SOLIS HOLDINGS LIMITED
守益控股有限公司

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

Annual Report 2018

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. Tay Yong Hua *(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

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P.O. Box 2681
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Cayman Islands

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Singapore 787527

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

INDEPENDENT AUDITORS

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Public Accountants and Chartered Accountants
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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
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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
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P.O. Box 2681
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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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 annual report of the Group for the year ended 31 December 2018 (the "Year").

The year 2018 was a challenging year to the Group as the construction industry of Singapore remained bleak given the continuous weakness of the construction demand. According to the Ministry of Trade and Industry, the contraction was primarily due to weakness in public sector construction activities. The Group maintained firm determination to stride through the arduous situation.

To stay abreast of the competitive environment, the Group continues to emphasise the retention of its experienced employees and the development of the competency of its project team in order to capitalise on any opportunities that may arise. In addition, we will take prudent measures to control the operating costs and improve the efficiency of our business operations.

Looking ahead, the Group expects the Singapore construction market to remain volatile. Given our solid track record and well-established reputation as a reliable and efficient provider of mechanical and electrical engineering services in the building and construction industry, the Group will step up by embracing new technologies and carefully evaluate the potential costs and secure more projects to increase shareholders' return.

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, 22 March 2019

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 30 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 been balancing the project awarded rate with profit margins of the project before submitting tender taking into account the completion period and capacity for better allocation of the Group's resources.

The construction market sentiment in Singapore has been subdued since the start of 2018. The Singapore Government has implemented property curbs to control housing prices and the suspension of the Kuala Lumpur-Singapore High Speed Rail ("HSR") Project has adversely impacted the number of projects in the construction market. Due to the diminishing demand for construction works, competitions for local construction works have become more intense with competitors reducing their margins despite prices for construction materials and labour costs are on a rising trend. Such competition had resulted in decreases in our tender prices for the recent awarded tenders; the profitability of these projects are 50–70% lower as compared to the prior financial years.

The Ministry of Trade and Industry of Singapore reported on 2 January 2019 and 15 January 2019 that based on advance estimates, the construction sector had contracted by 2.2% on a year-on-year basis in the fourth quarter of 2018, extending the 2.5% decline in the third quarter of 2018. The contraction was primarily due to weakness in public sector construction activities. Overall, the construction sector shrank by 3.4% in 2018. Consequently, the Group's operations were greatly affected with declining profit margins and fewer projects to be awarded to the Group.

Going forward, the Group expects the Singapore construction market to remain volatile, especially given that Singapore's economy is fairly exposed to the health of global economy. The Group will continue to persist in its participation in new project tenders in order to secure more projects and to remain competitive and actively involved in the local construction market. The management will make continuous effort to consolidate and strengthen the reputation of the Group through direct and regular contacts with main contractors in the construction industry to keep us abreast of market development and will continue to leverage its resources to improve the profitability and simultaneously take prudent measures to control the operating costs.

Subsequent to our announcement dated 11 January 2019, the Group has submitted another six tenders with an aggregate value of approximately S$133.5 million. As at the date of this report, there are ongoing tenders in aggregate amount to approximately S$382.5 million.

In view of the current competitive and weak construction market, the Group has slowed down its pace for the implementation of the business strategies as set out in the prospectus of the Company dated 28 November 2017 (the "Prospectus") with more focus on cost control and cost efficiency until the recovery and improvement of the construction market before securing potential M&E projects with a broader scope of works.

For the year ended 31 December 2018, the Group's revenue decreased by 49.5% to approximately S$19.0 million as compared to approximately S$37.6 million recorded in the last financial year. The decrease in revenue was mainly due to the decrease in revenue contributed by private sector projects from approximately S$26.8 million for the year ended 31 December 2017 to approximately S$11.0 million for the year ended 31 December 2018. The lower revenue resulted in a 57.6% decrease in gross profit to approximately S$6.1 million as compared to approximately S$14.4 million recorded in the last financial period. Gross profit margin for the year ended 31 December 2018 was 6.2% lower than the 38.3% achieved in the last financial year due to lower profitability for the new projects awarded.

Ongoing projects

As at 31 December 2018, the Group had eight ongoing projects with an aggregate contract sum of approximately S$76.8 million, of which approximately S$51.6 million had been recognised as revenue as at 31 December 2018. The remaining balance will be recognised as our revenue in accordance with the stage of completion.

As at the date of this report, the management noted that there are delays for the ongoing projects which are mainly attributed from the progress of our customers as the construction activities are mainly driven by them. However, the management considered that such delays would not cause the Group to indemnify the third parties which could lead to contingent liabilities nor have any material adverse effect on the Group's financial results. The details of ongoing projects as at 31 December 2018 are as follows:

Type of building development	Sector	Scope of works	Contract sum[1] S$ million
Mixed residential and commercial	Private	Design and Build, and installations of M&E systems	24.0
Institutional	Public	Build and installation of M&E systems	12.7
Mixed residential and commercial	Private	Build and installation of M&E systems	7.1
Educational institutional	Public	Build and installation of M&E systems	9.1
Private residential	Private	Design and Build, and installations of M&E systems	6.7
Educational institutional	Public	Build and installation of M&E systems	5.3
Industrial	Private	Build and installation of M&E systems	7.7[2]
Healthcare	Public	Build and installation of M&E systems	4.2

Notes:

(1) The contract sum includes variation orders received to-date where we performed works in addition to the original contract.

(2) The contract sum excludes the option to sign another new project with a total contract value of approximately S$4.5 million.

FINANCIAL HIGHLIGHT AND REVIEW

	For the year ended 31 December		
	2018	2017	Change
	S$ million	S$ million	%
Revenue	**19.0**	37.6	–49.5
Gross profit	**6.1**	14.4	–57.6
Gross profit margin	**32.1%**	38.3%	–6.2
Net profit	**0.7**	5.4	–87.0
Earnings per share (S$ cents)	**0.09**	0.84	–89.3

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					
	2018			2017		
	Number of projects with revenue contribution	**S$ million**	**% of total revenue**	Number of projects with revenue contribution	S$ million	% of total revenue
Private sector projects	**7**	**11.0**	**57.9**	9	26.8	71.3
Public sector projects	**4**	**8.0**	**42.1**	5	10.8	28.7
Total	**11**	**19.0**	**100.0**	14	37.6	100.0

Our revenue decreased by approximately S$18.6 million or 49.5%, from approximately S$37.6 million for the year ended 31 December 2017 to approximately S$19.0 million for the year ended 31 December 2018, which was mainly due to the decrease in revenue contributed by the private sector projects from approximately S$26.8 million for the year ended 31 December 2017 to approximately S$11.0 million for the year ended 31 December 2018. Such decrease in revenue was 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$2.2 million for the year ended 31 December 2018).

Further, we also recorded a slight decrease in revenue from public sector projects from approximately S$10.8 million for the year ended 31 December 2017 to approximately S$8.0 million for the year ended 31 December 2018. Such decrease in revenue was mainly due to more works performed for a public sector project which contributed revenue of approximately S$8.7 million for the year ended 31 December 2017 and approximately S$3.3 million for the year ended 31 December 2018. The decrease was offset by the works performed for the two new public sector projects which were awarded in late 2017 and had contributed to approximately S$4.9 million to our revenue for the year ended 31 December 2018 as compared to S$1.8 million for the year ended 31 December 2017.

Cost of services

Our cost of services decreased by approximately S$10.2 million or 44.2%, from approximately S$23.1 million for the year ended 31 December 2017 to approximately S$12.9 million for the year ended 31 December 2018, which was mainly due to a decrease in amount of works performed for the corresponding year.

Gross profit and gross profit margin

	For the year ended 31 December					
	2018			2017		
	Revenue S$ million	**Gross profit S$ million**	**Gross profit margin %**	Revenue S$ million	Gross profit S$ million	Gross profit margin %
Private sector projects	**11.0**	**3.5**	**31.8**	26.8	10.6	39.6
Public sector projects	**8.0**	**2.6**	**32.5**	10.8	3.8	35.2
Total	**19.0**	**6.1**	**32.1**	37.6	14.4	38.3

Our gross profit decreased by approximately S$8.3 million or 57.6%, from approximately S$14.4 million for the year ended 31 December 2017 to approximately S$6.1 million for the year ended 31 December 2018. The gross profit margin decreased from 38.3% for the year ended 31 December 2017 to approximately 32.1% for the year ended 31 December 2018 mainly due to lower profitability for the aforementioned two new public sector projects which were awarded in the late 2017 (with average gross profit margins of approximately 33.2%) and the two new private and public sector projects which were awarded subsequent to June 2018 (with average gross profit margins of approximately 12.1%).

ADMINISTRATIVE EXPENSES

The administrative expenses of the Group increased by approximately S$0.1 million or 2.2%, from approximately S$4.5 million for the year ended 31 December 2017 to approximately S$4.6 million for the year ended 31 December 2018. Such increase was mainly due to the additional administrative and compliance cost as a listed company in connection with the Company's listing which was slightly offset by the unrealised exchange gain from the listing proceeds in Hong Kong dollars.

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$31,000 for the year ended 31 December 2017 to approximately S$40,000 for the year ended 31 December 2018. The increase was mainly due to the higher interest incurred from the bank borrowing, which was related to the 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$1.5 million for the year ended 31 December 2017 to approximately S$0.8 million for the year ended 31 December 2018. The decrease was mainly due to the decrease in assessable profits.

PROFIT FOR THE YEAR

The profit for the year of the Company decreased from approximately S$5.4 million for the year ended 31 December 2017 to approximately S$0.7 million for the year ended 31 December 2018, representing a decrease of approximately S$4.7 million.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group practiced prudent financial management and maintained a strong and sound financial position during the year ended 31 December 2018. As at 31 December 2018, the Group had cash and bank balances of approximately S$18.3 million (2017: approximately S$30.7 million) and available unutilised banking facilities of approximately S$6.2 million (2017: approximately of S$6.3 million). As at 31 December 2018, the total interest-bearing borrowings, including bank borrowing and obligations under finance leases was approximately S$1.4 million (2017: approximately S$1.9 million), and current ratio and gearing ratio was approximately 5.8 times (2017: approximately 3.8 times) and 2.6% (2017: 3.7%) respectively.

PLEDGE OF ASSETS

As at 31 December 2018, the Group had pledged fixed deposits of approximately S$0.2 million (2017: approximately S$0.2 million) to secure the banking facilities granted to the Group. The Group's two owned properties with a fair value amounted to approximately S$20.0 million (2017: approximately S$16.7 million) were also pledged for mortgage to secure the banking facilities as at 31 December 2018 and 2017.

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 proceeds from the Listing in Hong Kong dollars amounting to approximately S$2.1 million (2017: 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

As at 31 December 2018, there has been no change to the capital structure of the Company. 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 of its cash and cash equivalents, cash flows generated from operations, banking facilities, and net proceeds from the Share Offer.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 31 December 2018, the Group did not have any material contingent liabilities and capital commitments (2017: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year ended 31 December 2018, the Group did not have any material acquisitions nor disposals of subsidiaries, associates, joint ventures and affiliated companies.

SIGNIFICANT INVESTMENTS HELD AND PRINCIPAL PROPERTIES

Save for those disclosed in relation to the investment in listed equity shares and properties held by the Group, as at 31 December 2018, the Group did not have any other investment in equity interest in any other company.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had a total of 259 employees (2017: 264 employees), including executive Directors. Total staff costs (including Directors' emoluments) were approximately S$8.3 million for the year ended 31 December 2018 as compared to approximately S$9.4 million for the year ended 31 December 2017.

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 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 AND CAPITAL ASSETS

The Group does not have any other plans for material investment and capital assets as at 31 December 2018.

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

COMPARISON OF BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

The following is a comparison between the Group's business plans as set out in the Prospectus and the Group's actual business progress for the year ended 31 December 2018:

Business Plan for the year ended 31 December 2018	Actual Business Progress as at 31 December 2018
Increase our workforce to expand operations by recruiting and retaining project managers, engineers, foremen	The business plan to expand our operations is put on hold until the Group has secured sufficient projects for the increase in the Group's scale of operations.
Purchase of machinery and equipment to support business expansion such as scissor lifts, excavator and wide-format colour scanner and AutoCAD-compatible plotter, and lorries to support our business expansion	The Group had acquired scissor lifts and the wide-format colour scanner and AutoCAD-compatible plotter.
Purchase of additional property to support our business expansion	The Group had acquired an additional property in November 2018. The acquired property had been leased out as (i) our existing licensed dormitories lease agreements with Independent Third Parties have yet to expire; while (ii) the previous owner was in search of another venue for relocation and had requested for a short term lease of one year. Therefore, in the interest of the Group, this property was leased out not only to avoid incurring early termination penalty for the existing leased dormitories, but also to receive rental income from it. Upon expiration of the tenancy agreements, we will utilise this property to accommodate our foreign workers.
Expand our internal competencies by recruiting and retaining project managers, engineers and workers	The business plan to expand our operations is put on hold until the Group has secured sufficient projects for the increase in the Group's scale of operations.
Build our competencies in building information modelling ("BIM") by recruiting and retaining BIM certified staff and related software	The business plan to expand our operations is put on hold until the Group has secured sufficient projects for the increase in the Group's scale of operations.

USE OF LISTING PROCEEDS

The net proceeds from the listing, after deducting listing related expenses, were approximately HK$132.2 million (approximately S$24.0 million), out of which approximately S$9.8 million has been utilised as at 31 December 2018.

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 2018, the Group does not anticipate any change to the plan as to the use of listing proceeds. The majority of the unused net proceeds have been placed as interest bearing short-term demand deposits with licensed banks in Singapore and Hong Kong.

As at 31 December 2018, the net listing proceeds has been applied and utilised as follows:

Use of net proceeds	**Total net proceeds from share offer and available as at 1 January 2018** S$ million	**Planned use of net proceeds up to the year ended 31 December 2018** S$ million	**Utilised as at 31 December 2018** S$ million	**Total remaining net proceeds available as at 31 December 2018** S$ million
Increase our workforce	4.0	0.6	0.3	3.7
Purchase of machinery and equipment, and lorries	1.5	0.7	0.2	1.3
Purchase of additional property	10.0	10.0	8.8	1.2
Expand our internal competencies	6.9	1.3	—	6.9
Build our competencies in BIM	0.5	0.2	—	0.5
General working capital	1.1	0.5	0.5	0.6
Total	24.0	13.3	9.8	14.2

SIGNIFICANT EVENT AFTER THE FINANCIAL YEAR

Up to the date of this report, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after the year ended 31 December 2018.

Biographical Details of the Directors of the Company and Senior Management

EXECUTIVE DIRECTORS

Mr. Tay Yong Hua ("Mr Tay"), aged 60, 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. He is also a member of remuneration committee.

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 55, 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 about 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.

Biographical Details of the Directors of the Company and Senior Management (Continued)

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 46, 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 52, 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 M&A 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. 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 55, 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 over 30 years of experience in financial audit, financial due diligence, mergers and acquisitions, corporate restructuring, accounting and corporate finance advisory.

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 HKSE (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 HKSE (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). Since August 2018, Mr. Law has been an independent non-executive director, chairman of the audit committee, and a member of the nomination committee of AB Builders Group Limited, a company listed on the HKSE (stock code: 1615). Mr. Law was 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 HKSE (stock code: 0265) from September 2014 to June 2018.

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 HKSE 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 56, 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. Since 2015, Mr. Tan is a 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. Since 2015, Mr. Tan is also a director of RHT Talentchest Pte. Ltd. It is a company dealing with the Talent Search and Recruiting.

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 Chasen Holdings Ltd, Renewable Energy Asia Group Ltd and IPC Corporation Ltd since July 2009, August 2013 and December 2018 respectively. These 3 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 32, 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 extensive 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 38, 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 12 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") 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 annual report together with the audited consolidated 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 consolidated financial statements.

RESULTS AND BUSINESS REVIEW

The results of the Group for the Year are set out in the section headed "Consolidated Statement of Profit or Loss and Other Comprehensive Income" on page 73 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 12 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 45 to 67 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 comprise 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 26 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 new projects from public and private sectors from time to time. 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 76.0% (2017: 90.9%) 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 good 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 recognize 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 consolidated 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 consolidated statement of changes in equity on page 75 and note 38 to the consolidated financial statements.

As at 31 December 2018, reserve available for distribution to the owners of the Company amounted to approximately S$22,838,000 (2017: S$23,137,000).

DIVIDEND

The Board has resolved not to recommend the declaration of any final dividend for the Year (2017: Nil).

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES

The Company has not redeemed any of its shares for the Year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares for the Year.

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 consolidated financial statements.

CHARITABLE DONATIONS

During the Year, charitable and other donations made by the Group amounted to S$33,905 (2017: S$104,407).

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 30 to 44 in this report.

ANNUAL GENERAL MEETING ("AGM")

The AGM will be held on 3 June 2019 (Monday) 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 29 May 2019 (Wednesday) to 31 May 2019 (Friday) (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 28 May 2019 (Tuesday).

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 is in force continuously until otherwise terminated pursuant to the terms and conditions as stated in the service contract or a prior notice in writing of no less than three months served by either party to 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 is in force continuously until otherwise terminated pursuant to the terms and conditions as stated in the letter of appointment or a prior notice in writing of no less than three months served by either party to 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.

Mr. Tay Yong Hua and Mr. Tay Yong Meng shall retire from office at the forthcoming annual general meeting to be held on 3 June 2019 (the "AGM"), 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 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 11 December 2018, 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 Year.

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 Year.

Saved as disclosed above, during the Year, 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.

FIVE YEARS FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 138. This summary does not form part of the consolidated 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 13 to 17 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 December 2018, Mr. Tan Sin Huat Dennis has been appointed as an independent director of IPC Corporation Ltd., a company listed on the Singapore Stock Exchange.

Since August 2018, Mr. Law Wang Chak Waltery ("Mr. Law") has been appointed as an independent non-executive director, chairman of the audit committee, and a member of the nomination committee of AB Builders Group Limited, a company listed on the Stock Exchange (stock code: 1615).

Mr. Law has been resigned as 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 Stock Exchange (stock code: 0265) in June 2018.

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 consolidated 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 during the Year, 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 2018, 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:

(I) 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]	–	–	519,792,000	519,792,000	–	519,792,000	61.88%
Mr. Tay Yong Meng [Note 2]	–	–	519,792,000	519,792,000	–	519,792,000	61.88%
Mr. Kenneth Teo Swee Cheng [Note 3]	–	–	519,792,000	519,792,000	–	519,792,000	61.88%

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 519,792,000 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 519,792,000 Shares held by HMK under the SFO.

3. Mr. Kenneth Teo holds 4% shares in HMK and he is therefore deemed to be interested in the 519,792,000 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 2018, 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 2018, 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	519,792,000	61.88%
Ms. Lim Sim Swee Note 2	Deem interest by virtue of interest held by spouse	519,792,000	61.88%

Notes :

1. The 519,792,000 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 519,792,000 Shares held by HMK by virtue of the SFO.

2. Ms. Lim Sim Swee, the spouse of Mr. Tay Yong Hua (an executive Director) is deemed to be interested in the 519,792,000 Shares held by Mr. Tay Yong Hua under the SFO.

Save as disclosed above, as at 31 December 2018, 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 11 December 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 with a payment of HK$1.00 upon each grant of options offered.

The exercise price of the share option will be not less than the highest of:

(a) the nominal value of a Share;

(b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and

(c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the 5 Business Days (as defined in the Listing Rules) immediately preceding the offer date.

The Share Option Scheme shall be valid and effective for a period of ten years from 14 November 2017 to 13 November 2027, after which no further options will be granted or offered.

The maximum number of shares in respect of which options may be granted shall not exceed 10% of the number of shares of Company in issue from time to time. Unless further shareholders' approval has been obtained pursuant to the conditions set out in the Share Option Scheme, no person shall be granted an option which, if all the options granted to the person (including both exercised and outstanding options) in any 12 months period up to the date of grant are exercised in full, would result in such person's maximum entitlement exceeding 1% of the number of issued shares of Company.

As at 31 December 2018 and up to the date of this report, 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 2018 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 76.0% (2017: 90.9%) of the total revenue. The top five suppliers accounted for approximately 16.8 % (2017: 32.8%) of the total purchases for the Year. In addition, the Group's largest customer accounted for approximately 17.5% (2017: 50.2%) of the total revenue and the Group's largest supplier accounted for approximately 6.5% (2017: 22.4%) 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, details of the significant related party transactions undertaken in the normal course of business are set out in the note 13 to the consolidated financial statements, and none of which constitutes a disclosable connected transaction as defined under the Listing Rules.

CONNECTED TRANSACTIONS

During the Year, 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 consolidated 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, 22 March 2019

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.

During the Year, the Board considers that the Company has complied with all the applicable principles and code provisions as set out in the CG Code. Details of compliance of Code provisions 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 during the Year.

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 Year 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

During the Year, the Board comprises six Directors, comprising 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 Year, 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 "Biographical Details of the Directors and Senior Management" on pages 13 to 17.

Save as disclosed in the section headed "Biographical Details of the Directors and Senior Management" to this annual 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 Year 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 Year, 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 Year. 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 Year.

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 is in force continuously until otherwise terminated pursuant to the terms and conditions as stated in the service contract or a prior notice in writing of no less than three months served by either party to 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 is in force continuously until otherwise terminated pursuant to the terms and conditions as stated in the letter of appointment or a prior notice in writing of no less than three months served by either party to 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 of 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.

Board Meetings

The Board is scheduled to meet regularly at least four times a year at approximately quarterly intervals in compliance with A.1.1 of the CG Code, to discuss the overall strategy as well as the operational and financial performance of the Company. Other Board meetings will be held when necessary and all Board meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors.

During the Year, the Company held 6 Board meetings, 3 audit committee meeting, 2 nomination committee meeting and 1 remuneration committee meeting. In addition, the executive Chairman met with all independent non-executive Directors without the presence of the executive Directors.

Directors' Attendance at Board/Board Committee/General Meetings

Below are details of all Directors' attendance at the board meeting, board committee meetings and general meeting held during the Year:

	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Total number of meetings held	6	3	2	1	1
			Number of meetings attended		
Executive Directors					
Mr. Tay Yong Hua	6	N/A	2	1 [(a)]	1
Mr. Tay Yong Meng	6	N/A	2 [(a)]	1	1
Mr. Kenneth Teo Swee Cheng (Kenneth Zhang Ruiqing)	6	N/A	2 [(a)]	1 [(a)]	1
Independent Non-executive Directors					
Ms. Theng Siew Lian Lisa	6	3	2	1 [(a)]	1
Mr. Law Wang Chak Waltery	6	3	2	1	1
Mr. Tan Sin Huat Dennis	6	3	2 [(a)]	1	1

Note:

(a) Attended as an invitee

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 and they may join institutes and attend relevant training seminars or informative talk from time to time to enable them to better discharge their duties. The Company encourages the directors to attend courses in areas of directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading and any industry-related matters, to develop themselves professionally, at the Company's expense.

For the Year, regulatory updates have been provided and sent to all the Directors namely, 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, include:

— briefing by the external auditor on changes or amendments to accounting standards at the AC meetings; and

— update by the Company Secretary on proposed amendments to the Listing Rules, directors' duties, risk management and directors' responsibilities from time to time. During the Year, the Company considered the regulatory updates provided to all the Directors could assist them to discharge their duties.

The Company shall from time to time, if necessary, arrange for relevant and appropriate continuous professional training to all Directors to develop and refresh their knowledge and skills to enable them to be better discharge their duties as a Director of the Company.

BOARD COMMITTEES

The Board has established four board committees, namely audit committee, remuneration committee, nomination committee and 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. Certain terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website in compliance with the CG Code.

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 Company has updated the written terms of reference of audit committee on 16 November 2018 in compliance with the new CG Code with effect from 1 January 2019. The revised 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 Year 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 within 2 years immediately prior to their respective date of appointment. All of them do not have material interest in any principal business activity of nor is or was involved in any material business dealings with the Group or with any core connected persons (as defined in the Listing Rules) of the Group within one year immediately prior to their respective date of appointment.

Mr. Law Wang Chak Waltery, who has appropriate professional qualifications and experience in accounting matters, was appointed as the Chairman of the audit committee.

During the Year, the audit committee held 3 meetings. Details of the attendance of the members of the audit committee in the said meeting are set out under the sub-heading "Directors' Attendance at Board/Board Committee/General Meetings" above.

The summary of work of the audit committee meeting during the Year 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 Year 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. During the Year, the remuneration committee held one meeting 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.

Details of the attendance of the members of the remuneration committee in the said meeting are set out under the sub-heading "Directors' Attendance at Board/Board Committee/General Meetings" above.

The summary of work of the remuneration committee meeting held during the Year 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 are set out in Note 14 to the consolidated 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 Year 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. During the Year, the nomination committee held 2 meetings to review composition of the Board, review the nomination policy, assess the independence of independent non-executive Directors and recommend the Board on the re-election of directors.

Details of the attendance of the members of the nomination committee in the said meeting are set out under the sub-heading "Directors' Attendance at Board/Board Committee/General Meetings" above.

The summary of work of the nomination committee meeting held during the Year is as follows:

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

— To review the board diversity policy;

— To review the nomination 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 Nomination Policy

The Company adopted a nomination policy on 16 November 2018 in compliance with the CG Code with effect from 1 January 2019, which establishes written guidelines to nomination committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

The Board, through the delegation of its authority to the nomination committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.

Nomination Process

The nomination committee shall assess whether any vacancy on the Board has been created or is expected on a regular basis or as required.

The nomination committee utilizes various methods for identifying director candidates, including recommendations from Board members, management, and professional search firms. All director candidates, including incumbents and candidates nominated by Shareholders are evaluated by the nomination committee based upon the director qualifications. While director candidates will be evaluated on the same criteria through review of resume, personal interview and performance of background checks. The nomination committee retains the discretion to establish the relative weighting of such criteria, which may vary based on the composition, skill sets, age, gender and experiences of the collective Board rather than on the individual candidate for the purpose of diversity perspectives appropriate to the requirement of the Company's business.

Selection Criteria

The nomination committee will take into account whether a candidate has the qualifications, skills, experience and gender diversity that add to and complement the range of skills, experience and background of existing Directors by considering the highest personal and professional ethics and integrity of the director candidates, proven achievement and competence in the nominee's field and the ability to exercise sound business judgment, skills that are complementary to those of the existing Board, the ability to assist and support management and make significant contributions to the Company's success and such other factors as it may deem are in the best interests of the Company and its Shareholders.

The Company shall review and reassess the nomination policy and its effectiveness on a regular basis or as required.

Board Diversity Policy

The composition of the Board is reviewed on an annual basis by the nomination committee to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competence for informed decision-making and effective functioning. The Company adopted its own board diversity policy and recognises the benefits of having diversity in the composition of the Board.

The Company noted that 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.

Composition of the Diversified Board

As at the date of this annual report, the Board comprises six Directors, one of which is a female. The following tables further illustrate the composition and diversity of the Board as of the date of this annual report:

	Age Group			Ethnicity	
Name of Director	40 to 49	50 to 59	Over 60	Singaporean	Chinese
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		√			√
Mr. Tan Sin Huat Dennis		√		√	

	Educational background				Professional experience			
Name of Director	Engineering	Quantity Surveying	Accountancy	Law/ Other	Construction	Audit and corporate finance consultancy	Law	Management
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			√			√		
Mr. Tan Sin Huat Dennis				√				√

The nomination committee considers the existing size and composition of the Board are adequate and diversified for effective decision-making, taking into account the nature and scope of the Group's operations. The nomination committee has also 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 Year is as follows:

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

The corporate governance committee is chaired by an independent non-executive Director and majority members of the corporate governance committee are also independent non-executive Directors. Since its establishment on 14 November 2017, the Company did not hold corporate governance committee meeting. However, during the Year, the board meeting was held to review and monitor the training and continuous professional development of Directors and senior management, review the Company's policies and practices on corporate governance issues and 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 consolidated financial statements for the year ended 31 December 2018 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 68 to 72 of the consolidated 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.

The internal control system is reviewed on an ongoing basis by the Board and the Audit Committee through engaging independent consultant.

During the Year, 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 risk management and internal control systems of the Group established by the Group for the period from 1 January 2018 to 31 December 2018, including the following:-

— Control environment assessment

— Revenue & receivables monitoring

— Projects management

— Procurement to payables

— Review of operating expenses

— Environmental, safety & legal

Baker Tilly reported to the Audit Committee that they have identified and evaluated the above risk management and internal control systems of the Group and concluded that no significant deficiencies were identified. In addition, management of the Group was generally in agreement with the issues identified and has undertaken to take proactive actions to remediate the issues and continue to monitor internal controls system within the Group to ensure all control systems can be function effectively.

Based on the review for the period from 1 January 2018 to 31 December 2018 on the risk management and internal control systems of the Group provided by Baker Tilly, the Audit Committee reported such findings to the Board. In addition, the Board had received confirmation from the management for the Year 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. 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

The Audit Committee relies on reports from the management, external and internal auditors on any material non-compliance and internal control weaknesses. Thereafter, the Audit Committee oversees and monitors the implementations thereto.

During the Year, the Group has outsourced its internal audit function and engage an independent internal control consultant to assess our overall internal control systems and give recommendations to make enhancement. The internal audit has an administrative reporting function to management where planning, coordinating, managing and implementing internal audit work cycle are concerned, and will report their findings and recommendations directly to the Audit Committee. The internal audit can access to all the Group's documents, records and properties for performing its duties.

It was reported that that there were no material deficiencies 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.

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 emphasizes 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 2018 amounted to S$150,000 and S$8,000 respectively.

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 annual 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

During the Year, 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 Deed of Non-competition during the Year.

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 the Year.

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 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 11 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.

POLICY ON PAYMENT OF DIVIDENDS

The Company adopted a policy on payment of dividends (the "Dividend Policy") on 16 November 2018 in compliance with E.1.5 of the CG Code with effect from 1 January 2019, which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company.

The Company will declare and/or recommend the payment of dividends to Shareholders after considering the Company's ability to pay dividends, which will depend upon, among other things, its actual and expected financial results, cash flow, general business conditions and strategies, current and future operations, statutory, contractual and regulatory restrictions and so on. The Board has complete discretion on whether to pay a dividend, subject to Shareholders' approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group. The Board may also consider declaring special dividends from time to time, in addition to the interim and/or final dividends.

The Company shall review and reassess the Dividend Policy and its effectiveness on a regular basis or as required.

Singapore, 22 March 2019

Environmental, Social And Governance Report

ABOUT THIS REPORT

This is the second Environmental, Social and Governance ("ESG") report of Solis Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"). The ESG report aims to provide the stakeholders with a summary of the Group's environmental and social related impacts arising from its business operations as well as the initiatives implemented to achieve a balance between profitability and sustainability.

REPORTING FRAMEWORK AND BOUNDARY

The ESG report has been prepared in compliance with the ESG Reporting Guide set out in Appendix 27 of the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited ("HKEX"). The boundary of this report encompasses our business in the design, build and installation of mechanical and electrical systems for general building construction in Singapore. The reporting period is the fiscal year ending 31 December 2018.

APPROACH TO ESG STRATEGY AND REPORTING

Our management maintains a high level of commitment to ESG strategy and reporting. We always consider the environmental, social and governance risks that are material to our business operations in strategy setting and decision-making processes. We also endeavour to achieving the annual ESG objectives that the management set at the start of each fiscal year. We provide honest and reliable information in this ESG report that allows our stakeholders to keep track of our progress and achievement during the reporting period.

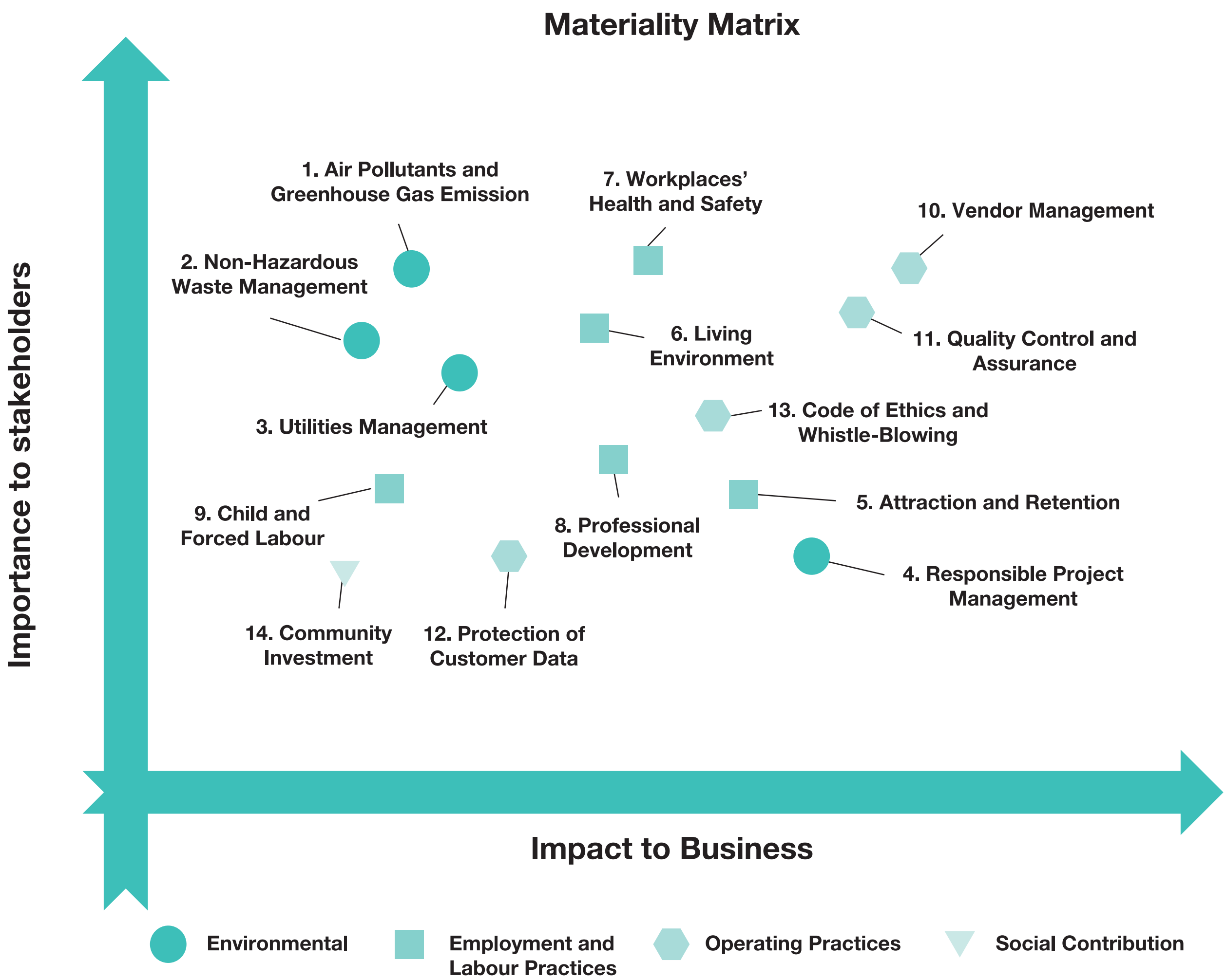
The Board of Directors acknowledges its responsibility for ensuring the integrity of this ESG report. The Board of Directors has reviewed and approved the report. To the best of its knowledge, this report adequately addresses the material issues and fairly presents the environmental and social performances of the Group.

STAKEHOLDER ENGAGEMENT

<table>
<tr><th>Stakeholder</th><th>Platforms</th><th>Frequency</th><th>Key Feedbacks/Issues</th></tr>
<tr><td rowspan="4">Employees</td><td>Performance appraisal</td><td>Annual</td><td rowspan="4">• Employee safety and health
• Training and development opportunities
• Remuneration and benefits
• Fair and competitive employment practices</td></tr>
<tr><td>Employee training and development</td><td>Ad-hoc</td></tr>
<tr><td>Verbal feedback to superior</td><td>Perpetual</td></tr>
<tr><td>Site meeting and discussion</td><td>Monthly</td></tr>
<tr><td rowspan="3">Customers</td><td>Quality management system</td><td>Perpetual</td><td rowspan="3">• High quality and reliability of our M&E services
• Timely response to customer feedbacks and complaints
• Data privacy and confidentiality</td></tr>
<tr><td>Project progress monitoring</td><td>Monthly</td></tr>
<tr><td>Customer feedback channels</td><td>Ad-hoc</td></tr>
<tr><td>Suppliers</td><td>Supplier meetings</td><td>Ad-hoc</td><td>• Fair and robust procurement system
• Prompt payment cycles</td></tr>
<tr><td rowspan="4">Investors</td><td>Annual/Extraordinary general meetings</td><td>Annual</td><td rowspan="4">• Return on investment
• Business growth
• Compliance to listing requirements
• Timely and transparent reporting</td></tr>
<tr><td>Financial result announcements</td><td>Bi-annual</td></tr>
<tr><td>HKEX announcements</td><td>Ad-hoc</td></tr>
<tr><td>Annual report</td><td>Annual</td></tr>
<tr><td rowspan="2">Government/ regulatory authorities</td><td>Meetings, briefings and regular reporting</td><td>Ad-hoc</td><td rowspan="2">• Compliance with laws and regulations
• Safe working environment
• Environmentally sustainable business practices</td></tr>
<tr><td>Correspondences through emails and letters</td><td>Ad-hoc</td></tr>
<tr><td rowspan="2">The Community</td><td>Donations to the local communities</td><td>Annual</td><td rowspan="2">• Contribution to the local community
• Sustainable use of resources
• Reduction of air and waste pollutions</td></tr>
<tr><td>ESG Reporting</td><td></td></tr>
</table>

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 the Group. We also gathered feedbacks from different groups of our stakeholders regarding ESG related issues. These issues were then prioritised in order of their importance to stakeholders as well as its impact on the business. Based on the management discussions and stakeholder engagement exercise, 14 key areas that are significantly important to the Group have been selected.



ENVIRONMENTAL ASPECTS

The Group's business is mainly involved in the design, build and installation of electrical and mechanical systems for construction projects in Singapore. The nature of work carried out by the Group generally results in minimal emissions of air pollutant and greenhouse gas, discharges into water and land, and generation of hazardous and non-hazardous waste. Nevertheless, we understand the importance of environmental protection and are committed to adopting environmentally friendly practices in our business operations.

We have established guidelines over environmental protection in our "Quality, Health, Safety & Environment Management System" ("QHSEMS"). The Group is pleased to report that we did not record any instances of non-compliance with environmental regulations in 2018.

Environmental objectives in 2018

1. Comply with national standards for emissions of air pollutant and greenhouse gas.

2. Reduce the utilities consumption level by 5% compared to last year.

3. Minimise wastages to the threshold of 5% for each project.

4. Adopt eco-friendly construction technologies in our projects.

Emissions

Material Area 1: Air Pollutants and Greenhouse Gas Emissions

Air pollution and greenhouse gas emissions in Singapore are governed by the National Environmental Agency ("NEA"). Laws and regulations to protect and improve the air quality in Singapore are namely the Environmental Protection and Management Act ("EPMA") and the Environmental Public Health Act ("EPHA").

The emission of air pollutants in our business mainly arises from the use of (i) generators and (ii) motor vehicles. The emission of greenhouse gases is mainly from the consumption of electricity.

Generators

Since 1 July 2012, all off-road diesel engines used in Singapore must comply with the EU Stage II, US Tier II or Japan Tier I off-road emission standards, which govern the permissible amount of specific air pollutants to be released from specific sources.

The Group utilises generators as a standby source of electricity, such as emergency lighting and operation of fireman lift tops in the event when power grid source is interrupted. The electricity supply from Power Grid is very stable in our operations. As such, the usage of these generators for emergency cases is very low and results in minimal emissions.

During the reporting period, the Group did not purchase any new generators. As at 31 December 2018, we own and operate a total of 6 generators. The total emissions of carbon monoxide ("CO"), particulate matter ("PM"), and nitrogen oxides ("NOx") in the year meet the requirements of the US Tier II off-road emission standards. The details of our generators and their hourly emissions are tabled below.

Net Power (kW)	No. of generators	CO	Emissions (g/h) NMHC +NOx	PM
640	2	2,240	4,096	128
560	1	1,960	3,584	112
480	1	1,680	3,072	96
320	1	1,120	2,048	64
40	1	200	300	16

Motor Vehicles

Exhaust emission standards have been set out by NEA for both diesel and petrol vehicles to control the amount of emissions generated by motor vehicles. In 2018, all new diesel and petrol vehicles in Singapore have to meet the Euro VI emission standard.

Currently the Group owns 18 vehicles, categorised depending on their usage as shown in the following table.

Fleet type	Quantity	Type of fuel	Usage
Operations	9	8 — Diesel 1— Petrol	Daily transportation of materials and labour to and from site
Executive	9	All petrol	Private/executive usage

The Group seeks to upgrade the fleet when necessary to reduce emissions of air pollutants, such as NOx. In 2018, the Group upgraded one of the operations vehicles to petrol operated model which meets the JPN 2009 emission standard, the Japanese equivalent of the Euro 6 emission standard. The Group also purchased two vehicles to add on to our fleet of executive vehicles, which all operate on petrol and meet the stringent Euro 6 emission standards.

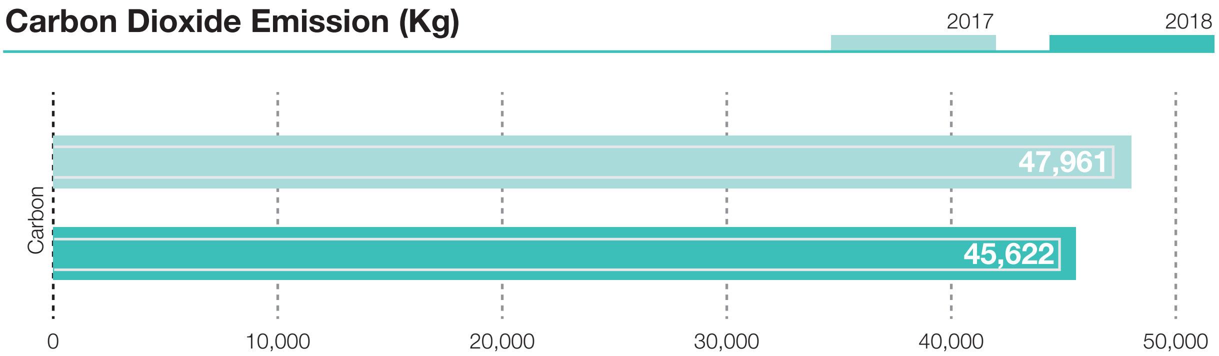
In addition, the Group regularly sends vehicles for maintenance to ensure that they are in good condition for use on the road. On average, the vehicles were sent for maintenance at least 3 times a year in 2018.

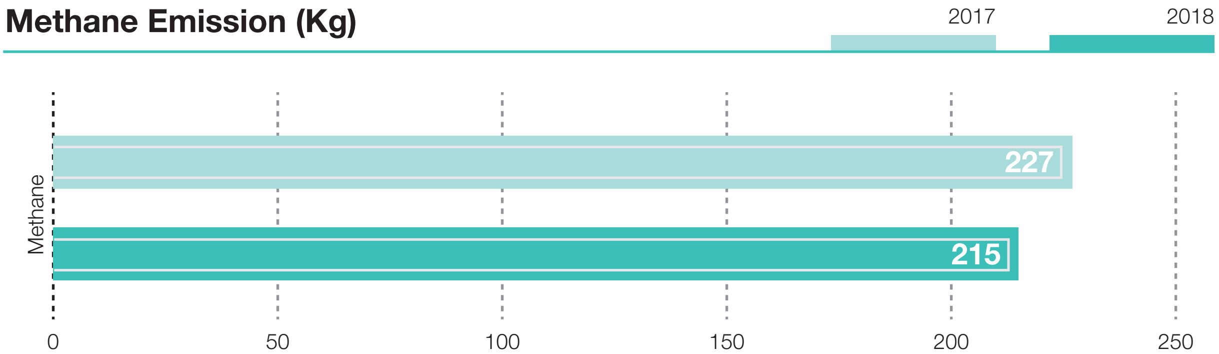
During the reporting period, the total amount of NOx emitted from our diesel vehicles are shown in the following table.

Vehicle Type	Emission Factor	No. of vehicles	Total distance travelled (km)	NOx Emissions (g)
Light Goods (2.5 – 3.5 tonnes)	1.1546	5	138,701	160,144
Light Goods (3.5 – 5.5 tonnes)	2.4216	1	39,620	95,944
Medium & Heavy Goods (5.5 – 15 tonnes)	3.1332	2	90,506	283,573
Total			268,827	539,661

Greenhouse gas emission

Greenhouse gases such as Carbon Dioxide ("CO_2") and Methane ("CH_4") are generated during the combustion of fossil fuels to produce electricity. The Group aims to reduce greenhouse gas emission by controlling our electricity consumption. In 2018, the total amount of our greenhouse gas emissions decreased by 2,350kg to 45,837kg, as illustrated in the graphs below.





Material Area 2: Non-Hazardous Waste Management

The Group does not produce any hazardous waste during the course of our operations. As such, the laws and regulations in Singapore relating to hazardous waste and chemicals do not have significant impact on our business.

As a sub-contractor providing electrical and mechanical works, the main non-hazardous waste generated from our operations are unutilised electrical wires. These electrical wires are made out of Polyvinyl Chloride ("PVC") and copper, both of which can be recycled. At the end of each project, all unutilised wires will be returned to the warehouse and sold to third party vendors where the wires would be stripped down to its raw components for resale or recycling purposes. In 2018, we cleared our warehouse of unutilised wires from past projects and sold off 42,400m of PVC cables.

The Group understands that minimising waste is a key component of waste management in our operations. As such, the Group places an emphasis on the planning stage of each project to ensure that the budgeted purchase amounts are in line with project requirement. However, wastage is inevitable in operations as additional materials would be purchased for unforeseen situations such as material shortages or underbudgeting.

The Group is committed to control the amount of waste produced and have implemented a threshold of 5% wastage for all projects undertaken. We are unable to disclose the wastage levels for 2018 as all of our existing projects are still on-going during the reporting period.

Use of Resources

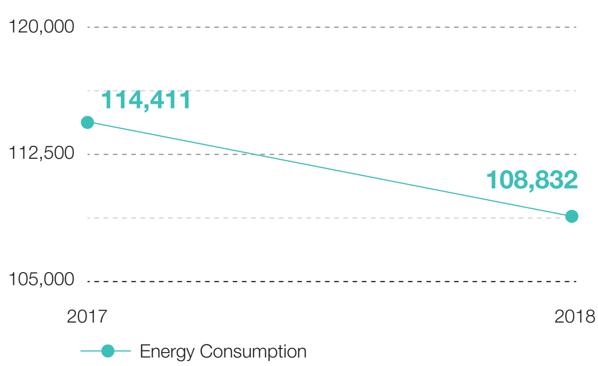
Material Area 3: Utilities Management

Water and electricity are scare resources in Singapore. The Group encourages employees to form electricity and water saving habits in both the office and at home to minimise resource wastage.

Electricity

The Group always strives to ensure that we consume electricity in an efficient manner. In 2018, we used a total of 108,832 kWh of electricity, a 4.8% reduction as compared of 2017's consumption level. Our ability to control electricity usage stems from the strategies of having a decentralised air conditioning and lighting system, as well as equipping our offices with energy efficient electrical appliances.

Electricity Consumption (kWh)



While a centralised control air conditioning and lighting systems is more convenient, we believe that a decentralised system is more energy efficient. All of our air conditioning units are managed by their own remote controllers. The common area is also split into zones with a specific air conditioning unit servicing each zone, allowing for more targeted usage.

We have also equipped our office with energy efficient electrical appliances that comply with the highest standards of NEA's Tick Rating System of, where 5 ticks represent the highest level of energy efficiency:

Location	Appliance	Quantity	Tick Rating
Office	Wall-mounted air conditioning unit	11	5 ticks
	Ceiling cassette air conditioning unit	3	4 ticks
	Office Refrigerator	1	4 ticks
Dormitory	Kitchen Refrigerator	1	3 ticks

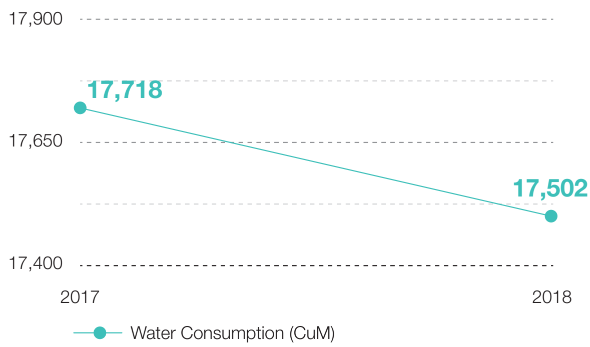
Water

The bulk of our water consumption is attributed to our in-house dormitory where laundry services are provided to the foreign workers residing in the dormitory.

We always remind our office staff and foreign workers to use water responsibly and reduce unnecessary wastage.

In 2018, the total water consumption of our office and dormitory is approximately 17,500CuM, a reduction of 1.22% compared to 2017's water consumption level. Although we have not achieved the 5% target, we are heartened by the results and are determined to step up our efforts to save water in the coming years.

Water Consumption (CuM)



Upcoming plans for 202 Tagore Lane

We have completed the construction of our new office-cum-dormitory at 202 Tagore Lane. This new property is likely to be used in the following year, subsequent to the installation of interior fittings and furniture. Once operations at 202 Tagore Lane commence, we expect our utilities consumption to increase significantly.

Thereafter, we will put in more effort to cultivate the water and electricity saving behaviours for both our employees working in the building and foreign workers staying in the dormitory. Responsible usage only accounts for a portion of total utilities consumption. We will be looking to incorporate eco-friendly furnishings and systems in our secondary property at 202 Tagore Lane. This includes installing the following features in the new office and dormitory:

- 100% LED lights
- Automatic light timers are common areas
- Energy efficient air conditioners
- Eco-friendly toilet bowls

The Environment and Natural Resources

Material Area 4: Responsible Project Management

As a mechanical and electrical engineering company, our operations do not have direct significant impacts on the environment. However, as part of the construction supply chain, we acknowledge our responsibility in reducing the construction industry's overall impact on the environment. We always participate in eco-friendly projects and seek to adopt more sustainable technologies in the projects.

BCA Green Mark Certification

The BCA Green Mark Scheme was introduced by the Building and Construction Authority of Singapore ("BCA") in 2005. It is intended to promote sustainability and raise environmental awareness among developers, designers and builders during all stages of a construction project. It incorporates internationally recognised best practices in environmental design and performance. Buildings that are Green mark certified have the properties of (i) reduction in energy, water and material resource usage; (ii) reduction in potential environmental impact; and (iii) indoor environmental quality for better health and well-being.

As at 31 December 2018, 100% of the projects undertaken by the Group are all Green Mark Certified.

Promoting adoption of new construction technologies

The concept of Design for Manufacturing and Assembly ("DfMA") and complementing technologies such as Cross Laminated Timber ("CLT")/Glued Laminated Timbre ("Glulam") are new approaches to the construction activities that have been introduced in recent years. The adoption of these concepts and technologies can help to improve construction productivity and reduce environmental impacts such as site noise and dust pollution. However, the rate of adoption is slow due to insufficient expertise present in the market. As at 31 December 2018, the Group has adopted DfMA and CLT/Glulam in two projects. We will continue to expand the usage of these technologies in our new projects, and share our knowledge and experiences with other industry players to implement them.

SOCIAL ASPECTS

The Group's current workforce of 259 are working hard to deliver the best quality services to our customers. We strive to create a safe, equitable, rewarding and nurturing working culture for all our employees. We practice our business with high standards of integrity and good compliance with regulatory requirements. For external stakeholders such as customers, suppliers and the community, we desire to deliver positive impacts and value-adding solutions to them.

Social Objectives in 2018

1. To foster a conducive and inclusive working culture that attracts and retain talents.
2. To provide good quality living conditions for foreign workers staying in our dormitories.
3. To achieve zero work-site incidents.
4. To provide highly reliable M&E services to our customers, achieve less than 5% customer complaints for completed projects.
5. To maintain good records of compliance with the local laws and regulations.

Employment

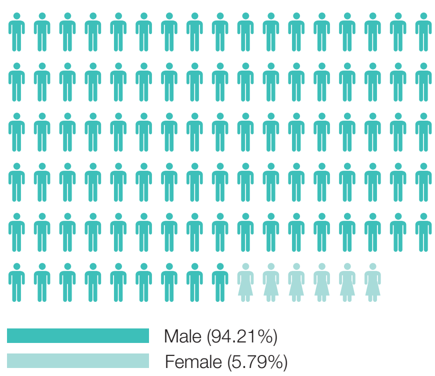
Material Area 5: Attraction and Retention

In Singapore, the "Employment Act", enforced by the Ministry of Manpower ("MOM"), is the main labour law that governs the basic terms and working conditions for employees. During the reporting period, the Group was not found to have any instance of non-compliance with the local labour standards and regulations.

The Group's recruitment activities are based on merit such as experiences, qualifications, skills and knowledge. We do not discriminate job applicants because of their gender, age, race, religion and etc. As at 31 December 2018, the proportion of male employees is greater than female employees in our workforce, as shown in the right chart. However, this distribution is due to the nature of construction industry our business is in, rather than a reflection of discriminatory practices within the Group. Our female employees are mostly working as executives and managers in office.

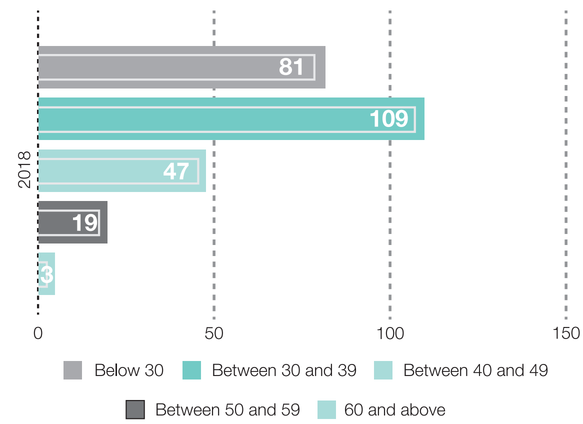
The demographics of our workforce in terms of age and nationality is shown in the following charts.

Employee by Gender

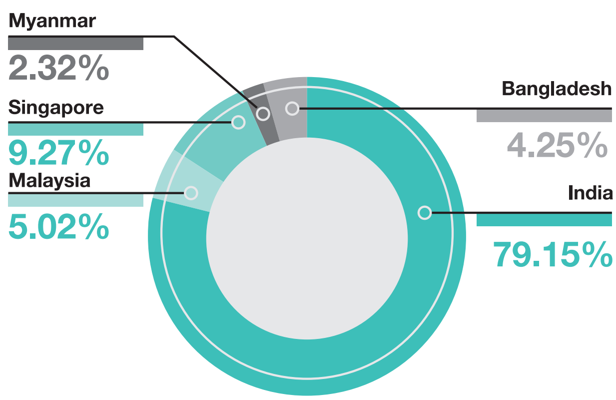


Guidelines over anti-discrimination and harassment have been established in the Group's Code of Conduct to protect all of our employees from verbal or behaviour abuses, regardless of age, ethnicity and nationality.

Distribution of Workforce by Age



Diversity in Workforce

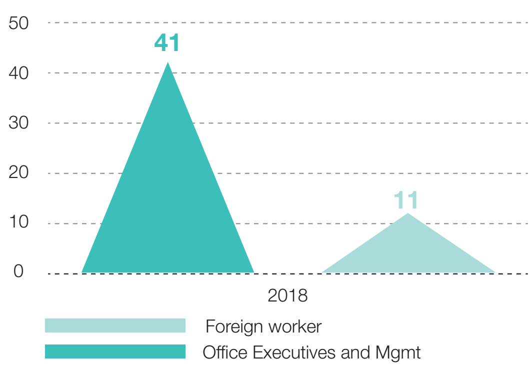


We understand the importance of attracting and retaining talents for the long-term sustainability of our business. We offer competitive remuneration packages as well as welfare and benefits to our employees, such as transport allowance, performance incentives, reimbursement of medical, annual leaves, medical leaves and etc. The annual bonuses, increment and promotion are granted to employees based on the result of their performance appraisals. All of our employees are given a copy of the "staff handbook" to understand the Group's basic employment terms, allowances, reimbursements, training and development, disciplines, grievance procedures and etc.

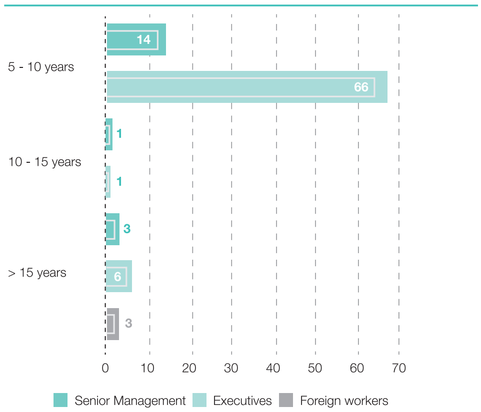
In 2018, we have total of 52 resigned employees, comprised of 6 females and 42 males. Given the nature of construction industry, approximately 80% of our resigned employees are foreign workers. For the existing employees as at 31 December 2018, approximately 40% of them have been with us for at least 5 years and 15% of them for at least 10 years. The above information is illustrated in the graphs below. During the reporting period, we did not have any cases of employee dismissal/termination.

We are committed to building stronger relationships with and among our employees by organising get together events for all employees. For the past 9 years, we have been holding annual corporate events to appreciate our employees' hard work, such as Chinese New Year Lunches, Deepavali Dinners, and Christmas Gift Exchange Sessions. In June 2018, we organised an all-expense paid incentive trip in Bali for our office employees and partially subsidised for their immediate family members.

Employee Turnover by Employment category



Employment Period



Material Area 6: Living Environment

Similar to other companies in the construction industry, we have a large proportion of foreign workers under our employment that help to carry out site work. As an employer, we are accountable for our foreign workers' welfare at rest time and are responsible for ensuring that acceptable living conditions are provided to them at all times.

As at 31st December 2018, approximately 21.5% of our foreign workers are staying in the Group's dormitory at 85 Tagore Lane. The remaining employees are housed in an externally managed dormitory approved by MOM. We provide the following benefits to the workers staying in our dormitory.

4 Meals a day | **Laundry Service** | **Gym Equipment** | **Wi-Fi Network** | **Entertainment Centre**

In 2018, we re-furnished the flooring and installed several gym equipment at the rooftop for our dormitory. Foreign workers are able to recreationally exercise or gather for team bonding sessions.

Dormitory operation at our new property — 202 Tagore Lane will only commence in end 2019 or early 2020. With the expansion, we will be able to house approximately 40% of foreign workers in our self-managed dormitories. As such, we will have greater control over the facilities and services provided to our foreign workers and are able to ensure a consistently high standard of living condition for a larger proportion of our foreign workers.

Health and Safety

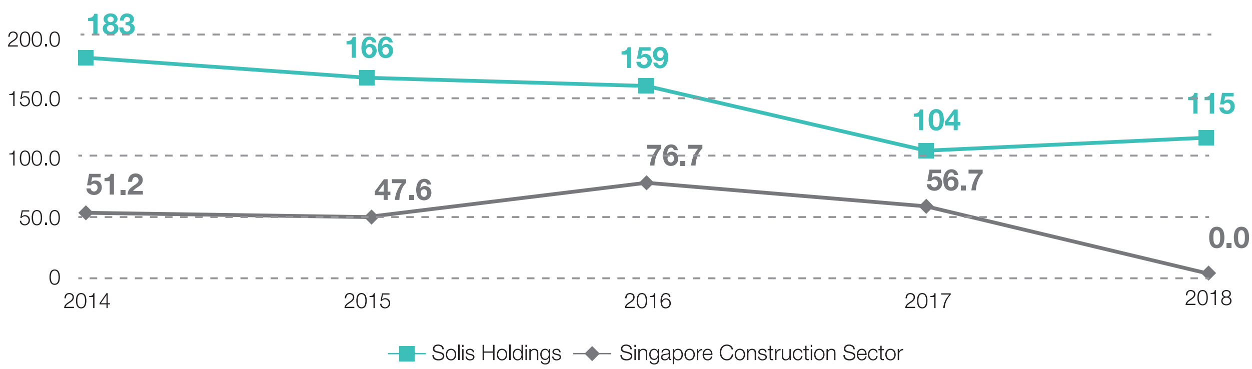
Material Area 7: Workplaces' Health and Safety

Safety risks are inherent in the construction industry that the Group operates in. We endeavour to providing a safe working environment for our employees and protect them from occupational hazards.

In Singapore, the laws and regulations for workplace safety and health are enforced by MOM, namely the *"Workplace Safety and Health Act"* and the *"Work Injury Compensation Act"*. These legislations have significant impacts on companies in the construction industry. During the reporting period, the Group did not have any reported non-compliances with the laws and regulations relating to workplace safety and health.

Over the past years, we have maintained a good safety record with our Accident Severity Rate ("ASR") falling significantly below the national average. During the reporting period, we have zero cases of workplace fatalities and injuries. As such, our ASR in 2018 dropped significantly to zero from the previous year, evidenced in the following chart.

ACCIDENT SEVERITY RATE 2014 - 2018



Our effort toward maintaining workplace health and safety has gained recognition from external professional bodies and our main contractors. The Group successfully extended its OHSAS 18001:2007 certification issued by BCA in 2017, and renewed its bizSAFE star certification administrated by Singapore's Workplace Safety and Health ("WSH") Council in 2018. During the reporting period, the Group received a "Gold Award for Subcontractor EHS Performance" from one of our main contractors for the exemplary contribution in maintaining a good and safe working environment.

The Group has effectively established and implemented its QHSEMS, which was last updated in April 2018. The QHSEMS has three stages — planning, implementation and enhancement, as illustrated in the following chart.

At the project planning stage, we conduct risk assessment exercise to ensure all potential safety and health risks are identified with precautionary measures put in place. For each of our projects, we appoint a well-qualified safety supervisor to monitor and correct any unsafe behaviours. To enhance employee awareness on health and safety, the Group has conducted in-house evaluation sessions with the site workers whenever a serious incident in the local construction industry was announced by the WSH council.

New technologies have been adopted by the Group to reduce the safety risks faced by our employees in the construction projects. Besides the Building Information Modelling ("BIM") technology and the Pre-Finished Volumetric Construction ("PPVC") technology mentioned in the previous year's ESG report, the Group has taken up two new technologies in 2018 — Design for Manufacturing and Assembly ("DfMA") and Cross Laminated Timber ("CLT")/Glued Laminated Timber ("Glulam").

DfMA is an engineering methodology allows for design of construction work in a way such that as much pre-fabrication and assembly work can be done off-site in a controlled manufacturing environment. By removing activities from the construction sites, DfMA allows for the creation of a safer working environment for our employees. CLT/Glulam are game changing technologies that support the DfMA concept that need minimal on-site manpower as timber members are pre-fabricated offsite and joined on-site with simple connections using hand tools. These methods are used in two of our existing projects during the reporting period. They are likely to be adopted more widely in our future projects.

Development and Training

Material Area 8: Professional Development

We believe that continuous communications and trainings to improve employees' knowledge and skills are important to the success of our business. We practiced performance appraisal in 2018 for our office executives and site workers to understand their strengths and weaknesses. Employees also receive regular feedback from their supervisors to enhance work efficiency and effectiveness.

Our office executives and management team are encouraged to attend training courses that are helpful for their professional development. The Human Resource department also plays an active role in identification of trainings courses for the management team to attend, which are relevant to the operations and growth of our business.

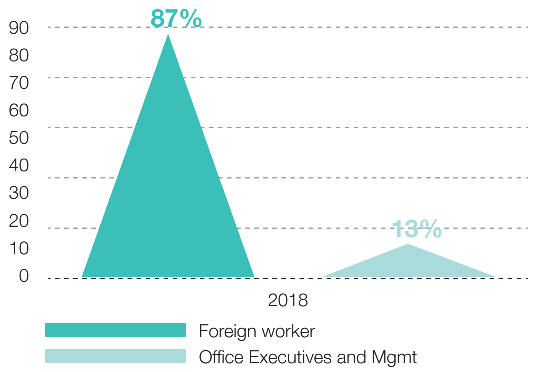
The site workers are usually sent to attend courses for renewal of their professional licenses. We also enrol our site workers in training courses relating to quality, occupational health and safety. These courses are usually mandatory enforced by MOM or BCA.

A summary of the training courses attended by our office executives and site workers in 2018 is shown in the following table.

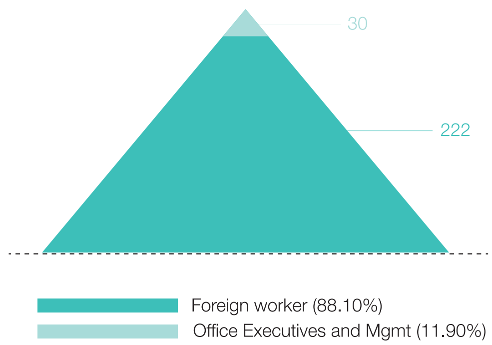
Office Executives	Site Workers
• Design and Installation of Electrical Installation based on Singapore Standard Code of Practice CP5	• Core Trade — Tradesmen Workshop
• Certification Course in Construction Law & Contracts	• Core Trade — Foremen Workshop
• Understanding Heating, Ventilation, and Air Conditioning System in a Systematic Way	• Core Trade — Supervisor Workshop
• Occupational First Aid Course	• Scissor Lift and Boom Lift Training
• Contracts and Practice Seminar Conditions of Contract in Today's Built Environment Risks & Responsibilities	• Operate Vertical Personnel Platform Lift Training
• Managing Work-At-Height Course	• Occupational First Aid Course
• ISO 45001:2018 Occupational Health & Safety Management System Internal Audit Training	• Supervise Construction Work for WSH

During our reporting period, total of 111 employees attended external trainings, of which 87% are site workers and 13% are office executives. The total number of training days attended by our employee is 252 days, of which 88% is attended by site workers and 12% attended by office employees. The higher proportion of site workers going for training is due to the larger proportion of site workers that make up our workforce. As at 31 December 2018, 87% of our headcount are site workers. The average training hours completed by each employee is 7.5 hours, out of the total headcount of 259 as at 31 December 2018.

Employee training per employee category



Training Hours Breakdown per Employee Gategory



Labour Standards

Material Area 9: Child and Forced Labour

In accordance to Singapore's Employment (Children and Young Persons) Regulations 2000, no child who is below the age of 13 years shall be employed in any occupation. Singapore also implemented the *Prevention of Human Trafficking Act* in 2014, where any person who recruits, transports, transfers, harbours or receives an individual by any means of coercion or a child (below age of 18) for the purpose of exploitation shall be guilty of an offence. The legislations are enforceable for all business operated in Singapore.

During the reporting period, the Group did not hire any child labour or forced labour, nor did the Group recruit any free-lance or illegal workers. This is attributable to implementation of stringent controls over our manpower selection and recruitment procedures. The Group has an internal policy of not hiring any workers aged below 18 years old and the background, identity, qualification, and working experiences of new hires must be checked and verified by the HR department.

In addition, the Group has formal procedures in place to eliminate illegal labour practices if discovered, including escalation, investigation, reporting to authorities, rectification actions and etc.

Supply Chain Management

Material Area 10: Vendor Management

As an electrical and mechanical engineering company, the key materials that we use in construction projects are electrical cables, switchgears, electrical components, low voltage systems and lightings and etc. We also engage sub-contractors to assist in areas where we are lack of sufficient expertise or experience, such as providing air-conditioning and mechanical ventilation systems, fire protection system and etc.

The objective of our vendor management is to achieve quality control and supply continuity.

Quality Control

The quality of raw materials and subcontractors' work will inevitably affect the reliability of products and services that we provide to our customers and the end users. We have stringent vendor selection and evaluation procedures before acceptance of vendors to the AVL. Prior to engagement, the new vendors would be assessed based on a set of criteria such as price competitiveness, experience in the field, certifications and awards and etc. At the end of engagement, the vendors we have used in the project would be evaluated based on our experiences with them, such as the quality of product/services, timeliness of delivery, after-sales services and etc.

Our vendor management procedures have been formally established in the QHSEMS, such as QHSE-SP-12 (Procurement) and QHSE-SP-02 (Reviewing of subcontractors' risk assessment). These policies help to ensure consistency in our quality control processes over the goods and services received.

Supply continuity

The continuous supply of materials and services from vendors is crucial for us to deliver finished work to the customers in a timely manner. To minimise disruption of our operations, we avoid excessive reliance on a small number of vendors and seek to expand our vendor base. As at 31 December 2018, there are total of 160 local suppliers in our Approved Vendor List ("AVL"). For each category of goods/services, we will ensure a sufficient large selection base as well as a few back-up suppliers. As such, when the major suppliers are unable to deliver or commit, we can engage our alternative suppliers to prevent shortages or interruption of the supplies.

In addition, maintaining good relationships with vendors is crucial to ensure sustained supply. We achieve this by making timely payments to our vendors. We have not encountered any material disagreements nor disputes with our vendors to date. As at 31 December 2018, a majority of our vendors have worked with us for more than 5 years, with our top 5 vendors having been engaged for over 10 years.

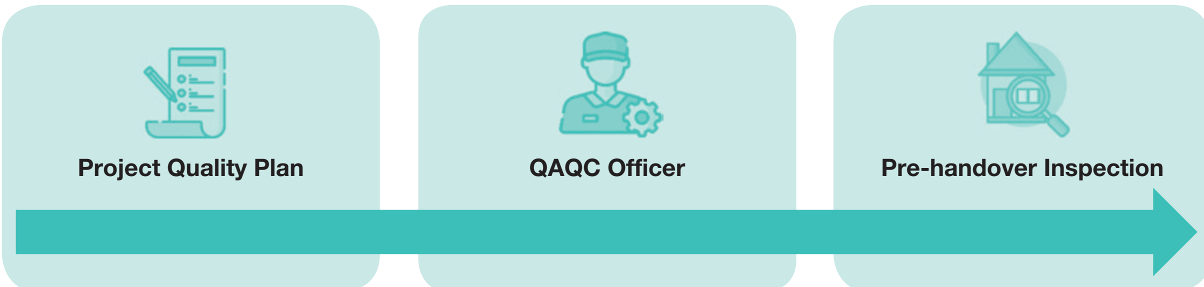
Product Responsibility

Material Area 11: Quality Control and Assurance

The sustainability of our business relies on our customers' confidence in the quality and reliability of our services. We always endeavour to providing the best quality of our services to customers.

The Group has successfully renewed the ISO 9001:2000 certification in July 2018 due to our good upkeep of robust quality management system in the provision of design, build and installation of mechanical and electrical works.

Our quality management system has three stages, as summarised in the chart below. Prior to the commencement of our project, a project quality plan detailing the specific quality elements will be prepared based on the customer's contractual specifications or requirements. A Quality Assurance and Quality Control ("QAQC") officer is appointed for each of our projects, who will perform quality inspection for the work done on a daily basis. Any quality concerns raised by the QAQC or the customer are communicated to the project management team for immediate follow-up. A final quality check which include testing and commissioning of the installed M&E systems would be carried out to identify and rectify any defective works before handover of the end-products to customer.



In the event of complaints received from customers during the defect liability period, we have established procedures to address customer's concerns in a timely manner. The project manager in charge shall be responsible for investigating the root causes of the complaints, following up with the customer to provide solutions, carrying out the ratification works, and reassuring customers with the results. During the reporting period, the Group received less than 5% of customer complaints for our completed projects, all of which have been timely resolved to customer's satisfaction.

Material Area 12: Protection of Customer Data

Personal data in Singapore is protected under the Personal Data Protection Act 2012 ("PDPA"), which is a data protection law that comprises various rules governing the collection, use, disclosure and care of personal data. In order to comply with PDPA, the Group has established a Personal Data Protection Policy to safeguard the personal data collected from our employees, customers and suppliers. During the reporting period, the Group did not have any reported cases of non-compliances with the PDPA.

We have also established guidelines for protecting customer privacy and confidential information in the Group's code of conduct, in order to increase employee awareness towards handling of customer data. A range of data-security measures are put in place to keep the customer data safe, such as assignment of access rights on a need to know basis, safeguard of customer contracts and tender documents by the key management team, back-up of customer data in a password-protected hard-disk, maintenance of a safe IT infrastructure via firewall and anti-virus software, and etc.

Anti-Corruption

Material Area 13: Code of Ethics and Whistle-Blowing

In Singapore, legislations relating to bribery, extortion, fraud and money laundering are strict and rigorous, including the *Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefit) Act* enforced by the Commercial Affairs Department and *Anti-Money Laundering and Countering the Financing of Terrorism ("AML/CFT") regime* under the purview of the Monetary Authority of Singapore. During the reporting period, there were not any legal cases regarding corrupt or money laundering practices brought against the Group or any employees, officers or directors.

Our Board place great emphasis on high standards of business integrity and tolerate no corruption or bribery in any form. A comprehensive set of Code of Conduct has been established, defining the standards of practices that all directors, officers and employees are required to abide by. Any instances of non-compliance with the Code of Conduct will be met with harsh disciplinary action. The Board is committed to take tough measures towards non-ethical behaviours to uphold the Group's high standards of business integrity.

A whistle-blowing policy has been put in place since 2017 and reviewed subsequently in December 2018. The whistle-blowing procedures, such as raising and reporting of concerns, responding to concerns raised, protection of the whistle-blowers, investigation and follow-up actions are formalised in the policy. Any suspected wrongdoings and improprieties fall within the scope of the policy should be reported to the Group's whistle-blowing officers, who are the independent directors of the Board. During the reporting period, there were no whistle-blowing cases received by the Board.

Community Investment

Material Area 14: Community Investment

The Group has always been philanthropic and with social responsibility in mind, we are committed to contributing back to the society to help the less-privileged groups. During the reporting period, we made donations to support the institutions that provide rehabilitation and aftercare services, elderly care services, traditional cultural activities, social and welfare services and etc.

In 2018, we made total donation amounts of $33,905 to the following charitable organisations. Moving forward, we will continue in our donation efforts and look into expanding our community engagement such as volunteer activities with charitable organisations.

Donation month	Charitable organisation	Method of donation	Amount (S$)
Mar 2018	Apex Day Rehabilitation Centre for Elderly and Asian Women's Welfare Associations ("AWWA") Home at Ang Mo Kio	Red packets to 250 elderly	13,505
Jan 2018	Apex Day Rehabilitation Centre for Elderly	Rice to the elderly	1,400
Jan 2018; May 2018; Jul 2018; Oct 2018	Hong Eng Dragon/Lion Dance Centre	Cheque	6,400
Apr 2018	Nee Soon South Citizens' Consultative Committee	Cheque	5,000
Aug 2018	Old Rafflesians' Association	Cheque	1,000
Sep 2018	Nee Soon South Citizens' Consultative Committee	Cheque	5,000
Dec 2018	Apex Day Rehabilitation Centre for Elderly	Rice to elderly	1,600

APPENDIX

General Disclosures and KPI		Description of KPI Index	Section/Remarks
Environmental			
Aspect A1: Emission	General Disclosure, information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.		Environmental Aspects
	KPI A1.1	The types of emission and respective emissions data.	Material Area 1: Air Pollutants and Greenhouse Gas Emissions
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Material Area 1: Air Pollutants and Greenhouse Gas Emissions
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not applicable as the Group's operations do not produce hazardous waste.
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not reported as the Group's existing projects are still on-going and not possible to calculate the total wastes produced.
	KPI A1.5	Description of measures to mitigate emission and results achieved.	Material Area 1: Air Pollutants and Greenhouse Gas Emissions
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Material Area 2: Non-Hazardous Waste Management

General Disclosures and KPI		Description of KPI Index	Section/Remarks
Environmental (Continued)			
Aspect A2: Use of resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.		Environmental Aspects
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Material Area 3: Utilities Management.
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Material Area 3: Utilities Management.
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Material Area 3: Utilities Management.
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Material Area 3: Utilities Management.
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable as the there are no packaging materials involved in the Group's operations.
Aspect A3: The Environment and Natural Resources	General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.		Environmental Aspects
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Material Area 4: Responsible Project Management

<table>
<tr><th colspan="2">General Disclosures and KPI</th><th>Description of KPI Index</th><th>Section/Remarks</th></tr>
<tr><td colspan="4">Social</td></tr>
<tr><td rowspan="3">Aspect B1:
Employment</td><td colspan="2">General Disclosure, information on:
(a) the Policies; and
(b) Compliance with relevant laws and regulations that have a significant impact on the issuer

Relating to compensation and dismissal, recruitment and promotion, working hours, resting periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</td><td>Material Area 5: Attraction and Retention

Material Area 6: Living Environment</td></tr>
<tr><td>KPI B1.1</td><td>Total workforce by gender, employment type, age group and geographical region.</td><td>Material Area 5: Attraction and Retention</td></tr>
<tr><td>KPI B1.2</td><td>Employee turnover rate by gender, age group and geographical region.</td><td>Material Area 5: Attraction and Retention</td></tr>
<tr><td rowspan="4">Aspect B2:
Health and Safety</td><td colspan="2">General Disclosure, information on:
(a) the Policies; and
(b) Compliance with relevant laws and regulations that have a significant impact on the issuer

Relating to providing a safe working environment and protecting employees from occupational hazards.</td><td>Material Area 7: Workplaces' Health and Safety</td></tr>
<tr><td>KPI B2.1</td><td>Number and rate of work-related fatalities.</td><td>Material Area 7: Workplaces' Health and Safety</td></tr>
<tr><td>KPI B2.2</td><td>Lost days due to work injury.</td><td>Not applicable as there were no cases of work-place injury in 2018.</td></tr>
<tr><td>KPI B2.3</td><td>Description of occupational health and safety measures adopted, how they are implemented and monitored.</td><td>Material Area 7: Workplaces' Health and Safety</td></tr>
</table>

<table>
<tr><th>General Disclosures and KPI</th><th colspan="2">Description of KPI Index</th><th>Section/Remarks</th></tr>
<tr><td colspan="4">Social (Continued)</td></tr>
<tr><td rowspan="3">Aspect B3: Development and Training</td><td colspan="2">General Disclosure:
Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.

Note: Training refers to vocational training. It may include internal and external courses paid by the employers.</td><td>Material Area 5: Attraction and Retention</td></tr>
<tr><td>KPI B3.1</td><td>The percentage of employees trained by gender and employee category (e.g. senior management, middle management).</td><td>Material Area 8: Professional Development</td></tr>
<tr><td>KPI B3.2</td><td>The average training hours completed per employee by gender and employee category.</td><td>Material Area 8: Professional Development</td></tr>
<tr><td rowspan="3">Aspect B4: Labour standards</td><td colspan="2">General Disclosure, information on:
(a) the Policies; and
(b) Compliance with relevant laws and regulations that have a significant impact on the issuer

Relating to providing a safe working environment and protecting employees from occupational hazards.</td><td>Material Area 9: Child and Forced Labour</td></tr>
<tr><td>KPI B4.1</td><td>Description of measures to review employment practices to avoid child and forced labour.</td><td>Material Area 9: Child and Forced Labour</td></tr>
<tr><td>KPI B4.2</td><td>Description of steps taken to eliminate such practices when discovered.</td><td>Material Area 9: Child and Forced Labour</td></tr>
<tr><td rowspan="3">Aspect B5: Supply Chain Management</td><td colspan="2">General Disclosure:
Policies on managing environmental and social risks of the supply chain.</td><td>Material Area 10: Vendor Management</td></tr>
<tr><td>KPI B5.1</td><td>Number of suppliers by geographical region.</td><td>Material Area 10: Vendor Management</td></tr>
<tr><td>KPI B5.2</td><td>Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.</td><td>Material Area 10: Vendor Management</td></tr>
</table>

General Disclosures and KPI		Description of KPI Index	Section/Remarks
Social			
Aspect B6: Product Responsibility	General Disclosure, information on: (a) the Policies; and (b) Compliance with relevant laws and regulations that have a significant impact on the issuer Relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		Material Area 11: Quality Control and Assurance
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable as the nature of the Group's business does not involve recall of products sold.
	KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Material Area 11: Quality Control and Assurance
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Not applicable as the Group does not have any intellectual property.
	KPI B6.4	Description of quality assurance process and recall procedures.	Material Area 11: Quality Control and Assurance
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Material Area 12: Protection of Customer Data
Aspect B7: Anti-corruption	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Material Area 13: Code of Ethics and Whistle-blowing
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Material Area 13: Code of Ethics and Whistle-blowing
Aspect B8: Community investment	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Material Area 14: Community Investment
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Material Area 14: Community Investment

Independent Auditor's Report

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

Report on the Audit of the Consolidated Financial Statements

OPINION

We have audited the consolidated financial statements of Solis Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies set out on pages 73 to 137.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance, consolidated changes in equity and consolidated 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") issued by International Auditing and Assurance Standards Board ("IAASB"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 from contracts with customers

The Group's main revenue is construction contract revenue for the installation of mechanical and electrical systems. The Group applies the input method to its construction contract revenue and costs in accordance with IFRS 15 *Revenue From Contracts With Customers*.

The input method recognises revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation (i.e. costs incurred) relative to the total expected inputs to the satisfaction of that performance obligation.

As disclosed in Note 5(a) to the consolidated financial statements, the uncertainty and subjectivity involved in determining the total expected costs to satisfy the performance obligation may have a significant impact on the revenue of the Group.

Construction contract revenue is disclosed in Note 6 to the consolidated financial statements.

Our audit procedures included:

- Evaluated the design and implementation of relevant key controls over the recognition of the construction contract revenue.
- For a selection of completed projects during the year, we have performed retrospective reviews by comparing the total actual costs incurred at completion against the total expected costs to assess the reasonableness of management's estimate.
- For a selection of projects in progress at the end of the reporting period, we have assessed management's assumptions on measuring progress towards satisfaction of performance obligations by,
  (i) agreeing estimated costs that have been committed to quotations and contracts entered; and
  (ii) assessing reasonableness of total expected inputs to satisfy the performance obligations by comparing progress billing over total contract sum % against the progress towards satisfaction of performance obligations.
- In relation to claims or variation orders raised against customers, we have selected samples and check them against 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 have also assessed the historical experience of management's judgement on the settlement of claims and variation orders.
- On a sample basis, we have performed cut-off testing to check that contract costs incurred are taken up in the appropriate financial period.
- Compared total contract revenue to actual costs incurred plus expected inputs to satisfy the performance obligations and assess for foreseeable losses.

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 consolidated financial statements and our auditor's report thereon.

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

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation of consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, 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 CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated 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

22 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2018

	Note	2018 S$'000	2017 S$'000
Revenue	6	**19,036**	37,570
Cost of services		**(12,927)**	(23,126)
Gross profit		**6,109**	14,444
Other income	7	**328**	122
Other gains (losses)	7	**(259)**	(23)
Administrative expenses		**(4,642)**	(4,460)
Finance costs	8	**(40)**	(31)
Listing expenses		**—**	(3,151)
Profit before taxation		**1,496**	6,901
Income tax expense	9	**(759)**	(1,506)
Profit for the year	10	**737**	5,395
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Surplus on revaluation of freehold property	15	**2,390**	443
(Deficit) Surplus on changes in fair value of intangible assets	16	**(25)**	38
Deficit on changes in fair value of financial asset at fair value through other comprehensive income	17	**(1)**	—
		2,364	481
Items that may be reclassified subsequently to profit or loss:			
Surplus on changes in fair value of available-for-sale investment	17	**—**	39
Other comprehensive income for the year		**2,364**	520
Total comprehensive income for the year		**3,101**	5,915
Basic and diluted earnings per share (S$ cents)	36	**0.09**	0.84

See accompanying notes to consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2018

	Note	31 December 2018 S$'000	31 December 2017 S$'000 (Restated)*	1 January 2017 S$'000 (Restated)*
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	15	29,591	17,801	12,169
Intangible assets	16	184	192	135
Available-for-sale investment	17	—	164	125
Financial asset at fair value through other comprehensive income	17	163	—	—
		29,938	18,157	12,429
Current assets				
Trade receivables	18	2,550	1,696	4,746
Other receivables, deposits and prepayments	19	613	221	466
Contract assets	20	10,579	16,017	5,891
Amounts due from ultimate holding company	21	5	5	—
Pledged fixed deposits	22	209	209	208
Bank balances and cash	22	18,339	30,704	8,761
		32,295	48,852	20,072
Current liabilities				
Trade payables and trade accruals	23	2,597	6,696	3,298
Other payables and accrued expenses	24	1,730	3,730	2,122
Contract liabilities	20	343	344	2,779
Obligations under finance leases	25	89	111	97
Income tax payable		376	1,628	2,443
Bank borrowings	31	392	388	—
		5,527	12,897	10,739
Net current assets		26,768	35,955	9,333
Total assets less current liabilities		56,706	54,112	21,762
Non-current liabilities				
Obligations under finance leases	25	—	89	191
Bank borrowings	31	950	1,349	—
Deferred tax liabilities	26	68	87	50
		1,018	1,525	241
Net assets		55,688	52,587	21,521
Capital and reserves				
Share capital	27	1,454	1,454	1,500
Reserves	28	54,234	51,133	20,021
Total equity		55,688	52,587	21,521

* The comparative information has been restated as a result of the initial application of IFRS 15 as discussed in Note 3.

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

For The Financial Year Ended 31 December 2018

	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$'000 (Note 28(ii))	Revaluation reserve for available-for-sale investment/ Financial Asset at fair value through other comprehensive income S$'000 (Note 28(iii))	Revaluation reserve for property, plant and equipment S$'000 (Note 28(iv))	Total S$'000
Balance at 1 January 2017	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
Total	—	—	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
Total comprehensive income for the year:								
Profit for the year	—	—	737	—	—	—	—	737
Other comprehensive income for the year	—	—	—	—	(25)	(1)	2,390	2,364
Total	—	—	737	—	(25)	(1)	2,390	3,101
Balance at 31 December 2018	1,454	26,697	16,301	1,500	13	147	9,576	55,688

The consolidated financial statements on pages 73 to 137 were approved and authorised for issue by the Board of Directors on 22 March 2019 and are signed on its behalf by:

Tay Yong Hua
Chairman and Executive Director

Kenneth Teo
Executive Director

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2018

	Note	2018 S$'000	2017 S$'000 (Restated)
Operating activities			
Profit before taxation		**1,496**	6,901
Adjustments for:			
Depreciation of property, plant and equipment		**485**	434
Gain on disposal of property, plant and equipment	7	**(4)**	—
Interest income	7	**(128)**	(77)
Interest expense	8	**40**	31
Dividend income	7	**(3)**	(3)
Revaluation deficit on properties	7	**263**	23
Staff loan written off		**—**	14
Unrealised exchange (gain) loss		**(221)**	373
Operating cash flows before working capital changes		**1,928**	7,696
Movements in working capital:			
(Increase) Decrease in trade receivables		**(854)**	3,050
(Increase) Decrease in other receivables, deposits and prepayments		**(392)**	231
Decrease (Increase) in contract assets		**5,438**	(10,126)
Increase in amount due from ultimate holding company		**—**	(5)
(Decrease) Increase in trade payables and trade accruals		**(4,099)**	3,398
(Decrease) Increase in other payables and accrued expenses		**(1,103)**	712
Decrease in contract liabilities		**(1)**	(2,435)
Cash generated from operations		**917**	2,521
Income tax paid		**(2,030)**	(2,284)
Net cash (used in) from operating activities		**(1,113)**	237
Investing activities			
Purchase of property, plant and equipment	15	**(10,168)**	(3,647)
Proceeds from disposal of property, plant and equipment		**24**	—
Purchase of intangible assets	16	**(17)**	(19)
Dividend received	7	**3**	3
Interest received	7	**128**	76
Placement of fixed deposit	22	**(11,900)**	—
Net cash used in investing activities		**(21,930)**	(3,587)

Consolidated Statement of Cash Flows (Continued)

For the financial year ended 31 December 2018

	Note	2018 S$'000	2017 S$'000 (Restated)
Financing activities			
Repayments of bank borrowings		(395)	(263)
Repayments of obligations under finance leases		(111)	(88)
Interest paid	8	(40)	(31)
Dividend paid	11	—	(3,000)
Issue of shares		—	30,892
Transaction costs directly attributable to issue of shares (Note A)		(897)	(1,844)
Net cash (used in) from financing activities		(1,443)	25,666
Net (decrease) increase in cash and cash equivalents		(24,486)	22,316
Effect of foreign exchange rate changes on the balance of cash held in foreign currency		221	(373)
Cash and cash equivalents at beginning of the year		30,704	8,761
Cash and cash equivalents at end of the year (Note 22)		6,439	30,704

Note A: In 2017, the Group incurred transaction costs of S$2,741,000 of which S$897,000 remained unpaid and included in other payables and accrued expenses as at 31 December 2017 (Note 24). These amounts have been repaid in 2018.

See accompanying notes to consolidated 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 at 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 consolidated financial statements are approved by the Board of Directors of the Company on 22 March 2019.

2 GROUP REORGANISATION AND BASIS OF PREPARATION

In 2017, 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 consolidated financial statements has been prepared as if the Company had always been the holding company of the companies now comprising the Group throughout the year ended 31 December 2017, or since their respective dates of incorporation, whichever is a shorter period.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated 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 year ended 31 December 2017, or since their respective date of incorporation, where there is a shorter period. The consolidated 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

New and amended IFRSs that are effective for the current year

At the date of this report, the Group has applied the following new and amendments to IFRSs and Interpretations that have been issued for the first time in current year:

IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014–2016 Cycle

The application of the new and amendments to IFRSs and Interpretations in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements, except as noted below.

IFRS 15 Revenue from Contracts with Customers

For the purpose of preparing and presenting the consolidated financial statements for the year ended 31 December 2018, the Group has consistently applied the accounting policies which conform with IFRSs, which are effective for the accounting period beginning on 1 January 2018. Except for the changes under IFRS 15 on the classification of retention receivables which previously classified as trade receivables and amount due from (to) customers for construction work to contract assets (liabilities), the application of IFRS 15 on 1 January 2018 has no impact on the statement of profit or loss. The accounting policies for contract revenue recognition under IFRS 15 are set out in Note 4 below. The amount of adjustment for each financial statement line item affected by the application of IFRS 15 is illustrated below.

Impact on assets, liabilities and equity as at 1 January 2017

	As previously reported S$'000	IFRS 15 adjustments S$'000	As restated S$'000
Trade receivables	8,726	(3,980)	4,746
Contract assets	—	5,891	5,891
Amount due from customers for construction work	1,911	(1,911)	—
Amount due to customers for construction work	(2,779)	2,779	—
Contract liabilities	—	(2,779)	(2,779)
Total effect on net assets		—	

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

New and amended IFRSs that are effective for the current year (Continued)

IFRS 15 Revenue from Contracts with Customers (Continued)

Impact on assets, liabilities and equity as at 31 December 2017

	As previously reported S$'000	IFRS 15 adjustments S$'000	As restated S$'000
Trade receivables	5,814	(4,118)	1,696
Contract assets	—	16,017	16,017
Amount due from customers for construction work	11,899	(11,899)	—
Amount due to customers for construction work	(344)	344	—
Contract liabilities	—	(344)	(344)
Total effect on net assets		—	

Impact on consolidated cash flows as at 31 December 2017

	As previously reported S$'000	IFRS 15 adjustments S$'000	As restated S$'000
Trade receivables	2,912	138	3,050
Contract assets	—	(10,126)	(10,126)
Amount due from customers for construction work	(9,988)	9,988	—
Amount due to customers for construction work	(2,435)	2,435	—
Contract liabilities	—	(2,435)	(2,435)
Net effect on cash from operating activities		—	

The Group has applied IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in IFRS 15.C5(a), and (b), or for modified contracts in IFRS 15.C5(c) but using the expedient in IFRS 15.C5(d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognise that amount as revenue for all reporting periods presented before the date of initial application, i.e. 1 January 2018.

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

New and amended IFRSs that are effective for the current year (Continued)

IFRS 9 Financial Instruments

For the purpose of preparing and presenting the consolidated financial statements for the year ended 31 December 2018, the Group has consistently applied the accounting policies which conform with IFRSs, which are effective for the accounting period beginning on 1 January 2018 throughout the two years ended 31 December 2018, except that the Group adopted IFRS 9 *Financial Instruments* on 1 January 2018 and IAS 39 *Financial Instruments: Recognition and Measurement* during year ended 31 December 2017. Except for the change in classification of available-for-sale investments under IAS 39 to financial asset at fair value through other comprehensive income ("FVTOCI") under IFRS 9, the application of IFRS 9 on 1 January 2018 has no material impact on the financial position of the Group with regard to classification and measurement of financial instruments nor has any material additional impairment been recognised upon application of expected loss approach as at same date. The accounting policies for financial instruments under IFRS 9 are set out in Note 4 below.

New and amendments of IFRSs in issue but not yet effective

At the date of this report, the Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 16	Leases[1]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IAS 1 and IAS 8	Definition of Material[3]

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

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after 1 January 2020.

The management of the Group considers that the application of the other new and amendments to IFRSs is unlikely to have a material impact on the Group's financial position and performance as well as disclosure, except as noted below:

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 lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

New and amendments of IFRSs in issue but not yet effective (Continued)

IFRS 16 Leases (Continued)

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 leases 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 leases modifications, among others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other 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 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 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.

Other than certain requirements which are also applicable to lessor, 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 finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

The Group's non-cancellable operating lease commitments as at 31 December 2018 amounted to S$226,000 (2017: S$111,000) disclosed in Note 12 to the consolidated 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 Group do not anticipate that the application of IFRS 16 will have a material impact in the amounts reported and disclosures made in the consolidated financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

In addition, the consolidated 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 consolidated 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 consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

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 consolidation

The consolidated 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.

Consolidation 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 consolidated 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 consolidation.

Financial Instruments

Initial recognition under IAS 39 and IFRS 9

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.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Before the adoption of IFRS 9 on 1 January 2018

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.

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.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial assets (Continued)

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
- 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.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

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.

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.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

After the application of IFRS 9

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss ("FVTPL").

Financial assets at amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial assets (Continued)

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9 (see Notes 3 and 17).

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade receivables, other receivables, bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets and measures the lifetime ECL for portfolios of trade receivables and contract assets that share similar economic risk characteristics. The ECL on these financial assets are estimated using an analysis of assets by risk level of customers and apply a probability-weighted estimate of the credit losses within the relevant risk type. The probability-weighted estimate of the credit losses is determined based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial assets (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from financial analysts and governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 35 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial assets (Continued)

(i) Significant increase in credit risk

A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default (i.e. no default history); ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

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

(ii) Definition of default

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

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

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower; or
- a breach of contract, such as a default or past due event; or
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial assets (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are past due over two years, whichever is earlier. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

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 party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification of financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not i) contingent consideration of an acquirer in a business combination; ii) held-for-trading; or iii) designated measured as at FVTPL, are subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

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

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

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.

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.

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 properties held for use in the supply of goods or services, or for administrative purposes, are stated in the statement of consolidated 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.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

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

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

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

The Group recognises revenue from construction contract.

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Specifically, the Group uses 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; and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, the Group 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 customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards satisfaction of relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the Group performs; or

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Revenue from construction contract is described in the accounting policy on construction contracts below.

Construction Contracts Revenue for the Installations of Mechanical and Electrical Systems

Revenue from construction contract for the installations of mechanical and electrical systems is recognised over time during the course of installation services by reference to the progress towards satisfaction at the end of the reporting period. Progress towards satisfaction is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation (i.e. contract costs incurred for work performed to date) relative to the total expected inputs to the satisfaction of that performance obligation (i.e. total estimated contract costs), that best depict the Group's performance in transferring control of goods or services.

For construction contracts for the installations of mechanical and electrical systems that contain variable consideration such as variations in contract work, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled. The estimated amount of variable consideration is included in the construction contract for the installations of mechanical and electrical systems only to the extent that it is highly probable that such as inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Construction Contracts Revenue for the Installations of Mechanical and Electrical Systems (Continued)

The contract assets on construction contracts for the installations of mechanical and electrical systems represent the Group's right to consideration for work completed and not billed as the rights are conditioned on the Group's future performance in satisfying the respective performance obligations.

The contract liabilities on construction contracts for the installations of mechanical and electrical systems represent the Group's obligation to transfer project works to customers for which the Group has received consideration from the customers.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

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.

Rental income

The Group's policy for recognition of revenue from operating leases is described above.

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.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 consolidated 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.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Except for investment properties measured using the fair value model, 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.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are 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 consolidated 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 consolidated 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.

5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(a) Revenue from contracts with customers

The Group recognises contract revenue and profit of a construction contract during the course of construction by reference to the progress towards satisfaction at the end of the reporting period. Progress towards satisfaction is measured based on input method. Estimated construction revenue is determined with reference to the terms of the relevant contracts. Contract costs which mainly comprise sub-contracting charges and costs of materials are estimated by the management on the basis of quotations from time to time provided by the major subcontractors or suppliers involved and the experience of the management. Notwithstanding that management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

Management reviews the construction contracts for foreseeable losses whenever there is an indication that the estimated contract revenue is lower than the estimated total contract costs. The actual outcomes in terms of total contract costs or contract 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) Estimated impairment of receivables and contract assets

Prior to 1 January 2018, 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.

Starting from 1 January 2018, the Group recognises lifetime ECL for trade receivables and contract assets, based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The amount of the loss allowance based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material loss allowance may arise.

6 REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable from the construction 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 only disclosures on services, major customers and geographical information of this single segment are presented.

6 REVENUE AND SEGMENT INFORMATION (Continued)

An analysis of the Group's revenue for the year is as follows:

	Year ended 31 December	
	2018	2017
	S$'000	S$'000
Revenue from:		
Installations of mechanical and electrical systems	**19,036**	37,570

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	
	2018	2017
	S$'000	S$'000
Customer A	**3,312**	N/A*
Customer B	**3,265**	N/A*
Customer C	**2,390**	N/A*
Customer D	**2,154**	18,876
Customer E	**3,338**	8,747

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

The following table shows the aggregate amount of the transaction price allocated to performance obligations are unsatisfied (or partially unsatisfied) as at the end of the reporting period.

As permitted under the transitional provisions in IFRS 15, the transaction price allocated to (partially) unsatisfied performance obligations as of 31 December 2017 is not disclosed.

	Year ended 31 December 2018 S$'000
Installations of mechanical and electrical systems	**25,237**

Management expects that the transaction price allocated to the unsatisfied performance obligations as of 31 December 2018 will be recognised as revenue varying from 1 to 2 years according to the contract period.

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 performed and the Group's property, plant and equipment are all located in Singapore.

7 OTHER INCOME, OTHER GAIN (LOSSES)

	Year ended 31 December	
	2018	2017
	S$'000	S$'000
Other income		
Interest income	**128**	77
Dividend income	**3**	3
Government grants	**141**	42
Rental income	**56**	—
	328	122
Other gains (losses)		
Gain on disposal of property, plant and equipment	**4**	—
Revaluation deficit on properties	**(263)**	(23)
	(259)	(23)

8 FINANCE COSTS

	Year ended 31 December	
	2018	2017
	S$'000	S$'000
Interest expense:		
— Obligations under finance leases	**8**	12
— Bank borrowings	**32**	19
	40	31

9 INCOME TAX EXPENSE

	Year ended 31 December 2018 S$'000	Year ended 31 December 2017 S$'000
Tax expense comprise:		
Current tax		
— Singapore corporate income tax ("CIT")	**376**	1,628
— Under (Over) provision in prior years	**402**	(159)
Deferred tax expense (Note 26)	**(19)**	37
	759	1,506

Singapore CIT is calculated at 17% of the estimated assessable profits eligible, for CIT rebate of 40%, capped at S$15,000 for YA 2018, and adjusted to 20% capped at S$10,000 for YA 2019. 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 2018 S$'000	Year ended 31 December 2017 S$'000
Profit before taxation	**1,496**	6,901
Tax at applicable tax rate of 17% (2017 : 17%)	**254**	1,173
Tax effect of expenses not deductible for tax purpose	**143**	697
Effect of tax concessions and partial tax exemptions	**(40)**	(205)
Under (Over) provision of tax in prior years	**402**	(159)
Income tax expense	**759**	1,506

10 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Year ended 31 December	
	2018	2017
	S$'000	S$'000
Depreciation of property, plant and equipment	**485**	434
Auditor's remuneration (Note a)	**150**	140
Directors' remuneration (including contributions to CPF)	**1,386**	1,268
Other staff costs		
— Salaries and other benefits	**6,715**	7,854
— Contributions to CPF	**217**	262
Total staff costs (Note b)	**8,318**	9,384
Subcontractor costs recognised as cost of services	**1,453**	2,788
Minimum lease payments under operating leases	**435**	478

Note:

a. This excludes other assurance services of S$Nil (2017 : S$300,000) paid to the auditors of the Company and S$Nil (2017 : S$300,000) 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$5,770,000 (2017 : S$7,160,000) are included in cost of services.

11 DIVIDENDS

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.

Saved for above, no other dividend has been declared by the Company or Group's subsidiaries during both years or subsequent to the year end.

12 OPERATING LEASE COMMITMENTS

The Group as lessee

	Year ended 31 December	
	2018	2017
	S$'000	S$'000
Minimum lease payments paid during each of the year under operating lease in respect of staff dormitories and equipment	**435**	478

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

	Year ended 31 December	
	2018	2017
	S$'000	S$'000
Within 1 year	**226**	111

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.

The Group as lessor

The Group rent out its property under operating lease to outside parties. Property rental income earned by the Group during the year was S$56,000 (2017 : S$Nil).

At the end of the reporting period, the Group have contracted with tenants for the following future minimum lease payments:

	Year ended 31 December	
	2018	2017
	S$'000	S$'000
Within 1 year	**280**	—

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 S$Nil (2017 : S$7,341,000) remained outstanding as at year end.

The directors also provided joint and several personal guarantees in respect of the banking facilities and bank borrowings as disclosed in Note 29 and 31 respectively.

During the year, these personal guarantees provided by the directors were released and replaced by corporate guarantee from the Company. The Group has determined that the corporate guarantee had insignificant fair values as at 31 December 2018.

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 2018	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)	–	420	70	13	503
Mr. Tay Yong Meng	–	300	50	17	367
Mr. Kenneth Teo (ii)	–	324	50	17	391
Sub-total	–	1,044	170	47	1,261
Independent Non-Executive Directors					
Ms. Theng Siew Lian Lisa	42	–	–	–	42
Mr. Law Wang Chak Waltery	41	–	–	–	41
Mr. Tan Sin Huat Dennis	42	–	–	–	42
Sub-total	125	–	–	–	125
Total	125	1,044	170	47	1,386

14 DIRECTORS', CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (Continued)

Directors' and chief executive's emoluments (Continued)

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

(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 both years, 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 both years.

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 2018 and 31 December 2017 are as below:

	Year ended 31 December	
	2018	2017
	S$'000	S$'000
Salaries and allowances	**1,272**	920
Discretionary bonus	**208**	634
Contribution to retirement benefit scheme	**78**	82
Total compensation	**1,558**	1,636

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

	Year ended 31 December	
	2018	2017
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**—**	1
HK$1,500,001 to HK$2,000,000	**—**	—
HK$2,000,001 to HK$2,500,000	**2**	2
HK$2,500,001 to HK$3,000,000	**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 2017	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
Additions	9	3,456	6,400	29	–	272	2	10,168
Disposals	–	–	–	(1)	(3)	(124)	–	(128)
Revaluation surplus	–	7	2,240	–	–	–	–	2,247
Revaluation (deficit) on property	–	(263)	–	–	–	–	–	(263)
At 31 December 2018	156	6,800	21,700	280	99	2,000	135	31,170
Comprising								
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
At 31 December 2018:								
At cost	156	–	–	280	99	2,000	135	2,670
At valuation	–	6,800	21,700	–	–	–	–	28,500
	156	6,800	21,700	280	99	2,000	135	31,170

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 2017	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
Charge for the year	14	143	–	41	10	264	13	485
Eliminated on disposals	–	–	–	(1)	(3)	(104)	–	(108)
Eliminated on revaluation	–	(143)	–	–	–	–	–	(143)
At 31 December 2018	49	–	–	194	70	1,160	106	1,579
Carrying amount:								
At 31 December 2017	112	3,600	13,060	98	39	852	40	17,801
At 31 December 2018	107	6,800	21,700	86	29	840	29	29,591

During the year ended 31 December 2018, the Group's property, plant and equipment with an aggregate cost of approximately S$10,168,000 (2017 : S$5,647,000), of which S$Nil (2017 : S$2,000,000) 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 2018 S$'000	2017 S$'000
Motor vehicles	336	421

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 2018 and 2017 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 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 2018				
Freehold property A	12,300,000	Market comparison approach	Market price of S$1,224 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	7,700,000	Market comparison approach	Market price of S$1,639 per square feet after adjusting for age, location, condition and surrounding facility	The higher the market price, the higher the fair value
Freehold property C	8,500,000	Market comparison approach	Market price of S$1,584 per square feet after adjusting for age, location, condition and surrounding facility	The higher the market price, the higher the fair value
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

For building on freehold property A, the significant inputs include the estimated construction costs and other ancillary expenditure of approximately S$2,700,000 (2017: 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 2018 and 2017.

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

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

For building on freehold property B, the significant inputs include the estimated construction costs and other ancillary expenditure of approximately S$2,000,000 (2017: S$1,250,000), and a depreciation factor applied to the estimated construction cost, commencing from the year 1992, of approximately 2% for the year ended 31 December 2018 and 2017.

For building on freehold property C, the significant inputs include the estimated construction costs and other ancillary expenditure of approximately S$2,100,000 (2017: S$Nil), and a depreciation factor applied to the estimated construction cost, commencing from the year 2013, of approximately 2% for the year ended 31 December 2018.

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 2018				
Freehold land	**—**	**—**	**21,700**	**21,700**
Building	**—**	**—**	**6,800**	**6,800**
	—	**—**	**28,500**	**28,500**
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$13,660,000 (2017: S$7,260,000), and S$4,582,000 (2017: S$2,300,000) respectively.

As at 31 December 2018, freehold properties with a carrying amount of S$20,000,000 (2017: S$16,660,000) have been pledged under a mortgage to secure a line of credit with two banks (Notes 29 and 31). The Group is not allowed to pledge these assets as security for other borrowings or sell them to other entity.

16 INTANGIBLE ASSETS

	Year ended 31 December	
	2018	2017
Club Membership	**S$'000**	S$'000
Fair value:		
Balance at beginning of year	**192**	135
Additions	**17**	19
(Deficit) Surplus on revaluation	**(25)**	38
Balance at end of year	**184**	192

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/FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Year ended 31 December	
	2018	2017
	S$'000	S$'000
Equities investments listed in Singapore		
— Available-for-sale investment	**—**	164
— Financial asset at fair value through other comprehensive income	**163**	—
	163	164

The equities investments was classified as available-for-sale investment in accordance with IAS 39 as at 31 December 2017. Upon the application of IFRS 9 on 1 January 2018, the Group has classified the equities investments as financial asset at fair value through other comprehensive income ("FVTOCI") accordingly.

18 TRADE RECEIVABLES

	31 December 2018 S$'000	31 December 2017 S$'000 (Restated)	1 January 2017 S$'000 (Restated)
Trade receivables	2,550	1,696	4,746

The Group grants credit terms to customers typically up to 35 days from the invoice date for trade receivables (31 December 2017: 35 days, 1 January 2017: 35 days).

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

	31 December 2018 S$'000	31 December 2017 S$'000	1 January 2017 S$'000
1 to 30 days	2,130	1,499	3,344
31 to 60 days	396	192	774
61 to 90 days	—	—	203
More than 90 days	24	5	425
	2,550	1,696	4,746

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.

Prior to 1 January 2018

The Group recognised the allowance for certain trade receivables which has been past due and considered as doubtful debts or irrecoverable by the management.

Included in the Group's trade receivables as at 31 December 2017 was carrying amounts of S$213,000 (1 January 2017: 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.

18 TRADE RECEIVABLES (Continued)

Prior to 1 January 2018 (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:

	31 December 2017 S$'000	1 January 2017 S$'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

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.

Starting from 1 January 2018

The Group applied lifetime ECL (simplified approach) to provide the expected credit losses as prescribed by IFRS 9. The impairment methodology is set out in Notes 4 and 34(c) respectively.

As part of the Group's credit risk management, the Group determines the ECL on these items based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Details of the credit risk assessment are included in Note 34(c).

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

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

The management of the Group believes that there is no loss allowance required for trade receivables as at 31 December 2018.

19 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Year ended 31 December	
	2018	2017
	S$'000	S$'000
Deposits	**54**	82
Prepayments	**91**	134
Advances to staff	**6**	5
Goods and Services Tax ("GST") receivables	**414**	—
Other receivables	**48**	—
	613	221

The Group applied 12-month ECL to provide the expected credit losses as prescribed by IFRS 9. The impairment methodology is set out in Notes 4 and 34(c) respectively.

As part of the Group's credit risk management, the Group determines the ECL on these items based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Details of the credit risk assessment are included in Note 34(c).

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

An other receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the other receivables are over two years past due, whichever occurs earlier. None of the other receivables that have been written off is subject to enforcement activities.

The management of the Group believes that there is no loss allowance required for other receivables and deposits as at 31 December 2018.

20 CONTRACT ASSETS AND CONTRACT LIABILITIES

	31 December 2018	31 December 2017	1 January 2017
	S$'000	S$'000	S$'000
		(Restated)	(Restated)
Analysed for reporting purposes as:			
Contract assets	**10,579**	16,017	5,891
Contract liabilities	**(343)**	(344)	(2,779)
	10,236	15,673	3,112

20 CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

As at 31 December 2018, included in contract assets are retention money held by customers for construction work amounted to S$3,605,000 (31 December 2017: S$4,118,000, 1 January 2017: S$3,980,000). 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$1,160,000 (31 December 2017 : S$829,000, 1 January 2017: S$2,631,000) which is expected to be recovered after 12 months of the reporting period.

Contract assets relating to construction contacts are balances due from customers under construction contracts that arise when the Group receives payments from customers in line with a series of performance — related milestones. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

Contract liabilities relating to construction contracts are balances due to customers under construction contracts. These arise when a particular milestone payment exceeds the revenue recognised to date under the cost-to-cost method.

Retention money is unsecured, interest-free and expected to be received within the Group's normal operating cycle.

The Group applied the lifetime ECL (simplified approach) to provide the expected credit losses as prescribed by IFRS 9. The impairment methodology is set out in Notes 4 and 34(c) respectively.

As part of the Group's credit risk management, the Group determines the ECL on these items based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Details of the credit risk assessment are included in Note 34(c).

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

A contract asset is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the contract assets are over two years past due, whichever occurs earlier. None of the contract assets that have been written off is subject to enforcement activities.

The management of the Group believes that there is no loss allowance required for contract assets as at 31 December 2018.

21 AMOUNTS DUE FROM ULTIMATE HOLDING COMPANY

	Year ended 31 December		Maximum outstanding amount	
	2018	2017	**2018**	2017
	S$'000	S$'000	**S$'000**	S$'000
Non-trade related	**5**	5	**5**	5

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

The Group applied 12-month ECL to provide the expected credit losses as prescribed by IFRS 9. The impairment methodology is set out in Notes 4 and 34(c) respectively.

As part of the Group's credit risk management, the Group determines the ECL on these items based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Details of the credit risk assessment are included in Note 34(c).

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

An amount due from ultimate holding company is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the amounts due from ultimate holding company are over two years past due, whichever occurs earlier. None of the amounts due from ultimate holding company that have been written off is subject to enforcement activities.

The management of the Group believes that there is no loss allowance required for amounts due from ultimate holding company as at 31 December 2018.

22 PLEDGED FIXED DEPOSITS/BANK BALANCES AND CASH

	Year ended 31 December	
	2018	2017
	S$'000	S$'000
Pledged fixed deposits (Note a)	**209**	209
Cash on hand	**10**	8
Cash at bank (Note b)	**6,429**	30,696
Fixed deposit (Note c)	**11,900**	—
Total bank balances and cash	**18,339**	30,704
Less: Fixed deposit	**(11,900)**	—
Cash and cash equivalents in the statement of cash flows	**6,439**	30,704

22 PLEDGED FIXED DEPOSITS/BANK BALANCES AND CASH (Continued)

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$5,780,000 (2017: S$3,200,000) granted to the Group (Note 29) as at 31 December 2018 and 31 December 2017 respectively. The balances are rolled forward on their maturity in March each year, and carry interest of 0.25% per annum (2017: 0.25% per annum).

b. Bank balances carry interest at prevailing market rate of approximately 0.10% per annum (2017: 0.10% per annum).

c. The balance represents fixed deposit with an original maturity of 6 months and carry interest of 1.69% per annum (2017: Nil%).

23 TRADE PAYABLES AND TRADE ACCRUALS

	Year ended 31 December	
	2018	2017
	S$'000	S$'000
Trade payables	**1,787**	3,285
Trade accruals	**810**	3,411
	2,597	6,696

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	
	2018	2017
	S$'000	S$'000
Within 90 days	**1,644**	3,061
91 days to 120 days	**143**	224
	1,787	3,285

24 OTHER PAYABLES AND ACCRUED EXPENSES

	Year ended 31 December	
	2018	2017
	S$'000	S$'000
Accrued operating expenses	**1,508**	2,253
Accrued listing expenses	**—**	897
Other payables	**222**	580
	1,730	3,730

25 OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2018 S$'000	2017 S$'000	2018 S$'000	2017 S$'000
Amounts payable under finance leases:				
Within one year	91	119	89	111
In more than one year but not more than two years	–	91	–	89
	91	210	89	200
Less: Future finance charges	(2)	(10)	–	–
Present value of lease obligations	89	200	89	200
Less: Amount due for settlement within 12 months (shown under current liabilities)			(89)	(111)
Amount due for settlement after 12 months			–	89

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

	Year ended 31 December	
	2018	2017
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 2017	50
Charged to profit or loss for the year (Note 9)	37
As at 31 December 2017	87
Credited to profit or loss for the year (Note 9)	(19)
As at 31 December 2018	68

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 Group prior to the Group Reorganisation in the consolidated 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.

	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 and 31 December 2018	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 (Note e)	210,000,000	364
At 31 December 2017 and 31 December 2018	840,000,000	1,454

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.

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 capitalisation 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.

e. 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.

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/Financial Asset At FVTOCI

The revaluation reserve arises from the revaluation of equities investments listed in Singapore as set out in Note 17.

The equities investments was classified as available-for-sale investment in accordance with IAS 39 as at 31 December 2017. Upon the application of IFRS 9 on 1 January 2018, the Group has classified the equities investments as financial asset at FVTOCI accordingly.

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 2017, the Group entered into a banking facility for a line of credit amounting to S$5,780,000. The facility comprises of S$3,000,000 for Money Market Loan (MML), S$1,000,000 for Overdraft (OD), S$1,700,000 for issuing Performance Guarantee (PG) and S$80,000 for Credit Card limit. 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.

As at 31 December 2018, the Group utilised the PG banking facility of S$53,000 (2017: S$Nil).

On March 2017, the Group entered into a new banking facility with another bank, for a consolidated 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 facility remained unutilised during both years.

During the year ended 31 December 2018, the personal guarantees provided by the directors for the above two banks were released and replaced by corporate guarantee from the Company. The Group has determined that the corporate guarantee had insignificant fair values as at 31 December 2018.

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 2018 and 2017, 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$264,000 (2017: S$309,000) represent contributions paid to the retirement benefits scheme by the Group.

As at 31 December 2018, contributions of S$68,000 (2017: S$92,000) were due and accrued, and subsequently paid at the end of the year.

31 BANK BORROWINGS

	Year ended 31 December	
	2018	2017
	S$'000	S$'000
Bank borrowings — secured	**1,342**	1,737
Analysed as:		
Carrying amount repayable within one year	**392**	388
Carrying amount repayable more than one year, but not exceeding two years	**400**	396
Carrying amount repayable more than two years, but not more than five years	**550**	953
	1,342	1,737
Less: Amount due within one year shown under current liabilities	**(392)**	(388)
Amount due for settlement after 12 months	**950**	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.

During the year ended 31 December 2018, the personal guarantees provided by the directors were released and replaced by corporate guarantee from the Company.

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 consolidated 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 2017	—	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
Financing cash flows	—	(119)	(427)	(546)
Finance costs recognised	—	8	32	40
31 December 2018	—	89	1,342	1,431

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

	31 December 2018 S$'000	31 December 2017 S$'000 (Restated)	1 January 2017 S$'000 (Restated)
Financial assets			
— *Available-for-sale investment*	**—**	164	125
— *Financial asset at FVTOCI*	**163**	—	—
— *Financial asset at amortised cost (2017: Loans and receivables)*	**21,211**	32,701	13,884
Financial liabilities			
— *Financial liabilities at amortised cost*	**5,758**	12,305	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, amounts due from ultimate holding company, trade payables and trade accruals, other payables and accrued expenses, 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 management

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 management

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		Liabilities	
	Year ended 31 December		Year ended 31 December	
	2018	2017	**2018**	2017
	S$'000	S$'000	**S$'000**	S$'000
Hong Kong Dollar	**2,114**	28,092	**21**	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$209,000 for the year ended 31 December 2018 (2017 : S$2,719,000). 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 management

Before adoption of IFRS 9 as at 1 January 2018

Included in financial assets as at 31 December 2017 as a component of bank balances and cash was S$28,092,000, partially placed in a bank in Hong Kong. The remaining bank deposits and balances are placed in four banks 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% 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 management (Continued)

Before adoption of IFRS 9 as at 1 January 2018 (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% 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.

After adoption of IFRS 9 as at 1 January 2018

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of 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 arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Included in financial assets as at 31 December 2018 as a component of bank balances and cash was S$1,994,000, partially placed in a bank in Hong Kong. The remaining bank deposits and balances are placed in six banks in Singapore. Management assessed the credit risk on bank balances and cash is limited because the counterparties are banks and financial institutions which are regulated with high credit ratings.

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 91% of the total financial assets as at 31 December 2018.

The Group is exposed to concentration of credit risk at 31 December 2018 on trade receivables from the Group's top five major customers accounted for 67% of the Group's total trade receivables. The major customers of the Group are certain reputable organisations.

34 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Financial risk management objectives and policies (Continued)

(c) Credit risk management (Continued)

After adoption of IFRS 9 as at 1 January 2018 (Continued)

In order to minimise credit risk, the Group has delegated its finance team to develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The finance team uses publicly available financial information and the Group's own historical repayment records to rate its major customers and debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL-not credit-impaired
In default	There is evidence indicating the asset is credit impaired	Lifetime ECL-credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The Group has applied the lifetime ECL (simplified approach) in IFRS 9 for trade receivables and contract assets, 12-month ECL in IFRS 9 for other receivables and deposits and amounts due from ultimate holding company to measure the loss allowance respectively. The Group determines the ECL on these items based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The management of the Group believes that there is no loss allowance required for trade receivables, other receivables and deposits, contract assets and amounts due from ultimate holding company as at 31 December 2018.

(d) Liquidity risk management

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.

34 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Financial risk management objectives and policies (Continued)

(d) Liquidity risk management (Continued)

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.

	Weighted average interest rate	On demand or within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
As at 31 December 2018							
Non-interest bearing							
Trade payables and trade accruals	N.A.	2,597	–	–	–	2,597	2,597
Other payables and accrued expenses	N.A.	1,730	–	–	–	1,730	1,730
Interest bearing							
Obligations under finance leases	2.68	27	64	–	–	91	89
Bank borrowings	2.43	106	315	983	–	1,404	1,342
Total		4,460	379	983	–	5,822	5,758
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
Interest bearing							
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

34 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Financial risk management objectives and policies (Continued)

(d) Liquidity risk management (Continued)

Non-derivative financial assets

As at 31 December 2018 and 2017, 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 price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Further details of these equity investments can be found in Note 17.

The management of the Group does not expect equity price risk exposure for these equity investments to be significant as at 31 December 2018.

(f) Fair value of financial assets and financial liabilities

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

The following table gives information about how the fair value of the financial asset are determined (in particular, the valuation technique and inputs used).

Financial assets/liabilities	Fair value as at Year ended 31 December 2018 S$'000	 2017 S$'000	Fair value hierarchy	Valuation technique; and key input	Significant unobservable input
Financial asset at FVTOCI					
Listed equity shares	**163**	—	Level 1	Quoted bid prices in an active market	N/A
Available-for-sale investment					
Listed equity shares	**—**	164	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 financial asset 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 consolidated 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 2018 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
Solis (BVI) Investments Limited	BVI	US$100	100%	100%	Investment holding
ALBA Group Limited	Hong Kong	US$100	100%	—	Investment holding

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

36 EARNINGS PER SHARE

	Year ended 31 December	
	2018	2017
Profit attributable to the owners of the Company (S$'000)	**737**	5,395
Weighted average number of shares in issue ('000)	**840,000**	642,082
Basic and diluted earnings per share (S$ cents)	**0.09**	0.84

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.

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 2018 and 2017.

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 2018 S$'000	As at 31 December 2017 S$'000
ASSETS AND LIABILITIES		
Non-current asset		
Investment in subsidiaries	*	*
Current assets		
Prepayments	12	50
Bank balances and cash	14,026	28,093
Amount due from ultimate holding company	3	—
Amount due from subsidiaries	10,403	—
	24,444	28,143
Current liabilities		
Other payables	152	995
Amounts due to subsidiaries	—	2,557
	152	3,552
Net current assets	24,292	24,591
Total assets less current liabilities, representing net assets	24,292	24,591
EQUITY		
Capital and reserves		
Share capital	1,454	1,454
Reserves	22,838	23,137
Equity attributable to owners of the Company	24,292	24,591

* Amount less than S$1,000

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
Total comprehensive loss for the year:			
Loss for the year	—	(299)	(299)
At 31 December 2018	**26,697**	**(3,859)**	**(22,838)**

Five Years Financial Summary

RESULTS	Year ended 31 December 2018 S$'000	Year ended 31 December 2017 S$'000	Year ended 31 December 2016 S$'000	Year ended 31 December 2015 S$'000	Year ended 31 December 2014 S$'000
Revenue	**19,036**	37,570	39,953	45,506	22,206
Profit before income tax	**1,496**	6,901	13,820	11,769	5,753
Income tax expenses	**759**	1,506	2,272	1,903	984
Profit attributable to the owners of the Company for the year	**737**	5,395	11,548	9,866	4,769
Total comprehensive income attributable to the owners of the Company for the year	**3,101**	5,915	10,620	9,409	4,867
ASSETS AND LIABILITIES					
Total assets	**62,233**	67,009	32,501	41,654	31,495
Total liabilities	**6,545**	14,422	10,980	20,753	13,003
Net assets	**55,688**	52,587	21,521	20,901	18,492
Equity attributable to owners of the Company for the year	**55,688**	52,587	21,521	20,901	18,492