466
Amounts due from customers for contract work	20	**11,899**	1,911
Amounts due from ultimate holding company	21	**5**	—
Pledged fixed deposits	22	**209**	208
Bank balances and cash	22	**30,704**	8,761
		48,852	20,072
Current liabilities			
Trade payables and trade accruals	23	**6,696**	3,298
Other payables and accrued expenses	24	**3,730**	2,122
Amounts due to customers for contract work	20	**344**	2,779
Obligations under finance leases	25	**111**	97
Income tax payable		**1,628**	2,443
Bank borrowings	31	**388**	—
		12,897	10,739
Net current assets		**35,955**	9,333
Total assets less current liabilities		**54,112**	21,762
Non-current liabilities			
Obligations under finance leases	25	**89**	191
Bank borrowings	31	**1,349**	—
Deferred tax liabilities	26	**87**	50
		1,525	241
Net assets		**52,587**	21,521
Capital and reserves			
Share capital	27	**1,454**	1,500
Reserves	28	**51,133**	20,021
Total equity		**52,587**	21,521

See accompanying notes to combined financial statements.

Combined Statement of Changes in Equity

For the financial year ended 31 December 2017

	Share capital S$'000	Share premium S$'000	Retained earnings S$'000	Merger reserve S$'000 (Note 28(i))	Revaluation reserve for intangible assets S$'000 (Note 28(ii))	Revaluation reserve for available-for-sale investment S$'000 (Note 28(iii))	Revaluation reserve for property, plant and equipment S$'000 (Note 28(iv))	Total S$'000
Balance at 1 January 2016	1,500	—	11,621	—	5	113	7,662	20,901
Total comprehensive income for the year:								
Profit for the year	—	—	11,548	—	—	—	—	11,548
Other comprehensive loss for the year	—	—	—	—	(5)	(4)	(919)	(928)
	—	—	11,548	—	(5)	(4)	(919)	10,620
Transactions with owner, recognised directly in equity:								
Dividends declared (Note 11)	—	—	(10,000)	—	—	—	—	(10,000)
Balance at 31 December 2016	1,500	—	13,169	—	—	109	6,743	21,521
Total comprehensive income for the year:								
Profit for the year	**—**	**—**	**5,395**	**—**	**—**	**—**	**—**	**5,395**
Other comprehensive income for the year	**—**	**—**	**—**	**—**	**38**	**39**	**443**	**520**
	—	**—**	**5,395**	**—**	**38**	**39**	**443**	**5,915**
Transactions with owner, recognised directly in equity:								
Transfer upon Group Reorganisation	**(1,500)**	**—**	**—**	**1,500**	**—**	**—**	**—**	**—**
Issue of shares under the capitalisation issue (Note 27)	**1,090**	**(1,090)**	**—**	**—**	**—**	**—**	**—**	**—**
Issue of shares under the Share Offer (Note 27)	**364**	**30,528**	**—**	**—**	**—**	**—**	**—**	**30,892**
Share issue expenses	**—**	**(2,741)**	**—**	**—**	**—**	**—**	**—**	**(2,741)**
Dividends paid (Note 11)	**—**	**—**	**(3,000)**	**—**	**—**	**—**	**—**	**(3,000)**
Total	**(46)**	**26,697**	**(3,000)**	**1,500**	**—**	**—**	**—**	**25,151**
Balance at 31 December 2017	**1,454**	**26,697**	**15,564**	**1,500**	**38**	**148**	**7,186**	**52,587**

The combined financial statements on pages 60 to 115 were approved and authorised for issue by the Board of Directors on 26 March 2018 and are signed on its behalf by:

Tay Yong Hua
Chairman and Executive Director

Kenneth Teo
Executive Director

See accompanying notes to combined financial statements.

Combined Statement of Cash Flows

For the financial year ended 31 December 2017

	Note	2017 S$'000	2016 S$'000
Operating activities			
Profit before taxation		**6,901**	13,820
Adjustments for:			
Depreciation of property, plant and equipment		**434**	334
Gain on disposal of property, plant and equipment	7	**—**	(57)
Interest income	7	**(77)**	(73)
Interest expense	8	**31**	3
Dividend income	7	**(3)**	(2)
Revaluation deficit on acquisition of a new property	7	**23**	—
Staff loan written off		**14**	—
Unrealised exchange loss		**373**	—
Operating cash flows before working capital changes		**7,696**	14,025
Movements in working capital:			
Decrease (increase) in trade receivables		**2,912**	(677)
Decrease (increase) in other receivables, deposits and prepayments		**231**	(97)
(Increase) decrease in amounts due from customers for contract work		**(9,988)**	88
Increase in amount due from ultimate holding company		**(5)**	—
Increase in trade payables and trade accruals		**3,398**	381
Increase (decrease) in other payables and accrued expenses		**712**	(590)
Decrease in amounts due to customers for contract work		**(2,435)**	(3,408)
Cash generated from operations		**2,521**	9,722
Income tax paid		**(2,284)**	(1,714)
Net cash from operating activities		**237**	8,008
Investing activities			
Purchase of property, plant and equipment	15	**(3,647)**	(461)
Proceeds from disposal of property, plant and equipment		**—**	79
Purchase of intangible assets	16	**(19)**	—
Dividend received	7	**3**	2
Interest received		**76**	73
Placement of pledged fixed deposits		**—**	(15,000)
Withdrawal of pledged fixed deposits		**—**	15,000
Net cash used in investing activities		**(3,587)**	(307)

Combined Statement of Cash Flows

For the financial year ended 31 December 2017

	Note	2017 S$'000	2016 S$'000
Financing activities			
Repayments of bank borrowings		**(263)**	—
Repayments of obligations under finance leases		**(88)**	(16)
Interest paid	8	**(31)**	(3)
Advance from shareholders		**—**	1
Repayment to shareholders		**—**	(3)
Dividend paid	11	**(3,000)**	(17,000)
Issue of shares		**30,892**	—
Transaction costs directly attributable to issue of shares (Note A)		**(1,844)**	—
Net cash from (used in) financing activities		**25,666**	(17,021)
Net increase (decrease) in cash and cash equivalents		**22,316**	(9,320)
Effect of foreign exchange rate changes on the balance of cash held in foreign currency		**(373)**	—
Cash and cash equivalents at beginning of the year		**8,761**	18,081
Cash and cash equivalents at end of the year (Note 22)		**30,704**	8,761

Note A: The Group incurred transaction costs of S$2,741,000 (2016: Nil) of which S$897,000 remained unpaid and included in other payables and accrued expenses (Note 24).

See accompanying notes to combined financial statements.

1 General

The Company was incorporated in the Cayman Islands and registered as an exempt company with limited liability on 21 June 2017 under the Cayman Companies Law. Its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business in Hong Kong is at Rooms 802–804, 8th Floor, Kin Wing Commercial Building, 24–30 Kin Wing Street, Tuen Mun, New Territories, Hong Kong. The head office and principal place of business of the Group in Singapore is at 85 Tagore Lane, Singapore 787527. The shares of the Company ("Shares") have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 December 2017.

The Company is a subsidiary of HMK Investment Holdings Limited ("HMK"), a company incorporated in the British Virgin Islands ("BVI") which is also the Company's ultimate holding company. Mr. Tay Yong Hua, Mr. Tay Yong Meng and Mr. Kenneth Teo Swee Cheng ("Mr. Kenneth Teo") jointly controls the ultimate holding company and are the controlling shareholders of Solis Holdings Limited and its subsidiaries (the "Group") (together referred to as the "Controlling Shareholders").

The Company is an investment holding company and the principal activities of its operating subsidiary is principally engaged in the provision of installations of mechanical and electrical systems.

The functional currency of the Company is Singapore dollars ("S$"), which is also the functional currency of its subsidiaries as set out in Note 35.

The combined financial statements are approved by the Board of Directors of the Company on 26 March 2018.

2 Group Reorganisation and Basis of Preparation

To effect the group reorganisation ("Group Reorganisation") for the purpose of the listing of the Shares on the Main Board of the Stock Exchange:

(i) SME International Holdings Limited ("SME"), an investment holding company, was incorporated as a limited liability company under the laws of the BVI on 18 May 2017 and is authorised to issue a maximum of 50,000 ordinary shares with par value of United States dollar ("US$") US$1.00 each. On the date of incorporation, Mr. Tay Yong Hua, Mr. Tay Yong Meng and Mr. Kenneth Teo subscribed for, and SME allotted and issued 90 shares, 6 shares and 4 shares in SME to each of them, respectively, for cash at par.

(ii) On 31 May 2017, SME acquired 1,350,000 shares, 90,000 shares and 60,000 shares, representing the entire issued share capital of Sing Moh Electrical Engineering Pte Ltd ("Sing Moh"), from Mr. Tay Yong Hua, Mr. Tay Yong Meng and Mr. Kenneth Teo, respectively, at a nominal consideration of S$1.00. Upon completion of the transfer, Sing Moh became wholly owned by SME.

2 Group Reorganisation and Basis of Preparation (Continued)

(iii) On 20 June 2017, HMK was incorporated as a limited liability company under the laws of the BVI as the investment holding company of the Controlling Shareholders. On the date of incorporation, HMK is authorised to issue a maximum of 50,000 shares with par value of US$1.00 each, and Mr. Tay Yong Hua, Mr. Tay Yong Meng and Mr. Kenneth Teo subscribed for, and HMK allotted and issued 90 shares, 6 shares and 4 shares, respectively, in HMK to each of them for cash at par.

(iv) On 21 June 2017, the Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 shares with par value of Hong Kong Dollar ("HK$") HK$0.01 each. On the same day, the one initial share was transferred from the initial subscriber to HMK.

(v) On 14 November 2017, the Company entered into a share transfer agreement with Mr. Tay Yong Hua, Mr. Tay Yong Meng and Mr. Kenneth Teo, pursuant to which the Company acquired 90 shares, 6 shares and 4 shares in SME, representing the entire issued shares of SME from Mr. Tay Yong Hua, Mr. Tay Yong Meng and Mr. Kenneth Teo, respectively, in consideration of the Company issuing and allotting one new share to HMK. Upon completion of this share swap arrangement, SME became wholly-owned by the Company and the Company therefore became the holding company of the Group.

Pursuant to the Group Reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group by interspersing the Company and SME between the Controlling Shareholders as well as Sing Moh. The Group comprising the Company and its subsidiaries resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the combined financial statements has been prepared as if the Company had always been the holding company of the Group.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the year ended 31 December 2017 include the results, changes in equity and cash flows of the companies comprising the Group as if the current group structure had been in existence throughout the two years ended 31 December 2017, or since their respective date of incorporation, where there is a shorter period. The combined statements of financial position of the Group as at 31 December 2017 have been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure has been in existence at those dates taking into account the respective dates of incorporation, where applicable.

3 Application of New and Revised International Financial Reporting Standards

On 1 January 2017, the Group has adopted all the new and revised IFRSs and Interpretations of IFRS ("INT IFRS") that are effective and relevant to its operations. The adoption of these new/revised IFRSs and INT IFRSs does not result in significant changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior periods.

3 Application of New and Revised International Financial Reporting Standards (Continued)

At the date of issuance of these combined financial statements, the Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 9	Financial instruments[1]
IFRS 15	Revenue from contracts with customers and the related amendments[1]
IFRS 16	Leases[2]
IFRS 17	Insurance contracts[4]
IFRIC 22	Foreign currency transactions and advance consideration[1]
IFRIC 23	Uncertainty over income tax treatment[2]
Amendments to IFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to IAS 40	Transfers of investment property[1]
Amendments to IFRS	Annual improvements to IFRS standards 2014–2016 cycle except for amendments to IFRS 12[1]

1 Effective for Annual Periods Beginning on or After 1 January 2018
2 Effective for Annual Periods Beginning on or After 1 January 2019
3 Effective for Annual Periods Beginning on or After a date to be determined
4 Effective for Annual Periods Beginning on or After 1 January 2021

Except as described below, the management of the Group considers that the application of the other new and revised standards and amendments is unlikely to have a material impact on the Group's financial position and performance as well as disclosure.

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes. The Group's liabilities arising from financing activities and a reconciliation between the opening and closing balances of these liabilities are set out in Note 32. Consistent with the transition provisions of the amendments, the Group has not disclosed the comparative information for the prior period. Apart from the additional disclosure in Note 32, the application of these amendments has had no material impact on the Group's combined financial statements.

3 Application of New and Revised International Financial Reporting Standards (Continued)

IFRS 9 *Financial Instruments*

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of IFRS 9 "Financial Instruments: Recognition and measurement" are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within 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 amortised 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 generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) on other comprehensive income, with only dividend income generally recognised in profit or loss; and

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. 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 recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of IFRS 9:

Classification and measurement

Listed equity securities classified as available-for-sale investments carried at fair value as disclosed in Note 17: These securities qualified for designation as measured at FVTOCI under IFRS 9, however, the fair value gains or losses accumulated in the investments revaluation reserve amounting to S$148,000 as at 1 January 2018 will no longer be subsequently reclassified to profit or loss under IFRS 9, which is different from the current treatment. This will affect the amounts recognised in the Group's profit or loss and other comprehensive income but will not affect total comprehensive income.

All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under IAS 39.

3 Application of New and Revised International Financial Reporting Standards (Continued)

IFRS 9 *Financial Instruments* (Continued)

Impairment

Financial assets measured at amortised cost, available-for-sale investment carried at FVTOCI under IFRS 9, and amounts due from customers for contract work will be subjected to the impairment provisions of IFRS 9.

The Group expects to apply the simplified approach to recognise expected credit losses for its trade receivables and amounts due from customers for contract work as required or permitted by IFRS 9.

In general, the directors anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognised for these items.

Except for the potential early recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised costs, the directors of the Group anticipate that the adoption of IFRS 9 in the future may not have other significant impact on amounts reported in respect of the Group's financial assets based on an analysis of the Group's financial instruments as at 31 December 2017.

IFRS 15 *Revenue from Contracts with Customers and related amendments*

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction contracts" and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise 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: Recognise revenue when (or as) the entity satisfies a performance obligation

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

In year 2016, the IASB issued clarification to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

3 Application of New and Revised International Financial Reporting Standards (Continued)

IFRS 15 *Revenue from Contracts with Customers and related amendments* (Continued)

The directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of IFRS 15 will have a material impact on the timings and amounts of revenue recognised in the respective reporting periods.

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 "Leases" and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments are presented as operating cash flows. Under the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned. In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

The Group's non-cancellable operating lease commitments as at 31 December 2017 amounted to S$111,000 disclosed in Note 12 to the combined financial statements. A preliminary assessment indicates that these arrangements will meet the definition of short term leases under IFRS 16, and hence the Group will be able to apply the short-term lease exemption under IFRS 16. Accordingly, the directors of the Company do not anticipate that the application of IFRS 16 will have a material impact in the amounts reported and disclosures made in the combined financial statements.

Except for the above, the directors of the Company anticipate that the application of the other new and amendments to IFRSs will have no material impact on the combined financial statements of the Group in future.

4 Significant Accounting Policies

Basis of Accounting

The combined financial statements have been prepared in accordance with IFRSs issued by the International Accounting Standards Board ("IASB").

In addition, the combined financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the applicable disclosures required by the Hong Kong Companies Ordinance.

The combined financial statements have been prepared on the historical cost basis except for certain properties, intangible assets and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

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 if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the combined financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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.

The principal accounting policies adopted are set out below.

4 Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

Basis of combination

The combined financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. 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 Group 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.

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

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

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Financial Instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised 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 through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments.

4 Significant Accounting Policies (Continued)

Financial Instruments (Continued)

Financial assets

All financial assets are recognised and derecognised 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, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Available-for-sale investments

Shares securities held by the Group are classified as being available for sale and are stated at fair value. Fair value is determined in the manner described in Note 34. Gains and losses arising from changes in fair value are recognised in other comprehensive income with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income and accumulated in revaluation reserve is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established. The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at end of the reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the available-for-sale monetary asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, bank balances and cash, and pledged fixed deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting would be immaterial.

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be 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 assets have been affected.

For available-for-sale equity instrument, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For all other financial assets held by the Group, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or

4 Significant Accounting Policies (Continued)

Financial Instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

- It becoming probable that the counterparty will enter bankruptcy or the disappearance of an active market for that financial asset because of financial difficulties

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the assets' 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.

Impairment loss for loans and receivables are assessed on an individual basis.

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 or other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, 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 was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income and accumulated under the heading of revaluation reserve.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

4 Significant Accounting Policies (Continued)

Financial Instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities

Financial liabilities (including trade payables and trade accruals, other payables and accrued expenses, obligations under finance leases and bank borrowings) are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Interest expense calculated using the effective interest method is recognised over the term of the borrowing in accordance with the Group's accounting policy for borrowing costs.

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 issued by the Group are recognised at the proceeds received, net of direct issue costs.

De-recognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment of tangible and intangible assets

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. When 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 are tested for impairment at least annually, and whenever there is an indication that may be impaired.

4 Significant Accounting Policies (Continued)

Financial Instruments (Continued)

Impairment of tangible and intangible assets (Continued)

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 a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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 recognised in profit or loss in the period in which they are incurred.

Contract costs

Costs of contracts include costs that relate directly to the specific contract and costs that are attributable to contract activity and can be allocated to the contract. Such costs include but are not limited to material, labour, hire of equipment and subcontract cost.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract works. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract works. Amounts received before the related work is performed are included in the statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the statement of financial position under trade receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at bank and fixed deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

4 Significant Accounting Policies (Continued)

Property, plant and equipment

Freehold property held for use in the supply of goods or services, or for administrative purposes, are stated in the statement of combined financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Any revaluation increase arising on the revaluation of such land and building is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and building is charged to profit or loss to the extent that it exceeds the balance, if any, held in the reserve relating to a previous revaluation of that asset.

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method, on the following bases:

Plant and machinery	3 to 8 years
Building	30 years
Computer and software	3 years
Office equipment	3 to 6 years
Motor vehicles	6 years
Renovations, furniture and fittings	6 to 8 years

No depreciation is provided 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. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on 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 recognised in profit or loss.

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.

4 Significant Accounting Policies (Continued)

Intangible assets

Intangible assets are carried at revalued amounts, being their fair value at the date of the revaluation. Any revaluation increase arising from revaluation of intangible assets is recognised in other comprehensive income and accumulated in reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognise in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an intangible asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Intangible assets with indefinite useful lives are not amortised. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy above.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss when the asset is derecognised.

Provisions

Provisions are recognised 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 recognised 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 recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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.

4 Significant Accounting Policies (Continued)

Leases (Continued)

The Group as lessee

Assets held under finance leases are initially recognised 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 an obligation under finance lease. 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.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Contract revenue

Where the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of each reporting period, measured based on the proportion that revenue recognised with reference to the proportion that contract cost incurred for work performed to date relative to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Interest income

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

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

4 Significant Accounting Policies (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments made to Central Provident Fund ("CPF") are recognised as expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Taxation

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 before taxation" as reported in the 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 by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the combined financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises 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.

4 Significant Accounting Policies (Continued)

Taxation (Continued)

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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on 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.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Foreign Currency Transactions and Translation

The combined financial statements of the Group are measured and presented in Singapore dollars, the currency of the primary economic environment in which the Company and its subsidiaries operates (their functional currencies).

In preparing the combined financial statements of the Group, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on 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 recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

5 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The Company's 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 recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

(a) Contract revenue and costs

The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each contract as the contract progresses. Budgeted contract costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit recognised in each period.

Recognised amounts of contract revenue and related receivables reflect management's best estimate of each contract's outcome and stage of completion, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going contracts. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(b) Impairment of receivables

The Group recognises impairment of receivables based on the recoverability of the receivables. If there is any indication that the receivables may be unrecoverable, impairment shall be recognised. The recognition of impairment requires judgement and estimation. If there is a difference between the re-estimated results and the existing estimation, it will affect the profit or loss and the carrying amount of receivables during the periods in which the estimation changes.

6 Revenue and Segment Information

Revenue represents the fair value of amounts received and receivable from the contract revenue for the installations of mechanical and electrical systems.

Information is reported to the executive directors of the Group, who are the chief operating decision makers, for the purposes of resource allocation and performance assessment. They would review the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in Note 4. Accordingly, the Group has only one single operating segment and no further discrete financial information nor analysis of this single segment is presented.

Major customers

The revenue from customers individually contributed over 10% of total revenue of the Group during the year are as follows:

	Year ended 31 December	
	2017	2016
	S$'000	S$'000
Customer A	**N/A***	13,851
Customer B	**N/A***	14,393
Customer C	**N/A***	4,507
Customer D	**18,876**	N/A*
Customer E	**8,747**	N/A*

* The corresponding revenue did not contribute over 10% of the total revenue of the Group in the respective financial years.

Geographical information

The Group principally operates in Singapore, which is also the place of domicile. All revenue was derived from Singapore based on the location of services delivered and the Group's property, plant and equipment are all located in Singapore.

7 Other Income, Other (Losses) Gains

	Year ended 31 December	
	2017 S$'000	2016 S$'000
Other income		
Interest income	77	73
Dividend income	3	2
Government grants	42	96
Others	—	10
	122	181
Other (losses) gains		
Gain on disposal of property, plant and equipment	—	57
Revaluation deficit on acquisition of a new property	(23)	—
	(23)	57

8 Finance Costs

	Year ended 31 December	
	2017 S$'000	2016 S$'000
Interest expense:		
— Obligations under finance leases	12	3
— Bank borrowings	19	—
	31	3

9 Income Tax Expense

	Year ended 31 December	
	2017	2016
	S$'000	S$'000
Tax expense comprise:		
Current tax		
— Singapore corporate income tax ("CIT")	**1,628**	2,261
— Overprovision in prior years	**(159)**	—
Deferred tax expense (Note 26)	**37**	11
	1,506	2,272

Singapore CIT is calculated at 17% of the estimated assessable profit eligible, for CIT rebate of 50%, capped at S$25,000 for YA 2017, and adjusted to 40% capped at S$15,000 for YA 2018. Singapore incorporated companies can also enjoy 75% tax exemption on the first S$10,000 of normal chargeable income and a further 50% tax exemption on the next S$290,000 of normal chargeable income.

The taxation for the respective year ends can be reconciled to the profit before taxation per the statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2017	2016
	S$'000	S$'000
Profit before taxation	**6,901**	13,820
Tax at applicable tax rate of 17% (2016: 17%)	**1,173**	2,349
Tax effect of expenses not deductible for tax purpose	**82**	38
Tax effect of income not taxable for tax purpose	**—**	(12)
Effect of tax concessions and partial tax exemptions	**(205)**	(103)
Overprovision of tax in prior years	**(159)**	—
Effect of different tax rates of the Company and subsidiary operating in other jurisdictions	**615**	—
Income tax expense	**1,506**	2,272

10 Profit for the Year

Profit for the year has been arrived at after charging:

	Year ended 31 December	
	2017	2016
	S$'000	S$'000
Depreciation of property, plant and equipment	**434**	334
Auditor's remuneration (Note a)	**140**	64
Directors' remuneration (including contributions to CPF)	**1,268**	1,040
Other staff costs		
— Salaries and other benefits	**7,854**	8,951
— Contributions to CPF	**262**	274
Total staff costs (Note b)	**9,384**	10,265
Subcontractor costs recognised as cost of services	**2,788**	891
Minimum lease payments under operating leases (Note c)	**478**	550

Note:

a. This excludes other assurance services of S$300,000 (2016 : Nil) paid to the auditors of the Company and S$300,000 (2016 : Nil) paid to member firm of the auditors of the Company in relation to the Company's listing on the Stock Exchange on 11 December 2017.

b. Staff costs of S$7,160,000 (2016 : S$7,975,000) are included in cost of services.

c. Lease payments of Nil (2016 : S$7,000) are included in cost of services.

11 Dividends

During the financial year ended 31 December 2016, Sing Moh declared dividend of S$4.67 per ordinary share totalling S$7,000,000 in respect of the financial year ended 31 December 2015 and dividend of S$2 per ordinary share totalling S$3,000,000 in respect of the financial year ended 31 December 2016. The total dividends were paid out to the then shareholders in 2016 before the Group Reorganisation.

During the financial year ended 31 December 2017, SME declared and paid dividend of S$2 per ordinary share totalling S$3,000,000 in respect of the financial year ended 31 December 2016 to the then shareholders before the Group Reorganisation.

No other dividend has been declared by the Company or Group's subsidiaries during the year or subsequent to the year end.

12 Operating Lease Commitments

The Group as lessee

	Year ended 31 December	
	2017	2016
	S$'000	S$'000
Minimum lease payments paid during each of the year under operating lease in respect of staff dormitories and equipment	**478**	550

Future minimum rental payable under non-cancellable leases as at the end of reporting period are as follows:

	Year ended 31 December	
	2017	2016
	S$'000	S$'000
Within 1 year	**111**	153

The leases have tenures mainly for one year, with no renewal option or contingent rent provision included in the contracts. There is no restriction placed upon the Group by entering into these leases.

13 Related Party Transactions

Other than compensation of key management personnel which is disclosed in Note 14, and personal guarantee provided by directors as disclosed below, there are no known transactions with related parties during both years.

Guarantees by directors

The directors provided personal guarantees in respect of performance guarantees, immigration and undertaking bonds for foreign workers in favour of the Group during the year, of which $7,341,000 (2016 : S$8,007,000) remained outstanding as at year end.

The directors also provided joint and several personal guarantees in respect of the banking facilities and bank borrowings, during the year, as disclosed in Note 29 and 31 respectively. As at 31 December 2017, other than bank borrowings of S$1,737,000, in respect of the purchase of Freehold Property B as at 31 December 2017, the remaining trade facilities remained unutilised.

14 Directors', Chief Executive's Emoluments and Employees' Emoluments

Directors' and chief executive's emoluments

Mr. Tay Yong Hua, Mr. Tay Yong Meng and Mr. Kenneth Teo were appointed as directors of the Group on 21 June 2017. Ms. Theng Siew Lian Lisa, Mr. Law Wang Chak Waltery and Mr. Tan Sin Huat Dennis were appointed as independent non-executive directors of the Company on 14 November 2017. The emoluments paid or payable to the directors and chief-executive of the Company are as follows:

Year ended 31 December 2017	Directors' fees S$'000	Salaries and allowance S$'000	Bonus S$'000	Contribution to retirement benefit scheme S$'000	Total S$'000
Executive Directors					
Mr. Tay Yong Hua (i)	—	310	210	13	533
Mr. Tay Yong Meng	—	190	150	17	357
Mr. Kenneth Teo (ii)	—	203	150	17	370
Sub-total	—	703	510	47	1,260
Independent Non-executive Directors					
Ms. Theng Siew Lian Lisa	3	—	—	—	3
Mr. Law Wang Chak Waltery	2	—	—	—	2
Mr. Tan Sin Huat Dennis	3	—	—	—	3
Sub-total	8	—	—	—	8
Total	8	703	510	47	1,268

14 Directors', Chief Executive's Emoluments and Employees' Emoluments (Continued)

Directors' and chief executive's emoluments (Continued)

Year ended 31 December 2016	Salaries and allowance S$'000	Bonus S$'000	Contribution to retirement benefit scheme S$'000	Total S$'000
Executive Directors				
Mr. Tay Yong Hua (i)	300	150	14	464
Mr. Tay Yong Meng	178	90	17	285
Mr. Kenneth Teo (ii)	190	84	17	291
Total	668	324	48	1,040

(i) Mr. Tay Yong Hua acts as Executive Chairman of the Company.

(ii) Mr. Kenneth Teo acts as Chief Executive Officer of the Company.

The Executive Directors' emoluments shown above were for their services in connection with the management affairs of the Group. Performance related bonus was determined by reference to their duties and responsibilities of the relevant individual within the Group and the Group's performance. The emoluments stated above were mainly for their services in connection with their roles as directors of the Group. The independent non-executive director's emolument were for their services as directors of the Company.

During the year, no remuneration was paid by the Group to the directors of the Group as an inducement to join or upon joining the Group or as compensation for loss of office. Each of the directors has not waived any remuneration during the year.

14 Directors', Chief Executive's Emoluments and Employees' Emoluments (Continued)

Employees' emoluments

The remunerations of the five highest paid individuals, including the 3 directors and 2 individuals, over the years ended 31 December 2017 and 31 December 2016 are as below:

	Year ended 31 December	
	2017	2016
	S$'000	S$'000
Salaries and allowances	**920**	830
Discretionary bonus	**634**	406
Contribution to retirement benefit scheme	**82**	81
Total compensation	**1,636**	1,317

The number of non-director highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December	
	2017	2016
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**1**	—
HK$1,500,001 to HK$2,000,000	**—**	2
HK$2,500,001 to HK$3,000,000	**2**	1
HK$3,000,001 to HK$3,500,000	**1**	—
	5	5

During both years, no remuneration was paid by the Group to the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office. None of the five highest paid individuals waived any remuneration during the reporting periods.

15 Property, Plant and Equipment

	Plant and machinery S$'000	Building S$'000	Freehold land S$'000	Computer and software S$'000	Office equipment S$'000	Motor vehicles S$'000	Renovations, furniture and fittings S$'000	Total S$'000
Cost or valuation:								
At 1 January 2016	39	3,100	8,900	144	65	1,402	132	13,782
Additions	—	—	—	5	20	740	—	765
Disposals	(3)	—	—	(3)	—	(285)	—	(291)
Revaluation (deficit)	—	(100)	(900)	—	—	—	—	(1,000)
At 31 December 2016	36	3,000	8,000	146	85	1,857	132	13,256
Additions	113	623	4,760	109	17	24	1	5,647
Disposals	(2)	—	—	(3)	—	(29)	—	(34)
Revaluation surplus	—	—	300	—	—	—	—	300
Revaluation (deficit) on acquisition of new property	—	(23)	—	—	—	—	—	(23)
At 31 December 2017	147	3,600	13,060	252	102	1,852	133	19,146
Comprising								
At 31 December 2016:								
At cost	36	—	—	146	85	1,857	132	2,256
At valuation	—	3,000	8,000	—	—	—	—	11,000
	36	3,000	8,000	146	85	1,857	132	13,256
At 31 December 2017:								
At cost	147	—	—	252	102	1,852	133	2,486
At valuation	—	3,600	13,060	—	—	—	—	16,660
	147	3,600	13,060	252	102	1,852	133	19,146

15 Property, Plant and Equipment (Continued)

	Plant and machinery S$'000	Building S$'000	Freehold land S$'000	Computer and software S$'000	Office equipment S$'000	Motor vehicles S$'000	Renovations, furniture and fittings S$'000	Total S$'000
Accumulated depreciation:								
At 1 January 2016	22	—	—	112	37	865	67	1,103
Charge for the year	16	81	—	17	17	190	13	334
Eliminated on disposals	(2)	—	—	(3)	—	(264)	—	(269)
Eliminated on revaluation	—	(81)	—	—	—	—	—	(81)
At 31 December 2016	36	—	—	126	54	791	80	1,087
Charge for the year	—	143	—	31	9	238	13	434
Eliminated on disposals	(1)	—	—	(3)	—	(29)	—	(33)
Eliminated on revaluation	—	(143)	—	—	—	—	—	(143)
At 31 December 2017	35	—	—	154	63	1,000	93	1,345
Carrying amount:								
At 31 December 2016	—	3,000	8,000	20	31	1,066	52	12,169
At 31 December 2017	112	3,600	13,060	98	39	852	40	17,801

During the year ended 31 December 2017, the Group's property, plant and equipment with an aggregate cost of approximately S$5,647,000 (2016 : S$765,000), of which Nil (2016 : S$304,000) was acquired under obligations under finance lease arrangement and S$2,000,000 (2016 : Nil) was financed directly from bank borrowings as set out in Note 31.

Assets under finance lease arrangement

The carrying value of below items are assets held under finance leases:

	Year ended 31 December	
	2017 S$'000	2016 S$'000
Motor vehicles	**421**	507

15 Property, Plant and Equipment (Continued)

Fair value measurement of the Group's freehold properties

The Group's freehold properties are stated at its revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurement of the Group's freehold properties as at 31 December 2017 and 2016 were performed by Cushman & Wakefield VHS Pte Ltd, independent valuers who are not related to the Group. Cushman & Wakefield VHS Pte Ltd are members of the Singapore Institute of Surveyors and Valuers, and they have the appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The address of Cushman & Wakefield VHS Pte Ltd is 3 Church Street, #09-03 Samsung Hub, Singapore.

The fair value of the freehold properties, comprising of freehold land and buildings, were determined based on market comparable approach that reflects recent transaction prices for similar properties.

Description	Fair value as at S$	Valuation Technique	Significant unobservable input	Sensitivity
31 December 2017				
Freehold property A	11,300,000	Market comparison approach	Market price of S$1,125 per square feet after adjusting for age, location, condition and surrounding facility	The higher the market price, the higher the fair value
Freehold property B	5,360,000	Market comparison approach	Market price of S$1,141 per square feet after adjusting for age, location, condition and surrounding facility	The higher the market price, the higher the fair value
31 December 2016				
Freehold property A	11,000,000	Market comparison approach	Market price of S$1,095 per square feet after adjusting for age, location, condition and surrounding facility	The higher the market price, the higher the fair value

For building on freehold property A, the significant inputs include the estimated construction costs and other ancillary expenditure of approximately S$3,500,000, and a depreciation factor applied to the estimated construction cost, commencing from the year of acquisition 2009, of approximately 2% for the years ended 31 December 2017 and 2016.

15 Property, Plant and Equipment (Continued)

Fair value measurement of the Group's freehold properties (Continued)

For building on freehold property B acquired in 2017, the significant inputs include the estimated construction costs and other ancillary expenditure of approximately S$1,250,000, and a depreciation factor applied to the estimated construction cost, commencing from the year 1992 approximately 2% for the year ended 31 December 2017.

The fair value of the freehold land is computed as the difference between the valuation of the freehold property and the building as determined under the market comparison approach and the cost approach respectively.

Any significant isolated increase to these inputs would result in a significant increase in the fair value. There has been no change to the valuation technique used during both years.

Details of the Group's freehold property and information about the fair value hierarchy as at the end of the reporting periods are as follows:

	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Fair value S$'000
As at 31 December 2016				
Freehold land	—	—	8,000	8,000
Building	—	—	3,000	3,000
	—	—	11,000	11,000
As at 31 December 2017				
Freehold land	**—**	**—**	**13,060**	**13,060**
Building	**—**	**—**	**3,600**	**3,600**
	—	**—**	**16,660**	**16,660**

There were no transfers between the respective levels during both years.

The carrying amount of the freehold land and buildings that would have been recognised had the assets been carried under the cost model, would be S$7,260,000 (2016: S$2,500,000), and S$2,300,000 (2016: S$1,758,000) respectively.

As at 31 December 2017, freehold properties with a carrying amount of S$16,660,000 (2016: S$11,000,000) have been pledged under a mortgage to secure a line of credit with a bank (Note 29 and Note 31). The Group is not allowed to pledge these assets as security for other borrowings or sell them to other entity.

16 Intangible Assets

Club Membership	Year ended 31 December 2017 S$'000	2016 S$'000
Fair Value		
Balance at beginning of year	**135**	140
Additions	**19**	—
Surplus (deficit) on revaluation	**38**	(5)
Balance at end of year	**192**	135

The intangible assets included above have indefinite useful lives. At the end of each year, management reviews the fair value measurement of the club membership to determine the fair value changes to be recognised in the revaluation reserve.

17 Available-For-Sale Investment

	Year ended 31 December 2017 S$'000	2016 S$'000
Equities securities listed in Singapore	**164**	125

18 Trade Receivables

	Year ended 31 December 2017 S$'000	2016 S$'000
Trade receivables	**1,696**	4,746
Retention receivables (Note)	**4,118**	3,980
	5,814	8,726

Note: Retention monies withheld by customers of contract work are released by stages on substantial completion and on final completion, which is after the defect liability period of the relevant contracts ranging from 12 to 18 months. Included in the retention receivables are carrying amounts of approximately S$829,000 (2016: S$2,631,000) which is expected to be recovered after 12 months of the reporting period.

18 Trade Receivables (Continued)

The Group grants credit terms to customers typically up to 35 days from the invoice date for trade receivables (2016: 35 days).

The table below is an analysis of trade receivables as at year end:

Analysis of trade receivables:

	Year ended 31 December	
	2017 **S$'000**	2016 S$'000
Not past due and not impaired	**1,483**	3,331
Past due but not impaired	**213**	1,415
	1,696	4,746

The following is an analysis of trade receivables by age, presented based on the invoice date at the end of each reporting period:

	Year ended 31 December	
	2017 **S$'000**	2016 S$'000
1 to 30 days	**1,499**	3,344
31 to 60 days	**192**	774
61 to 90 days	**—**	203
More than 90 days	**5**	425
	1,696	4,746

18 Trade Receivables (Continued)

The following is an analysis of trade receivables that are past due but not impaired by age, presented based on the due date at the end of each reporting period:

	Year ended 31 December	
	2017	2016
	S$'000	S$'000
1 to 30 days	**203**	787
31 to 60 days	**5**	204
61 to 90 days	**—**	385
More than 90 days	**5**	39
	213	1,415

Before accepting any new customer, the Group will assess the potential customer's credit quality and defined credit limit to each customer on individual basis. Limits attributed to customers are reviewed once a year.

As at 31 December 2017, included in the Group's trade receivables are carrying amounts of S$213,000 (2016: S$1,415,000) for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts are still considered recoverable based on repayment history of respective customers.

In determining the recoverability of trade receivables, the management of the Group considers any change in the credit quality of the trade receivables from the initial recognition date to the end of the reporting period. In the opinion of the management of the Group, the trade receivables at the end of each reporting period are of good credit quality which considering the high credibility of these customers, good track record with the Group and subsequent settlement, the management believes that no impairment allowance is necessary in respect of the remaining unsettled balances.

The Group does not hold any collateral over these balances.

19 Other Receivables, Deposits and Prepayments

	Year ended 31 December	
	2017	2016
	S$'000	S$'000
Deposits	**82**	107
Prepayments	**134**	297
Advances to staff	**5**	33
Other receivables	**—**	29
	221	466

20 Amounts Due From (To) Customers for Contract Works

	Year ended 31 December	
	2017	2016
	S$'000	S$'000
Contract cost incurred plus recognised profits less recognised losses	**97,074**	98,395
Less: Progress billings	**(85,519)**	(99,263)
	11,555	(868)
Analysed for reporting purposes as:		
Amounts due from customers for contract works	**11,899**	1,911
Amounts due to customers for contract works	**(344)**	(2,779)
	11,555	(868)

21 Amounts Due from Ultimate Holding Company

	Year ended 31 December		Maximum outstanding amount	
	2017	2016	**2017**	2016
	S$'000	S$'000	**S$'000**	S$'000
Non-trade related	**5**	—	**5**	—

The amounts due from ultimate holding company is non-trade related, unsecured, interest-free and repayable on demand.

22 Pledged Fixed Deposits/Bank Balances and Cash

	Year ended 31 December	
	2017	2016
	S$'000	S$'000
Pledged fixed deposits (Note a)	**209**	208
Cash on hand	**8**	103
Cash at bank (Note b)	**30,696**	8,658
Cash and cash equivalents in the statement of cash flows	**30,704**	8,761

Note:

a. The balance represents fixed deposits with an original maturity of 12 months for the purpose of securing the line of credit of S$3,200,000 granted to the Group (Note 29) as at 31 December 2017 and 2016. The balances are rolled forward on their maturity in March each year, and carry interest of 0.25% per annum (2016: 0.25% per annum).

b. Bank balances carry interest at prevailing market rate of approximately 0.10% per annum (2016: 0.10% per annum).

23 Trade Payables and Trade Accruals

	Year ended 31 December	
	2017	2016
	S$'000	S$'000
Trade payables	**3,285**	2,905
Trade accruals	**3,411**	393
	6,696	3,298

The credit period on purchases from suppliers and subcontractors is between 30 to 90 days or payable upon delivery. The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting year:

	Year ended 31 December	
	2017	2016
	S$'000	S$'000
Within 90 days	**3,061**	2,645
91 days to 120 days	**224**	260
	3,285	2,905

24 Other Payables and Accrued Expenses

	Year ended 31 December	
	2017	2016
	S$'000	S$'000
Accrued operating expenses	**2,253**	1,660
Accrued listing expenses	**897**	—
Other payables	**580**	462
	3,730	2,122

25 Obligations Under Finance Leases

	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	**2017**	2016
	S$'000	S$'000	**S$'000**	S$'000
Amounts payable under finance leases:				
Within one year	**119**	110	**111**	97
In more than one year but not more than two years	**91**	200	**89**	191
	210	310	**200**	288
Less: Future finance charges	**(10)**	(22)	**—**	—
Present value of lease obligations	**200**	288	**200**	288
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(111)**	(97)
Amount due for settlement after 12 months			**89**	191

Interest rates underlying all obligations under finance leases are fixed at respective contract dates during both years:

	Year ended 31 December	
	2017	2016
Interest rates	**2.68%**	2.68%

The average lease term is 3 years. The Group's obligations under finance leases are secured by the lessor's charge over the leased assets (Note 15).

26 Deferred Tax Liabilities

The following are the major deferred tax liabilities recognised and the movements thereon:

	Accelerated tax depreciation S$'000
As at 1 January 2016	39
Charged to profit or loss for the year (Note 9)	11
As at 31 December 2016	50
Charged to profit or loss for the year (Note 9)	37
As at 31 December 2017	87

The deferred tax liabilities resulted from temporary taxable differences arising from accelerated depreciation in relation to capital allowance claims on qualified assets in accordance with tax law prevailing in Singapore.

27 Share Capital

For the purpose of presenting the share capital of the Company prior to the Group Reorganisation in the combined statement of financial position, the balance as at 1 January 2017 represented the share capital of Sing Moh as the Company was incorporated in the Cayman Islands on 21 June 2017.

The Company was successfully listed on the Main Board of the Stock Exchange on 11 December 2017 by way of placing of 105,000,000 ordinary shares and public offer of 105,000,000 new shares at the price of HK$0.85 per share ("Share Offer"). All issued shares rank pari passu in all respect with each other.

	Number of shares	**Share capital** HK$'000
Authorised share capital of the Company:		
At date of incorporation on 21 June 2017 (Note a)	38,000,000	380
Increase on 14 November 2017 (Note b)	9,962,000,000	99,620
At 31 December 2017	10,000,000,000	100,000

27 Share Capital (Continued)

	Number of shares	Share capital S$'000
Issued and fully paid of the Company:		
At date of incorporation on 21 June 2017 (Note a)	1	—
Issue of shares pursuant to the Group Reorganisation (Note c)	1	—
Issue of shares under the capitalisation issue (Note d)	629,999,998	1,090
Issue of shares under the Share Offer	210,000,000	364
At 31 December 2017	840,000,000	1,454
Issued and fully paid of Sing Moh:		
At 31 December 2016	1,500,000	1,500

Note:

a. On 21 June 2017, the Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 shares with par value of HK$0.01 each. On the same day, the one initial share was transferred from the initial subscriber to HMK.

b. Pursuant to the written resolutions passed on 14 November 2017, the Company increased its authorised share capital from HK$380,000 to HK$100,000,000 by the creation of an additional 9,962,000,000 shares of HK$0.01 each which rank pari passu in all respect with existing shares.

c. On 14 November 2017, a share was allotted and issued upon the share swap arrangement as set out in Note 2(v).

d. On 11 December 2017, 629,999,998 shares were issued to the then shareholders on 14 November 2017 of passing the resolution on a pro-rata basis through capitalization of HK$6,300,000 (equivalent to approximately S$1,090,000) standing to credit of share premium account of the Company. All issued shares rank pari passu in all respect with each other of HK$0.01 each.

28 Reserves

i. Merger Reserve

Merger reserves represents the share capital of the subsidiary when entities under common control are accounted for by applying the pooling of interest method as described in Note 2 of the financial statements.

ii. Revaluation Reserve for Intangible Assets

The revaluation reserve arises from surplus on revaluation of intangible assets as set out in Note 16.

iii. Revaluation Reserve for Available-for-sale Investment

The revaluation reserve arises from the revaluation of available-for-sale investment as set out in Note 17.

iv. Revaluation Reserve for Property, Plant and Equipment

The revaluation reserve arises from the revaluation of property, plant and equipment as set out in Note 15.

29 Banking Facilities

On January 2009, the Group entered into a banking facility for a line of credit amounting to S$3,200,000. The facility comprises of S$500,000 for Money Market Loan (MML), S$1,000,000 for Overdraft (OD), S$1,700,000 for issuing Performance Guarantee (PG). If the line of credit is utilised, interest charged on the MML would be based on 2.50% of bank cost of funds or Swap Offer Rate (SOR), whichever is the higher, interest charged on the OD would be 1.50% per annum over the bank's prime lending rate, and the interest charged on the PG would be based on the bank's prevailing standard borrowing rate. The line of credit is secured by the mortgage over Freehold Property A, the fixed deposit placed with the bank and a joint personal guarantee by Mr. Tay Yong Hua and Mr. Tay Yong Meng.

On January 2017, the Group entered into revised banking facility terms for an increase line of credit from S$3,200,000 to S$5,780,000. The facility comprises of S$3,000,000 for MML, S$1,000,000 for OD, S$1,700,000 for PG and S$80,000 for Credit Card limit. The terms governing the revised bank facility remains substantially unchanged as above.

On March 2017, the Group entered into a new banking facility with another bank, for a combined facility limit of S$500,000, which can be used for Letters of Credit (LCs), acceptance and loan against trust receipts, import loan and invoice financing, and shipping guarantees. If the line of credit is utilised, interest charged would be based on bank's cost of funds + 2.00% or standard commission charged. The line of credit is secured by the mortgage over Freehold Property B, and a joint personal guarantee by Mr. Tay Yong Hua, Mr. Tay Yong Meng and Mr. Kenneth Teo.

The above banking facilities remained unutilised during both years.

30 Retirement Benefit Plan

As prescribed by the Central Provident Fund Board of Singapore ("CPF"), the Group's employees employed in Singapore who are Singapore Citizens or Permanent Residents are required to join the CPF scheme. For each of the years ended 31 December 2017 and 2016, the Group contributes up to 17% of the eligible employees' salaries to the CPF scheme, with each employee's qualifying salary capped at S$6,000 per month.

The total costs charged to profit or loss amounting to S$309,000 (2016: S$322,000) represent contributions paid to the retirement benefits scheme by the Group.

As at 31 December 2017, contributions of S$92,000 (2016: S$97,000) were due and accrued, and subsequently paid at the end of the year.

31 Bank Borrowings

	Year ended 31 December	
	2017 S$'000	2016 S$'000
Bank borrowings — secured	**1,737**	—
Analysed as:		
Carrying amount repayable within one year	**388**	—
Carrying amount repayable more than one year, but not exceeding two years	**396**	—
Carrying amount repayable more than two years, but not more than five years	**953**	—
	1,737	—
Less: Amount due within one year shown under current liabilities	**(388)**	—
Amount due for settlement after 12 months	**1,349**	—

On 31 March 2017, the Group raised borrowing of principal of S$2,000,000 which is secured by a charge over freehold property B (Note 15) with joint and several personal guarantees by Mr. Tay Yong Hua, Mr. Tay Yong Meng and Mr. Kenneth Teo. The loan carries interest at 0.5% plus 3 month Singapore Interbank Offered Rate (''SIBOR'') in the first year, 0.6% plus 3 month SIBOR in the second year, 0.8% plus 3 month SIBOR in the third year and 1.0% plus 3 month SIBOR from the fourth year onwards.

32 Reconciliation of 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 combined statement of cash flows as cash flows from financing activities.

	Amount due to shareholders S$'000	Obligations under finance leases S$'000	Borrowing from financial institution S$'000	Total S$'000
1 January 2016	7,002	—	—	7,002
Financing cash flows	(17,002)	(19)	—	(17,021)
Non-cash changes — new finance leases (Note 25)	—	304	—	304
Dividends declared (Note 11)	10,000	—	—	10,000
Finance costs recognised	—	3	—	3
31 December 2016	—	288	—	288
Financing cash flows	(3,000)	(100)	(282)	(3,382)
Non-cash changes — purchase of a property (Note 31)	—	—	2,000	2,000
Finance costs recognised	—	12	19	31
Dividends declared (Note 11)	3,000	—	—	3,000
31 December 2017	—	200	1,737	1,937

33 Capital Risks Management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debts, which includes obligations under finance leases and bank borrowings as disclosed in Notes 25 and 31 respectively, and equity attributable to owners of the Group, comprising issued capital and reserves.

The management of the Group review the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the associated risk, and takes appropriate actions to adjust the Group's capital structure. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares and new debts. The overall strategy remains unchanged during both years.

34 Financial Instruments and Financial Risk Management

Categories of financial instruments

	Year ended 31 December	
	2017 S$'000	2016 S$'000
Financial assets		
— *Available-for-sale investment*	**164**	125
— *Loans and receivables (including cash and cash equivalent)*	**36,819**	17,863
Financial liabilities		
— *Amortised cost*	**12,105**	5,230

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables and deposits, bank balances and cash, pledged fixed deposits, trade payables and trade accruals, other payables and accrued expenses, amounts due to shareholders and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk, currency risk and equity price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There are no changes to the manner in which the Group manages and measures the risks.

(a) Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk on the variable rate of interest earned on the bank balances and variable rate of interest incurred on bank borrowings. The Group is also exposed to fair value interest rate risk in relation to fixed-rate finance leases. It is the Group's policy to maintain an appropriate level between its fixed-rate and variable-rate borrowings and deposits so as to minimise the fair value and cash flow interest rate risk.

The Group currently does not have an interest rate hedging policy. Management does not expect interest rate risk exposure to be significant and will continuously monitor and consider interest rate hedging should the need arise.

34 Financial Instruments and Financial Risk Management (Continued)

Financial risk management objectives and policies (Continued)

(b) Currency risk

At the end of the reporting period, the Group is exposed to foreign currency movements in the Hong Kong dollar. At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the company's functional currencies is as follows:

	Assets Year ended 31 December		Liabilities Year ended 31 December	
	2017 S$'000	2016 S$'000	**2017 S$'000**	2016 S$'000
Hong Kong Dollar	**28,092**	—	**900**	—

Assuming that all other variables remain constant at year end, a 10% depreciation/appreciation of the S$ against HK$ would result in an increase/decrease in the Group's profit for the year of approximately S$2,719,000 for the year ended 31 December 2017 (2016: Nil). 10% is the sensitivity rate used when reporting currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

In management's opinion, the sensitivity analysis above is unrepresentative for the currency risk as the exposure at the end of reporting period does not reflect the exposure during the year.

The Group monitors foreign currency exposure and will consider hedging significant currency exposure should the need arise.

(c) Credit risk

Included in financial assets as at 31 December 2017 as a component of bank balances and cash is S$28,092,000, partially placed in a bank in Hong Kong. The remaining bank deposits and balances are placed in 4 banks (2016: 4) in Singapore. All these counterparties have been assessed by management to be financially sound.

Other than the concentration of credit risk of bank balances and cash in Hong Kong, the Group's concentration of credit risk by geographical locations is mainly in Singapore, which accounted for 24% (2016: 100%) of the total financial assets as at 31 December 2017.

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new customer, the Group carries out research on the credit risk of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed when necessary.

34 Financial Instruments and Financial Risk Management (Continued)

Financial risk management objectives and policies (Continued)

(c) Credit risk (Continued)

In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management of the Group considers that the Group's credit risk is significantly reduced.

Approximately 86% (2016: 75%) of total trade receivables outstanding at 31 December 2017 were due from top 5 customers which exposed the Group to concentration of credit risk.

Those top 5 customers are with good creditworthiness based on historical settlement record. In order to minimise the concentration of credit risk, the management has delegated staff responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure follow-up action is taken to recover overdue debts. The management also performs periodic evaluations and customer visits to ensure the Group's exposure to bad debts is not significant and adequate impairment losses are made for irrecoverable amount. In this regard, management of the Group considers that the Group's credit risk is significantly reduced.

Other than concentration of credit risk on bank deposits and balances and on trade receivables from top 5 customers as disclosed above, the Group has no other significant concentration of credit risk on other receivables, with exposure spread over a number of counterparties.

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position.

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting its financial obligations as and when they fall due. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows (including interest payments computed using contractual rates) of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows, where applicable.

34 Financial Instruments and Financial Risk Management (Continued)

Financial risk management objectives and policies (Continued)

(d) Liquidity risk (Continued)

Non-derivative financial liabilities (Continued)

	Weighted average interest rate %	On demand or within 3 months S$'000	3 to 12 months S$'000	1 to 5 years S$'000	Over 5 years S$'000	Total undiscounted cash flows S$'000	Carrying amount S$'000
As at 31 December 2017							
Non-interest bearing							
Trade payables and trade accruals	N.A.	6,696	—	—	—	6,696	6,696
Other payables and accrued expenses	N.A.	3,672	—	—	—	3,672	3,672
Amount due to shareholders	N.A.	—	—	—	—	—	—
Interest bearing instruments							
Obligations under finance leases	2.68	37	82	91	—	210	200
Bank borrowings	2.24	105	316	1,408	—	1,829	1,737
Total		10,510	398	1,499	—	12,407	12,305
As at 31 December 2016							
Non-interest bearing							
Trade payables and trade accruals	N.A.	3,298	—	—	—	3,298	3,298
Other payables and accrued expenses	N.A.	1,932	—	—	—	1,932	1,932
Interest bearing instruments							
Obligations under finance leases	2.68	27	83	200	—	310	288
Total		5,257	83	200	—	5,540	5,518

34 Financial Instruments and Financial Risk Management (Continued)

Financial risk management objectives and policies (Continued)

(d) Liquidity risk (Continued)

Non-derivative financial assets

As at 31 December 2017 and 2016, all financial assets of the Group are repayable on demand or due within their operating cycle, and are non-interest bearing except for bank balances and pledged fixed deposits as disclosed in Note 22.

(e) Equity price risk management

The Group is exposed to equity risks arising from equity investments classified as available-for-sale. Available-for-sale equity investments are held for strategic rather than trading purposes. The Group does not actively trade available-for-sale investments.

Further details of the available-for-sale investments can be found in Note 17.

Equity price sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period. 10% is the sensitivity rate used when reporting equity price risk internally to key management personnel and represents management's assessment of the reasonably possible change in market values of available-for-sale equity investments.

In respect of available-for-sale equity investments, if the market value had been 10% higher/lower while all other variables were held constant:

- The Group's net profit for the year ended 31 December 2017 and 2016 would have been unaffected as the equity investments are classified as available-for-sale and no investments were disposed of or impaired; and

- The Group's reserves would decrease/increase by S$16,000 (2016: S$13,000).

The Group's sensitivity to equity prices has not changed significantly from the prior year.

34 Financial Instruments and Financial Risk Management (Continued)

Financial risk management objectives and policies (Continued)

(f) Fair value

Fair value of the Group's financial assets that are measured at fair value on recurring basis

The Group's available-for-sale investments is measured at fair value at the end of each reporting period. The following table gives information about how the fair value of the available-for-sale investments are determined (in particular, the valuation technique and inputs used).

Financial assets/liabilities	Fair value as at Year ended 31 December 2017 S$'000	2016 S$'000	Fair value hierarchy	Valuation technique; and key input	Significant unobservable input
Available-for-sale investment					
Listed equity shares	**164**	125	Level 1	Quoted bid prices in an active market	N/A

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on recurring basis

Other than the available-for-sale investment as specified above, the fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing model based on discounted cash flow analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the combined financial statements approximate to their fair values.

35 Particulars of Subsidiaries

Details of the subsidiaries directly and indirectly held by the Company as at 31 December 2017 are set out below:

Name	Place of incorporation/ operation	Paid up issued capital	Group's effective interest	Held by the Company	Principal activities
SME	BVI	US$100	100%	100%	Investment holding
Sing Moh	Singapore	S$1,500,000	100%	—	Provision of installations of mechanical and electrical systems

None of the subsidiaries had issued debt securities at the end of the year.

36 Earnings Per Share

	Year ended 31 December	
	2017	2016
Profit attributable to the owners of the Company (S$'000)	**5,395**	11,548
Weighted average number of shares in issue ('000)	**642,082**	630,000
Basic and diluted earnings per share (S$ cents)	**0.84**	1.83

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company and the weighted average number of shares in issue. The number of shares for the purpose of calculating basic earnings per share for the year ended 31 December 2016 is based on 629,999,998 Shares, which were issued pursuant to the capitalisation issue as detailed in Note 27, and share issued pursuant to the Group Reorganisation which is deemed to have been issued since 1 January 2016.

Diluted earnings per share is the same as the basic earnings per share because the Group has no dilutive securities that are convertible into shares during the years ended 31 December 2017 and 2016.

37 Statement of Financial Position and Reserves of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	As at 31 December 2017 S$'000
ASSETS AND LIABILITIES	
Non-current asset	
Investment in subsidiaries	—
Current assets	
Prepayments	50
Bank balances and cash	28,093
	28,143
Current liabilities	
Other payables	995
Amounts due to subsidiaries	2,557
	3,552
Net current assets	24,591
Total assets less current liabilities, representing net assets	24,591
EQUITY	
Capital and reserves	
Share capital	1,454
Reserves	23,137
Equity attributable to owners of the Company	24,591

37 Statement of Financial Position and Reserves of the Company (Continued)

A summary of the Company's reserves is as follows:

	Share premium S$'000	Accumulated deficit S$'000	Total S$'000
At 21 June 2017 (date of incorporation)	—	—	—
Total comprehensive loss for the year:			
Loss for the year	—	(3,560)	(3,560)
Transactions with owner, recognised directly in equity:			
Issue of Shares under the capitalisation issue	(1,090)	—	(1,090)
Issue of Shares under the Share Offer	30,528	—	30,528
Share issue expenses	(2,741)	—	(2,741)
Total	26,697	—	26,697
At 31 December 2017	**26,697**	**(3,560)**	**23,137**

Four Years Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last four financial years, as extracted from the published financial statements, is set out as below:

RESULTS	**Year ended 31 December 2017 S$'000**	Year ended 31 December 2016 S$'000	Year ended 31 December 2015 S$'000	Year ended 31 December 2014 S$'000
Revenue	**37,570**	39,953	45,506	22,206
Profit before income tax	**6,901**	13,820	11,769	5,753
Income tax expenses	**1,506**	2,272	1,903	984
Profit attributable to the owners of the Company for the year	**5,395**	11,548	9,866	4,769
Total comprehensive income attributable to the owners of the Company for the year	**5,915**	10,620	9,409	4,867
ASSETS AND LIABILITIES				
Total assets	**67,009**	32,501	41,654	31,495
Total liabilities	**14,422**	10,980	20,753	13,003
Net assets	**52,587**	21,521	20,901	18,492
Equity attributable to owners of the Company for the year	**52,587**	21,521	20,901	18,492