KPM HOLDING LIMITED
吉輝控股有限公司*

Incorporated in the Cayman Islands with limited liability

Stock Code: 8027

ANNUAL REPORT

2018

* For identification purpose only

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the "Directors") of KPM Holding Limited (the "Company") collectively and individually accept full responsibility, include particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief (1) the information contained in this report is accurate and complete in all material respects and not misleading and deceptive; (2) there are no other matters the omission of which would make any statement herein or this report misleading; (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The original report is prepared in the English language. This report is translated into Chinese. In the event of any inconsistencies between the Chinese and the English version, the latter shall prevail.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Tan Thiam Kiat Kelvin *(Chairman)*
Mr. Tan Kwang Hwee Peter
Ms. Kong Weishan

Independent non-executive Directors

Mr. Tan Kiang Hua
Mdm. Kow Yuen-Ting (Gao Yun Ting)
(Retired on 8 May 2018)
Mr. Oh Eng Bin (Hu Rongming)
(Resigned on 13 June 2018)
Mr. Lock Kiu Yin (Appointed on 8 May 2018)
Mr. Lau Muk Kan (Appointed on 13 June 2018)

AUDIT COMMITTEE MEMBERS

Mr. Lock Kiu Yin *(Chairman of audit committee)*
Mr. Lau Muk Kan
Mr. Tan Kiang Hua

NOMINATION COMMITTEE MEMBERS

Mr. Lau Muk Kan *(Chairman of nomination committee)*
Mr. Tan Kiang Hua
Mr. Lock Kiu Yin

REMUNERATION COMMITTEE MEMBERS

Mr. Tan Kiang Hua
(Chairman of remuneration committee)
Mr. Lau Muk Kan
Mr. Lock Kiu Yin

COMPLIANCE OFFICER

Mr. Tan Thiam Kiat Kelvin

COMPANY SECRETARY

Ms. Wong Tsz Yan Pinky

AUTHORISED REPRESENTATIVES

Mr. Tan Thiam Kiat Kelvin
Ms. Wong Tsz Yan Pinky

INDEPENDENT AUDITOR

HLB Hodgson Impey Cheng Limited
31/F, Gloucester Tower, The Landmark
The Pedder Street
Central
Hong Kong

REGISTERED OFFICE

Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

424 Tagore Industrial Avenue
Sindo Industrial Estate
Singapore 787807

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE (CAP 622)

Unit 6, 10/F, Wayson Commercial Building
28 Connaught Road West
Sheung Wan
Hong Kong

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Estera Trust (Cayman) Ltd.
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301-04, 33/F., Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

PRINCIPAL BANKER

DBS Bank Ltd
12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982

COMPANY'S WEBSITE

www.kpmholding.com

STOCK CODE

8027

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of KPM Holding Limited (the "Company"), I am pleased to present the annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018.

PERFORMANCE

For the year ended 31 December 2018, the Group recorded a 18.5% decrease in revenue from approximately S$12,847,000 in 2017 to approximately S$10,475,000 in 2018. Gross profit and profit for the year of the Group were approximately S$4,119,000 (2017: approximately S$5,565,000) and approximately S$884,000 (2017: loss for the year approximately S$200,000) respectively.

Revenue had decreased by approximately 18.5% or S$2,372,000, mostly attributable to lower revenue of approximately S$2,452,000 from the public sector. The gross profit margin decreased from 43.3% for the year ended 31 December 2017 to 39.3% for the year ended 31 December 2018. Profit after tax for the year ended 31 December 2018 was approximately S$884,000 as compared with loss after tax of approximately S$200,000 for the year ended 31 December 2017. Profit before tax for the year ended 31 December 2017 would have been approximately S$1,569,000 assuming that loss on disposal of available-for-sale investments of approximately S$1,411,000 were excluded.

OUTLOOK

According to the release by Ministry of Trade and Industry Singapore on 2 January 2019, the growth in the construction sector contracted by 3.4 percentage points in 2018, primarily due to the weakness in public sector construction activities.

Looking forward to 2019, it is expected the Group will face significant challenges. Due to fierce competition in bidding prices and higher material costs, both revenue and gross profit of the local construction market is expected to be decreased compared to year 2018.

The Group will continue to manage its expenditures, review the business strategy constantly and look for opportunity to cope with existing market environment in a cautious and prudent manner.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to the management and staff of the Group for their hard work and dedication as well as to our shareholders and business partners for the continued support.

Tan Thiam Kiat Kelvin
Chairman and Executive Director

Singapore, 19 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and Results

For the year ended 31 December 2018, the Group recorded revenue of approximately S$10,475,000 (2017: approximately S$12,847,000) and profit for the year of approximately S$884,000 (2017: loss for the year of approximately S$200,000).

Revenue had decreased by approximately 18.5% or S$2,372,000, attributable to lower revenue of approximately S$2,452,000 from the public sector. The lower revenue contribution from the public sector is due to the absence of new high value contracts to replace those which are near expiry or have expired.

The gross profit and gross profit margin for the year ended 31 December 2018 was approximately S$4,119,000 (2017: approximately S$5,565,000) and approximately 39.3% (2017: approximately 43.3%) respectively. The lower gross profit by approximately S$1,446,000 was mainly due to lower revenue.

Other gains and losses included bad debts recovered of approximately S$90,000 during the year ended 31 December 2018. The Group also recorded approximately S$69,000 foreign exchange gain which was mainly arise from cash and cash equivalents denominated in Hong Kong dollars which was appreciating against Singapore dollars.

Selling and administrative expenses for the year ended 31 December 2018 was approximately S$3,159,000, (2017: approximately S$3,608,000) representing a decrease of approximately S$449,000 or 12.5% mainly due to lower expenses incurred for legal and professional fees and other expenses.

The Group recorded a profit before tax for the year ended 31 December 2018 of approximately S$1,204,000 (2017: approximately S$158,000), representing an increase of approximately S$1,046,000 as compared with the last financial year. Profit before tax for the year ended 31 December 2017 would have been approximately S$1,569,000 assuming that loss on disposal of available-for-sale investments of approximately S$1,411,000 were excluded.

Profit for the year ended 31 December 2018 was approximately S$884,000, compared with loss of approximately S$20,000 for the year ended 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

The Group's exposure to liquidity risk arises in the general funding of the Group's operations, in particular, that the duration of the contracts span from 1 month to 4 years and during which the amount of progress claim vary from month to month depending on the provision of signage and related products for the month. The supply and installation schedule is as directed by the customer, in accordance with the main contractor's schedule. As such, the Group actively manages our customers' credit limits, aging, and repayment of retention monies and monitor the operating cash flows to ensure adequate working capital funds and repayment schedule is met.

For the year ended 31 December 2018, the cash and cash equivalents of the Group has increased by approximately S$826,000. This was mainly due to a net cash flow arising from operating activities of approximately S$1,196,000, offset by purchase of plant and equipment of approximately S$374,000 and repayment of obligations under finance lease of approximately S$71,000.

At 31 December 2018, the Group had cash and cash equivalents of approximately S$11,147,000 (2017: approximately S$10,321,000) which were placed with major banks in Singapore and Hong Kong.

As at 31 December 2018, the Group's borrowings comprised the obligations under finance lease of approximately S$366,000 (2017: approximately S$267,000).

FOREIGN EXCHANGE EXPOSURE

The Group transacts mainly in Singapore Dollars, which is the functional currency of the Group. However, the Group had an unrealised foreign exchange gain of approximately S$85,000 mainly due to the Group retains the proceeds from placement in Hong Kong Dollars which was appreciated against the Singapore Dollars.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no significant investments held, nor were there any material acquisitions and disposals of subsidiaries during the year ended 31 December 2018.

CHARGES ON GROUP'S ASSETS

As at 31 December 2018, the Group's obligations under finance lease are secured by the lessor's title to the relevant leased motor vehicles and office equipment with the aggregate carrying values amounting to approximately S$651,000 (2017: approximately S$437,000).

CONTINGENT LIABILITIES

As at 31 December 2018, the guarantees in respect of performance bonds in favour of our customers was approximately S$35,000, which is secured by pledged bank deposits (2017: approximately S$23,000).

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS

As at 31 December 2018, the Group did not have any capital commitment (2017: Nil).

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The business objectives as set out in the prospectus of the Company dated 30 June 2015 (the "Prospectus") for the period from 10 July 2015 (the "Listing Date") to 31 December 2018 is set out below:

Business objectives	**Planned expenses (as stated in the Prospectus) in respect of business objectives from the Listing Date to 31 December 2018** HK$ (in million)	**Use of proceeds** HK$ (in million)	**Balance available** HK$ (in million)
Purchase of materials and/or equipment in relation to expansion of existing sector and to target and secure more non-road infrastructure related projects	8.2	8.2	–
Expansion via new companies or acquisitions	8.2	–	8.2
Expansion and enhancement of work force to support our business expansion in the existing sector and non-road infrastructure related projects	4.7	3.1	1.6
Working capital and other general corporate purposes	2.3	2.3	–
Total	23.4	13.6	9.8

In view of the challenging economic and construction industry environment, the Group has deferred the implementation of some business objectives and such planned business expenses to next year.

As at the date of this annual report, the Directors do not anticipate any change to the plan as to the use of proceeds.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE INFORMATION

As at 31 December 2018, the Group had an aggregate of 77 (2017: 82) employees.

The employees of the Group are remunerated according to their job scope and responsibilities. The local employees are also entitled to discretionary bonus depending on their respective performance. The foreign workers are employed on one or two year contractual basis and are remunerated according to their work skills.

Total staff costs, including Directors' emoluments, amounted to approximately S$3,086,000 for the year ended 31 December 2018 (2017: approximately S$3,530,000).

BUSINESS REVIEW

Revenue comprised of revenue from the sales of signage and related products in both the public and private sectors in Singapore, which amounted to approximately S$10,475,000 and S$12,847,000 for the year ended 31 December 2018 and 2017, respectively.

Public sector includes signage and related products for roads, education institutions, public housing flats/ compounds, defence compound, airport and national parks, amongst others.

Private sector includes signage and related products for commercial buildings, industrial buildings, private residential buildings, hospital and fast food chains.

During the current financial year, the business revenue and net profit was approximately S$10,475,000 and S$884,000 respectively. The public sector revenue has decreased by S$2,452,000 due to the absence of new high value contracts to replace those which are near expiry.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Tan Thiam Kiat Kelvin (陳添吉), age 46, a co-founder, an executive Director and the Chairman of the Group. He was first appointed as the Director on 10 March 2015. Mr. Tan Thiam Kiat Kelvin is also the director of Signmechanic Pte Ltd ("Signmechanic Singapore"), appointed on 1 December 1997. Mr. Tan Thiam Kiat Kelvin is responsible for the Group's overall management, strategic planning and business development. He has more than 20 years of experience in the signage industry.

Mr. Tan Thiam Kiat Kelvin started his career as a project team member in a company whose principal business was in signage related works. Signmechanic Singapore was acquired by Mr. Tan Thiam Kiat Kelvin and Mr. Tan Kwang Hwee Peter (who was an ex-colleague in that company) years after.

Since 1997, Mr. Tan Thiam Kiat Kelvin has been involved in Signmechanic Singapore, focusing on the growth of the business. Mr. Tan Thiam Kiat Kelvin is involved in overall management, strategic planning and business development, and maintains relationships with key customers in the public infrastructure sector.

Mr. Tan Thiam Kiat Kelvin graduated with a diploma in electronic engineering from Ngee Ann Polytechnic, Singapore in August 1992.

Mr. Tan Kwang Hwee Peter (陳光輝), age 51, a co-founder, an executive Director and the chief executive officer of the Group. He was first appointed as the Director on 10 March 2015. Mr. Tan Kwang Hwee Peter is also the director of Signmechanic Singapore, appointed on 1 December 1997. Mr. Tan Kwang Hwee Peter is responsible for leading the Group's operational departments and providing guidance and management experience in project management and contract negotiation. He has more than 20 years of experience in the signage industry.

Mr. Tan Kwang Hwee Peter started his career in the Singapore Air Force in 1987 as a technician. For his next job, he worked as a project coordinator in the company (where Mr. Tan Thiam Kiat Kelvin was also employed in) whose principal business was in signage related works. Signmechanic Singapore was acquired by him and Mr. Tan Thiam Kiat Kelvin years after.

Since 1997, Mr. Tan Kwang Hwee Peter has been involved in Signmechanic Singapore, focusing on the growth of the business. Mr. Tan Kwang Hwee Peter leads the operational departments and provides guidance and management experience in project management and contract negotiation. He also maintains relationships with customers in all non-public infrastructure contracts.

Mr. Tan Kwang Hwee Peter graduated with a diploma in mechanical engineering from Ngee Ann Polytechnic, Singapore in August 1987. He also obtained a graduate diploma in sales and marketing management from Temasek Polytechnic, Singapore in February 1993.

Ms. Kong Weishan (孔維姍), aged 36, was appointed as an executive Director on 25 January 2017.

Ms. Kong Weishan graduated from Chongqing University of Posts and Telecommunications (重慶郵電大學) with bachelor's degrees in geographic information system. Ms. Kong Weishan has extensive experience in business operation and management. She had held managerial roles in various sizable corporations.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tan Kiang Hua (陳建華), age 58, was appointed as an independent non-executive Director on 23 June 2015. He is currently the chairman of the remuneration committee and a member of the audit committee and nomination committee of the Board.

Mr. Tan Kiang Hua graduated from the National University of Singapore with a Bachelor of Business Administration degree in June 1984. He has more than 30 years of experience in accounting, finance, investment and business management.

Mr. Lock Kiu Yin (陸翹彥), age 37, was appointed as an independent non-executive Director on 8 May 2018. He is currently the chairman of the audit committee and a member of the nomination committee and remuneration committee of the Board.

Mr. Lock Kiu Yin graduated from Curtin University of Technology with a Bachelor of Commerce degree in accounting and accounting technologies in 2004. He is a member of CPA Australia. He has more than 10 years of experience in accounting and finance.

Mr. Lau Muk Kan (劉木根), age 68, was appointed as an independent non-executive Director on 13 June 2018. He is currently the chairman of the nomination committee and a member of the audit committee and remuneration committee of the Board.

Mr. Lau Muk Kan has engaged in the manufacturing industry for over 30 years. He has extensive experience in business management and corporation operation management.

SENIOR MANAGEMENT

Mr. Soh Chiau Kim (蘇招金), age 39, was appointed as the general manager of the Company since March 2013. He is responsible for overall management of operations, with a focus on the execution of contracts. His roles include managing, executing and coordinating the entire contracts, in particular larger value road infrastructure projects.

COMPANY SECRETARY

Ms. Wong Tsz Yan Pinky, age 30, is the company secretary of the Company. She was appointed as the company secretary of the Company since 11 March 2016. Ms. Wong Tsz Yan Pinky is a member of the Hong Kong Institute of Certified Public Accountants. She holds a Bachelor of Administrative Studies with Honours (specialised in accounting) from the York University.

COMPLIANCE OFFICER

Mr. Tan Thiam Kiat Kelvin is an executive Director and the compliance officer of the Company. His biographical details and professional qualifications are set out on page 10 of this report.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board considers good corporate governance is a key element in managing the business and affairs of the Group. The management of the Group periodically reviews and proposes amendments to its corporate governance practices for compliance with the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 15 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("GEM Listing Rules"). In the opinion of the Board, the Company has complied with the CG Code during the year ended 31 December 2018. Details of the Group's corporate governance practices adopted by the Board are set out in the Corporate Governance Report on pages 12 to 22 of this report.

CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings concerning securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Model Code"). Having been made specific enquiry, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code during the year ended 31 December 2018.

BOARD OF DIRECTORS

The Company is governed by the Board of Directors which has the responsibility for leadership and monitoring of the Company. The Directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. As at the date of this report, the Board comprises six Directors of which three are executive Directors and three are independent non-executive Directors.

The Board sets strategies and directions for the Group's activities with a view to developing its business and enhancing shareholders' value. The Board has delegated the daily operation and day-to-day management of the Group as well as the implementation of the Board's policies and strategies to the executive Directors and management of the Group.

All Directors carry out their duties in good faith and in compliance with applicable laws and regulations, making decisions objectively and acting in the interests of the Company and its shareholders at all times.

The Group will continue to update the Directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices.

CORPORATE GOVERNANCE REPORT

DIRECTORS' ATTENDANCE AT BOARD MEETING

During the year ended 31 December 2018, the Board held 5 board meetings and 2 general meetings and the attendance of each Director is set out as follows:

Directors	Board meetings	Attendance of Annual general meeting	Extraordinary general meeting
Executive Directors			
Mr. Tan Thiam Kiat Kelvin	5/5	1/1	1/1
Mr. Tan Kwang Hwee Peter	5/5	1/1	1/1
Ms. Kong Weishan	5/5	1/1	1/1
Independent non-executive Directors			
Mr. Tan Kiang Hua	5/5	1/1	1/1
Mdm. Kow Yuen-Ting (Gao Yun Ting) (Retired on 8 May 2018)	1/5	1/1	0/1
Mr. Oh Eng Bin (Hu Rongming) (Resigned on 13 June 2018)	3/5	1/1	0/1
Mr. Lock Kiu Yin (Appointed on 8 May 2018)	3/5	0/1	1/1
Mr. Lau Muk Kan (Appointed on 13 June 2018)	2/5	0/1	1/1

APPOINTMENT AND RE-ELECTION OF THE DIRECTORS

Each of the executive Directors has entered into a service contract with the Company with an initial term of three years commencing from the execution date. Each of the independent non-executive Directors have signed a letter of appointment with the Company with a term of two years commencing from the execution date. In compliance with the code provision in A.4.2 of the CG Code, all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. By virtue of the articles of association of the Company, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the shareholders in general meeting. 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. 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 compliance with the code provision in A.4.2 of the CG Code, all Directors are subject to retirement by rotation at least once every three years. Furthermore, pursuant to the articles of association of the Company, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall be subject to retirement by rotation at least once every three years. Such retiring Director shall be eligible for re-election.

CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors are persons with relevant academic and professional qualifications. They advise the Company on strategic development, which enables the Board to maintain high standards of compliance with financial and other regulatory requirements. In compliance with Rules 5.05(1), 5.05(2) and 5.05A of the GEM Listing Rules, the Company has appointed three independent non-executive Directors representing more than one-third of the Board and with at least one of whom having appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules and the Board considers that all the independent non-executive Directors to be independent and meet the requirements set out in Rule 5.09 of the GEM Listing Rules as at the date of this report.

DIRECTORS' PARTICIPATION IN CONTINUOUS PROFESSIONAL TRAININGS

Any newly appointed Director will be given briefings on the business activities of the Group, its strategic directions, governance practices and Director's duties and obligations. During the year, the Directors received from the Company from time to time the updates on laws, rules and regulations which might be relevant to their roles, duties and functions as director of a listed company. All Directors have been updated with the latest developments regarding the GEM Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continuing briefings and professional development to Directors will be arranged whenever necessary.

All Directors confirmed that they have participated in continuous professional development during the year ended 31 December 2018 by reading relevant articles and materials and attending seminars, courses or conferences to develop and refresh their knowledge and skills.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 23 June 2015 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and code provision C.3 of the CG Code. The Audit Committee consists of three independent non-executive Directors namely Mr. Lock Kiu Yin, Mr. Tan Kiang Hua and Mr. Lau Muk Kan. Mr. Lock Kiu Yin, a Director with the appropriate professional qualifications, serves as the chairman of the Audit Committee.

Among other things, the primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of our Group's financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

During the year ended 31 December 2018, the Audit Committee held 4 meetings and the attendance of each Audit Committee member is set out as follows:

Audit Committee members	**Number of meetings attended/held**
Mdm. Kow Yuen-Ting (Gao Yun Ting) *(Chairman)* (Retired on 8 May 2018)	1/4
Mr. Lock Kiu Yin *(Chairman)* (Appointed on 8 May 2018)	3/4
Mr. Oh Eng Bin (Hu Rongming) (Resigned on 13 June 2018)	2/4
Mr. Tan Kiang Hua	4/4
Mr. Lau Muk Kan (Appointed on 13 June 2018)	2/4

The following is a summary of work performed by the Audit Committee during the year ended 31 December 2018:

(i) reviewed the Group's annual financial results for 2017, and the Group's quarterly and half-yearly financial results for 2018;

(ii) reviewed in detail, with both management and the external auditors (a) the approach and methodology applied with respect to matters subject to external audit for the financial year ended 2018; and (b) significant findings of the external auditors pursuant to such external audit and management's response to external auditors' recommendations in respect of such findings;

(iii) reviewed in detail, with both management and the internal auditors (a) the approach and methodology applied with respect to matters subject of internal audit by internal auditor in the course of 2018; and (b) significant findings of the internal auditors pursuant to such internal audit and management's response to internal auditors' recommendations in respect of such findings; and

(iv) reviewed the external auditors' independence.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Company established a remuneration committee (the "Remuneration Committee") on 23 June 2015 with written terms of reference in code provision B.1.2 of the CG Code. The Remuneration Committee consists of three independent non-executive Directors namely Mr. Tan Kiang Hua, Mr. Lock Kiu Yin and Mr. Lau Muk Kan. Mr. Tan Kiang Hua serves as the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include:

(i) making recommendations to the Board on the policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration;

(ii) determining the terms of the specific remuneration package of the Directors and senior management; and

(iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time.

During the year ended 31 December 2018, the Remuneration Committee held 2 meetings and the attendance of each Remuneration Committee member is set out as follows:

Remuneration Committee members	**Number of meetings attended/held**
Mr. Tan Kiang Hua *(Chairman)*	2/2
Mr. Oh Eng Bin (Hu Rongming) (Resigned on 13 June 2018)	2/2
Mdm. Kow Yuen-Ting (Gao Yun Ting) (Retired on 8 May 2018)	1/2
Mr. Lock Kiu Yin (Appointed on 8 May 2018)	0/2
Mr. Lau Muk Kan (Appointed on 13 June 2018)	0/2

During the year ended 31 December 2018, the Remuneration Committee has reviewed the Group's overall remuneration practices and scale and other remuneration-related matters. It also deliberated on matters relating to the payment of discretionary bonuses and has reviewed of the remuneration packages of the Directors and senior management.

NOMINATION COMMITTEE

The Company established a nomination committee (the "Nomination Committee") on 23 June 2015 with written terms of reference in compliance with code provision A.5 of the CG Code. The Nomination Committee consists of three independent non-executive Directors namely Mr. Lau Muk Kan, Mr. Tan Kiang Hua and Mr. Lock Kiu Yin. Mr. Lau Muk Kan serves as the chairman of the Nomination Committee.

The primary function of the Nomination Committee is to review the structure, size, composition and diversity of the Board, assess the independence of independent non-executive Directors, make recommendations to the Board regarding candidates to fill vacancies on the Board and review the board diversity policy and nomination policy of the Company.

The Company has adopted a board diversity policy. The Company seeks to achieve Board diversity through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Upon the review of the Board's composition taking into account the diversity policy, the Nomination Committee considers that the Board has maintained an appropriate mix and balance of gender, age, ethnicity, skills, knowledge, experience and diversity of perspectives appropriate to the business requirements of the Company. The Nomination Committee will review the board diversity policy, as appropriate, to ensure its continued effectiveness from time to time.

During the year ended 31 December 2018, the Nomination Committee held 2 meetings and the attendance of each Nomination Committee member is set out as follows:

Nomination Committee members	Number of meetings attended/held
Mr. Oh Eng Bin (Hu Rongming) *(Chairman)* (Resigned on 13 June 2018)	2/2
Mr. Lau Muk Kan *(Chairman)* (Appointed on 13 June 2018)	0/2
Mr. Tan Kiang Hua	2/2
Mdm. Kow Yuen-Ting (Gao Yun Ting) (Retired on 8 May 2018)	1/2
Mr. Lock Kiu Yin (Appointed on 8 May 2018)	0/2

During the year ended 31 December 2018, the Nomination Committee has reviewed the structure, size and composition of the Board and the independence of independent non-executive Directors. It has also made recommendations to the Board on the appointment or re-appointment of Directors.

Nomination Policy

The Board has adopted a nomination policy (the "Nomination Policy") which sets out the selection criteria and procedure of appointing and re-appointing a Director.

CORPORATE GOVERNANCE REPORT

Selection criteria

In assessing the suitability of a proposed candidate, the Nomination Committee would consider factors including:

– character and integrity;

– professional qualifications, skills, knowledge and relevant experience in the industry;

– whether the candidate can contribute to the diversity of the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skill, knowledge and length of service;

– commitment in respect of available time and relevant interest; and

– where the candidate is proposed to be appointed as an independent non-executive Director, whether the candidate is independent in the context of GEM Listing Rules.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

Nomination Procedures

The procedure of appointing and re-appointing a Director is summarised as follows:

– nomination and invitation of suitable candidates by any member of the Nomination Committee or the Board;

– evaluation of the candidate based on all selection criteria as set out in the Nomination Policy;

– performing due diligence in respect of each candidate and making recommendation for the Board's consideration and approval;

– in case of nomination of an independent non-executive Director, assessing the candidate's independence under the relevant code provisions of the CG Code and the GEM Listing Rules;

– where nominating an independent non-executive Director for election at general meetings, having due consideration of matters under code provision A.5.5 of the CG Code;

– in the context of re-appointment of retiring Directors, reviewing the candidate's overall contribution and performance and making recommendations to the Board and/or the shareholders for consideration in connection with his/her re-election at general meetings; and

– convening a meeting of the Board to consider the appointment or re-appointment of the candidate as a Director

The Nomination Committee shall review the nomination policy and assess its effectiveness on a regular basis or as required.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions as set out in code provision D.3.1 of the CG Code.

During the year ended 31 December 2018, the Board has reviewed and monitored the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the Company's code of conduct and the compliance with the CG Code and disclosure in this Corporate Governance Report.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration and the five highest paid employees for the year ended 31 December 2018 are set out in note 13 to the consolidated financial statements in this annual report.

The remuneration of the members of the senior management (other than the Directors), whose particulars are contained in the section headed "Directors and Senior Management Profile" of the annual report, for the year ended 31 December 2018 by band is set out below:

Remuneration band	**Number of individuals**
Nil to HK$1,000,000	1

AUDITORS' REMUNERATION

The remuneration paid/payable to the Company's external auditors, HLB Hodgson Impey Cheng Limited, for the year ended 31 December 2018, is set out as follows:

	Fees paid/ payable S$
Annual audit services	85,000

The amount of fees charged by the auditors generally depends on the scope and volume of the auditors' work.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining sound and effective risk management and internal control systems (including reviewing their effectiveness) to safeguard shareholder's investment and the Group's assets.

CORPORATE GOVERNANCE REPORT

The Group has engaged an independent internal auditor, Yang Lee & Associates (the "IA"), to perform the internal audit functions and evaluate the risk management and internal control systems of the Group. The IA reports directly to the Audit Committee and internal control weaknesses identified during the internal audit reviews and the recommended corrective actions are reported to the Audit Committee periodically. The IA completed a review for the year ended 31 December 2018 in accordance with the internal audit plan developed and approved by the Audit Committee. The Board has reviewed and will adopt the recommendations of the internal auditors set out in the internal audit report.

During the year ended 31 December 2018, the management presented to the Audit Committee and the Board on the Group's risk profile, status of risk mitigation action plans and results of various assurance activities carried out during the year ended 31 December 2018 on the Group's risk management and internal control systems addressing financial, operational, compliance and information technology risks. The assurance activities include controls self-assessment performed by the management, internal and external audits performed by internal and external auditors and external certifications by external certification centers.

Based on the risk management framework and internal controls established and maintained by the Group, work performed by the internal, external auditors and reviews performed by management, various Board committees and the Board, the Audit Committee and the Board consider the risk management and internal control systems of the Group to be adequate and effective for the year ended 31 December 2018.

The Board notes that system of risk management and internal controls established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

COMPANY SECRETARY

Ms. Wong Tsz Yan Pinky ("Ms. Wong") has been appointed as the company secretary of the Company since 11 March 2016 pursuant to Rule 5.14 of the GEM Listing Rules. Ms. Wong has taken no less than 15 hours of professional training during the year ended 31 December 2018.

SHAREHOLDERS' RIGHTS

The general meetings of the Group provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. The Board and the external auditor are present to address shareholders' queries.

Right to Convene Extraordinary General Meeting and Put Forward Proposals at General Meeting

Any one or more shareholder(s) holding at the date of the 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 sent to the Company's principal office as set out in the manner below, to require an extraordinary general meeting ("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 months after the deposit of such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the company secretary of the Company at the Company's principal place of business at Unit 6, 10/F, Wayson Commercial Building, 28 Connaught Road West, Sheung Wan, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitionist(s).

The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the company secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the shareholders. On the contrary, if the request has been verified not in order, the shareholders will be advised of this outcome accordingly, and an EGM will not be convened as requested. If within 21 days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitionist(s) may convene a meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a of the failure of the Board shall be reimbursed by the Group to the requisitionist(s).

Right to Put Enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the company secretary.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2018, there had been no significant change in the Company's constitutional documents. The articles of association of the Company are available on the websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

The Company believes that maintaining effective communication with the investment industry is crucial to having a deeper understanding of the Company's business and its development among investors. To achieve this goal and increase transparency, the Company will continue to adopt proactive measures to foster better investor relations and communications. As such, the purpose for the Company to formulate investor relations policies is to let investors have access to the information of the Group in a fair and timely manner, so that they can make an informed decision.

We welcome investors to write to the Company or send their inquiries to the Company's website www.kpmholding.com to share their opinions with the Board. The Company's website also discloses the latest business information of the Group to investors and the public.

ACCOUNTABILITY AND AUDIT FINANCIAL REPORTING

The management provides such explanation and information to the Board and reports to the Board on the financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibilities for preparing the financial statements of the Group that give a true and fair view of the state of affairs of the Group. As at 31 December 2018, the Board was not aware of any material uncertainties relating to any events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis.

The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. A statement by the external auditor about their reporting responsibility is set out in the section headed "Independent Auditors' Report" of this report.

REPORT OF THE DIRECTORS

The Board of Directors of the Company is pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in notes 1 and 33 to the consolidated financial statements in this annual report. The business of the Group is principally engaged in the design, fabrication, installation and maintenance of signage and related products. There were no significant changes to the Group's principal activities during the current year.

BUSINESS REVIEW

A review of the Group's performance, business activities and development is included in the Chairman's Statement and the Management Discussion and Analysis in the annual report.

RESULTS AND APPROPRIATIONS

The Group's financial performance for the year ended 31 December 2018 is set out in the consolidated statement of profit or loss and other comprehensive income on page 36 of this report and the financial position of the Group as at 31 December 2018 are set out in the consolidated statement of financial position on page 37 to page 38 of this report. The Directors do not recommend the payment of a final dividend for the year ended 31 December 2018.

DIVIDEND POLICY

The Company has adopted a dividend policy, pursuant to which the Company may declare and pay dividends to the shareholders of the Company. The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the shareholders of the Company.

Subject to compliance with applicable laws, rules, regulations and the articles of association of the Company, in deciding whether to propose a dividend payout, the Board will take into account, among other things, the Group's actual and expected financial performance, expected working capital requirements, capital expenditure requirements and future expansion plans, the retained earnings and distributable reserves and liquidity position of the Group, the general economic conditions and any other factors that the Board deems relevant.

The Board will review the dividend policy from time to time and there is no assurance that dividends will be paid in any particular amount for any given period.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out in the annual report. The summary does not form part of the audited financial statements.

REPORT OF THE DIRECTORS

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 31 December 2018, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings except matter below and as disclosed in note 32 to the consolidated financial statements in this annual report.

On 18 January 2019, Signmechanic Pte Ltd ("Signmechanic"), a wholly-owned subsidiary of the Company, received a letter of demand from a solicitors firm who act for Mandai Development Pte Ltd ("MDPL"), claiming that Signmechanic had made a negligent misrepresentation to MDPL on a property sold and MDPL claimed for their loss and damage amounting to a total sum of S$1,007,540. After consulting the Company's lawyer, the Directors are of the view that Signmechanic has a reasonably good chance of success in defending potential claim for the negligent misrepresentation. No provision was provided in the consolidated financial statements for the year ended 31 December 2018.

KEY RISKS AND UNCERTAINTIES

The Board is ultimately responsible for ensuring that the risk management practices of the Group are sufficient to mitigate the risks present in our businesses and operations as efficiently and effectively as possible. The Board delegates some of this responsibility to various operational departments. The Group's financial position, operations, business and prospects may be affected by the following identified risks and uncertainties. The Group adopts risk management policies, measures and monitoring systems to pre-empt and contain exposures associated with the identified risks.

Liquidity risk

The Group's exposure to liquidity risk arises in the general funding of the Group's operations, in particular, that the duration of the contracts span from 1 month to 4 years and during which the amount of progress claim vary from month to month depending on the provision of signage and related products for the month. The supply and installation schedule is as directed by the customer, in accordance with the main contractor's schedule.

As such, the Group actively manages our customers' credit limits, aging, and repayment of retention monies and monitors the operating cash flows to ensure adequate working capital funds and repayment schedule is met.

Foreign Exchange Exposure

The Group mainly operates in Singapore but the Group has retained the proceeds from placement in Hong Kong Dollars, which exposed the Group to foreign exchange risk arising from the fluctuations of exchange rate for Hong Kong Dollars against Singapore Dollars. The Group does not have a foreign currency hedging policy but it continuously monitors its foreign exchange exposure and will apply appropriate measures if necessary.

GOING CONCERN

Based on the current financial position and financing facilities available, the Group has sufficient financial resources for ongoing operation in the foreseeable future. As such, the consolidated financial statements were prepared on a going concern basis.

REPORT OF THE DIRECTORS

PLANT AND EQUIPMENT

Details of movements in the Group's plant and equipment during the year ended 31 December 2018 are set out in note 16 to the consolidated financial statements.

BANK BORROWINGS

As at 31 December 2018, the Group did not have any bank borrowings except for the obligations under finance leases as set out in note 25 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2018 are set out in note 27 to the consolidated financial statements in this report.

USE OF PROCEEDS FROM THE PLACING OF SHARES

As at 31 December 2018, the Company has not yet utilised the net proceeds of approximately HK$9.8 million (approximately S$1.7 million) raised from the placing in accordance with the intended use of proceeds set out in the Prospectus. Details of the intended uses and utilised amount are set out on page 8 of this annual report.

RESERVES

Details of change in reserves of the Group and the Company are set out on page 39 of the consolidated statement of changes in equity and page 93 of this report respectively.

DISTRIBUTABLE RESERVES

The Company may pay dividends out of the share premium account provided that immediately following the payment of such dividends, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

As at 31 December 2018, the Company had distributable reserves amounting to S$12,126,905.

CHARITABLE CONTRIBUTIONS

Charitable contributions made by the Group during the year ended 31 December 2018 amounted to S$1,600 (2017: S$1,000).

EVENT AFTER THE REPORTING PERIOD

No significant events have taken place subsequent to 31 December 2018.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the latest practicable date prior to the issue of this report.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2018, sales to the Group's five largest customers accounted for approximately 30.9% of total sales and sales to the largest customer included therein amounted to approximately 11.6% of total sales. The Group's five largest suppliers accounted for approximately 35.8% of total purchases during the year ended 31 December 2018 and purchases from the largest supplier included therein amounted to approximately 9.0% of total purchases.

None of the Directors or any of their close associates (as defined in the GEM Listing Rules), or any of the shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or its five largest suppliers during the year ended 31 December 2018.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

As a responsible corporation, the Group endeavours to protect the environment, promote environmental and social responsibility to employees and contribute to the community. The Group reviews its environmental practices from time to time and considers implementing further eco-friendly measures and practices in our daily operation. In terms of social responsibilities, the Group pays close attention to the employees' occupational health and safety and is constantly looking for opportunities to contribute to the balanced development of society.

In accordance with Rule 17.103 of the GEM Listing Rules, the company will publish an Environmental, Social and Governance Report within three months after the publication of this annual report in compliance with the provisions set out in Appendix 20 to the GEM Listing Rules.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2018, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of our Group.

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognises that employees are our valuable assets. Thus our Group provides competitive remuneration package to attract and motivate the employees. Our Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

Our Group also understands that it is important to maintain good relationship with our business partners, suppliers and customers to achieve its long-term goals. Accordingly, our senior management have kept good communication, promptly exchanged ideas and shares business update with them when appropriate. During the year, there was no material and significant dispute between our Group and its business partners, suppliers and customers.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the year ended 31 December 2018 and up to the date of this report are:

Executive Directors

Mr. Tan Thiam Kiat Kelvin *(Chairman)*
Mr. Tan Kwang Hwee Peter
Ms. Kong Weishan

Independent non-executive Directors

Mr. Tan Kiang Hua
Mdm. Kow Yuen-Ting (Gao Yun Ting) – Retired on 8 May 2018
Mr. Oh Eng Bin (Hu Rongming) – Resigned on 13 June 2018
Mr. Lock Kiu Yin – Appointed on 8 May 2018
Mr. Lau Muk Kan – Appointed on 13 June 2018

One-third of the Directors shall retire from office by rotation and re-election at an annual general meeting of the Company in accordance with the Company's articles of association, providing that every Director shall be retired at least once every three years.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company with a term of three years and each of the independent non-executive Directors have signed a letter of appointment with the Company with a term of two years. All Directors are subject to retirement by rotation pursuant to the articles of association of the Company.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REMUNERATION POLICY

The Directors' fees are subject to shareholders' approval at general meetings. Other remunerations are determined by the Board with reference to the Directors' experience, responsibilities and performance of the Group.

The remuneration policy of the Group is on the basis of the qualifications and contributions of individuals to the Group. Details of the remuneration of the Directors and five highest paid individuals pursuant to Rules 18.28 to 18.30 of the GEM Listing Rules are set out in note 13 to the consolidated financial statements.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Biographical details of the Directors and the senior management of the Group are set out on page 10 to page 11 of this annual report.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party at any time during the year ended 31 December 2018.

COMPETING INTERESTS

The Directors are not aware of any business and interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interests which any such person has or may have with the Group during the year ended 31 December 2018.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors a confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive Directors were independent during the period from their respective appointments and up to the date of this report.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole and any part of the Company's business were entered into or existed during the year ended 31 December 2018.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2018, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be 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 have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Aggregate long positions in the shares and underlying shares of the Company

Name of Director/ chief executive	Nature of interest	Number of shares held	Approximate percentage of the issued share capital
Executive Directors:			
Mr. Tan Thiam Kiat Kelvin	Interest of controlled company[1]	983,440,000	30.73%
Mr. Tan Kwang Hwee Peter	Interest of controlled company[1]	983,440,000	30.73%

REPORT OF THE DIRECTORS

Notes:

(1) The entire issued share capital of Absolute Truth Investments Limited is beneficially owned as to 50% by Mr. Tan Thiam Kiat Kelvin and as to 50% by Mr. Tan Kwang Hwee Peter. Under the SFO, each of Mr. Tan Thiam Kiat Kelvin and Mr. Tan Kwang Hwee Peter is deemed to be interested in all the shares held by Absolute Truth Investments Limited. Details of the interest in the Company held by Absolute Truth Investments Limited are set out in the section headed "Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares" below.

Save as disclosed above, as at 31 December 2018, none of the Directors and chief executive of the Company had any interests or short positions in any shares, debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be 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 were taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2018, the following substantial shareholders' and other persons' interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register required to be kept under section 336 of Part XV of the SFO:

Aggregate long positions in the shares and underlying shares of the Company

Name of substantial shareholder	Nature of interest	Number of shares held	Approximate percentage of the issued share capital
Absolute Truth Investments Limited	Beneficial owner	983,440,000	30.73%
Wang Ya Fei	Beneficial owner	240,000,000	7.50%
Han Dongshen	Beneficial owner	176,000,000	5.50%

Save as disclosed above, as at 31 December 2018, the Directors and the chief executive of the Company were not aware of any person (other than the Directors or chief executive of the Company whose interests are disclosed above) who had an interest or short position in the securities of the Company which would fall to be disclosed to the Company and the Stock Exchange.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

REPORT OF THE DIRECTORS

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

A full corporate governance report is set out on page 12 to page 22 of the annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders unless otherwise required by the Stock Exchange.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 21 September 2018.

No share option has been granted under the Share Option Scheme since its adoption and there were no outstanding share options under the Share Option Scheme as at 31 December 2018.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting to re-appoint HLB Hodgson Impey Cheng Limited as auditor of the Company.

On behalf of the Board
Tan Thiam Kiat Kelvin
Chairman and Executive Director

Singapore, 19 March 2019

INDEPENDENT AUDITORS' REPORT

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F., Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF KPM HOLDING LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of KPM Holding Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 36 to 93, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the 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.

In our opinion, the 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 and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB") 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 Hong Kong Standards on Auditing ("HKSAs") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the the 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.

INDEPENDENT AUDITORS' REPORT

Key Audit Matter	How our audit addressed the key audit matter
Recoverability of trade receivables	
Refer to note 4 and note 20 to the consolidated financial statements As at 31 December 2018, the Group had gross trade receivables of approximately S$1,941,685 (2017: S$2,600,549) and provision for impairment of approximately S$22,656 (2017: S$89,673). In general, the credit terms granted by the Group to the customers ranged between 30 to 60 days (2017: 30 to 60 days). Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of provision for impairment based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment.	We focused on this area due to the impairment assessment of trade receivables under the expected credit losses model involved the use of significant management judgements and estimates. Our procedures in relation to management's impairment assessment of the trade receivables as at 31 December 2018 included: • Understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk, and validating the control effectiveness on a sample basis; • Checking, on a sample basis, the ageing profile of the trade receivables as at 31 December 2018 to the underlying financial records and post year-end settlements to bank receipts; • Inquiring of management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as performing public search of credit profile of selected customers, understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers; and • Assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses. We found that the management judgment and estimates used to assess the recoverability of the trade receivables and determine the impairment provision to be supportable by available evidence.

OTHER INFORMATION

The directors are 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 auditors' report thereon ("Other Information").

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 DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") issued by IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine 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, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' 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 auditors' report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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.

INDEPENDENT AUDITORS' REPORT

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism 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 the director.

- Conclude on the appropriateness of the director'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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the 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 Audit Committee 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.

INDEPENDENT AUDITORS' REPORT

We also provide Audit Committee 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 Audit Committee, 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 auditors' 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 director on the audit resulting in this independent auditors' report is Hon Koon Fai, Alex.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong, 19 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018 S$	2017 S$
Revenue	5	**10,474,896**	12,847,395
Cost of sales		**(6,355,854)**	(7,282,418)
Gross profit		**4,119,042**	5,564,977
Other income	6	**126,908**	189,363
Other gains and losses	7	**134,048**	(1,959,625)
Selling and administrative expenses	8	**(3,158,805)**	(3,608,239)
Other expense	9	**–**	(14,000)
Finance cost	10	**(17,358)**	(13,981)
Profit before income tax		**1,203,835**	158,495
Income tax	11	**(319,439)**	(358,605)
Profit/(loss) for the year	12	**884,396**	(200,110)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operation		**(28,784)**	35,178
Other comprehensive income, net of tax		**(28,784)**	35,178
Total comprehensive income/(loss) for the year, attributable to owners of the Company		**855,612**	(164,932)
Earnings/(loss) per share			
Basic and diluted (S$ cents)	14	**0.028**	(0.006)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	31 December 2018 S$	31 December 2017 S$
ASSETS			
Non-current assets			
Plant and equipment	16	**971,399**	759,019
Intangible asset	17	**16,700**	36,266
Total non-current assets		**988,099**	795,285
Current assets			
Inventories	19	**300,509**	455,329
Trade and other receivables	20	**3,189,139**	3,571,635
Pledged bank deposits	21	**966,056**	963,360
Bank and cash balances	21	**11,146,677**	10,320,566
Total current assets		**15,602,381**	15,310,890
Total assets		**16,590,480**	16,106,175
Current liabilities			
Trade payables	22	**557,675**	580,150
Other payables and accruals	23	**584,380**	998,738
Contract liabilities	24	**56,480**	–
Obligations under finance leases	25	**124,058**	83,888
Income tax payable		**302,500**	392,000
Total current liabilities		**1,625,093**	2,054,776
Net current assets		**13,977,288**	13,256,114
Total assets less current liabilities		**14,965,387**	14,051,399
Non-current liabilities			
Obligations under finance leases	25	**241,971**	183,595
Deferred tax liability	26	**28,000**	28,000
Total non-current liabilities		**269,971**	211,595
NET ASSETS		**14,695,416**	13,839,804

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	**31 December 2018 S$**	31 December 2017 S$
Capital and reserves			
Share capital	27	**689,655**	689,655
Share premium		**12,126,905**	12,126,905
Merger reserves		**(4,570,095)**	(4,570,095)
Currency translation reserve		**6,394**	35,178
Accumulated profits		**6,442,557**	5,558,161
TOTAL EQUITY		**14,695,416**	13,839,804

The consolidated financial statements on pages 36 to 93 were approved and authorised for issue by the Board of Directors on 19 March 2019 and are signed on its behalf by:

Tan Thiam Kiat Kelvin
Chairman and Executive Director

Tan Kwang Hwee Peter
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital	Share premium (Note A)	Merger reserves (Note B)	Currency translation reserve	Retained earnings	Total
	S$	S$	S$	S$	S$	S$
At 1 January 2017	689,655	12,126,905	(4,570,095)	–	5,758,271	14,004,736
Loss for the financial year	–	–	–	–	(200,110)	(200,110)
Other comprehensive income:						
Foreign currency translation	–	–	–	35,178	–	35,178
Total comprehensive income	–	–	–	35,178	(200,110)	(164,932)
At 31 December 2017 and 1 January 2018	689,655	12,126,905	(4,570,095)	35,178	5,558,161	13,839,804
Profit for the financial year	–	–	–	–	884,396	884,396
Other comprehensive income:						
Foreign currency translation	–	–	–	(28,784)	–	(28,784)
Total comprehensive income	–	–	–	(28,784)	884,396	855,612
At 31 December 2018	689,655	12,126,905	(4,570,095)	6,394	6,442,557	14,695,416

Note:

(A) Share premium represents the excess of share issue over the par value.

(B) Merger reserves represents the difference between the underlying net assets of the subsidiary which was acquired by the Company pursuant to the re-organisation on 23 June 2015 and the total par value and share premium amount of the shares issued.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 S$	2017 S$
OPERATING ACTIVITIES			
Profit before tax		**1,203,835**	158,495
Adjustments for:			
Gain on disposal of plant and equipment	7	**–**	(36,360)
Loss on disposal of available for sales financial assets	7	**–**	1,411,169
Plant and equipment written off	7	**2,142**	6,975
Depreciation and amortisation expenses	12	**349,466**	287,407
Interest income	6	**(41,814)**	(12,996)
Finance costs	10	**17,358**	13,981
Allowance for doubtful debts	20	**22,656**	100,073
Bad debts recovered	20	**(89,673)**	(19,377)
Unrealised foreign exchange (gain)/loss		**(84,865)**	497,325
Operating cash flow before movements in working capital		**1,379,105**	2,406,692
Inventories		**154,820**	290,304
Trade and other receivables		**451,085**	(698,022)
Trade payables		**(22,475)**	(20,405)
Other payables and accruals		**(323,649)**	(614,537)
Contract liabilities		**(34,229)**	–
Cash generated from operations		**1,604,657**	1,364,032
Income tax paid		**(408,939)**	(222,605)
Net cash from operating activities		**1,195,718**	1,141,427
INVESTING ACTIVITIES			
Placement of pledged bank deposits		**(2,696)**	(2,687)
Purchase of intangible assets	17	**–**	(32,900)
Purchase of plant and equipment	16	**(325,163)**	(184,657)
Proceeds from disposal of plant and equipment		**–**	92,140
Purchases of available-for-sale financial assets	18	**–**	(2,837,553)
Proceeds from disposal of available-for-sale financial assets		**–**	1,429,291
Interest received		**40,242**	38,451
Net cash used in investing activities		**(287,617)**	(1,497,915)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 S$	2017 S$
FINANCING ACTIVITIES		
Repayment of obligations under finance lease	**(120,352)**	(105,508)
Finance lease interest paid	**(17,343)**	(13,958)
Other interest paid	**(15)**	(23)
Net cash used in financing activities	**(137,710)**	(119,489)
Net increase/(decrease) in cash and cash equivalents	**770,391**	(475,977)
Cash and cash equivalents, represented by bank and cash balances at 1 January	**10,320,566**	11,135,896
Effect of exchange rate changes	**55,720**	(339,353)
Cash and cash equivalents, represented by bank and cash balances at 31 December	**11,146,677**	10,320,566

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 10 March 2015 and its registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "Companies Ordinance") on 30 March 2015. With effective from 13 October 2017, the principal place of business in Hong Kong registered is Unit 6, 10/F, Wayson Commercial Building, 28 Connaught Road West, Sheung Wan, Hong Kong. The head office and principal place of business of the Group is at 424 Tagore Industrial Avenue, Sindo Industrial Estate, Singapore 787807.

The Company is an investment holding company and the principal activities of its operating subsidiary are engaged in the design, fabrication, installation and maintenance of signage and related products. The details of the subsidiaries are set out in note 33.

The consolidated financial statements are presented in Singapore Dollars ("S$"), which is also the functional currency of the Company.

The consolidated financial statements are approved by the Board of Directors of the Company on 19 March 2019.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL REPORTING STANDARDS ("IFRSs")

2.1 New and Amendments to IFRSs that are mandatorily effective for the current year

The Company and its subsidiaries (collectively referred to as the "Group") has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in the current year:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014 – 2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to IFRSs and an interpretation 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.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL REPORTING STANDARDS ("IFRSs") (continued)

2.1 New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 Financial Instruments, Amendments to IFRS 9 Prepayment Features with Negative Compensation and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, and 2) expected credit losses ("ECL") for financial assets and other items (for example, rental receivables).

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology is as follows:

Accordingly, certain comparative information may not be comparable as comparable information was prepared under IAS 39 *Financial instruments: Recognition and Measurement.*

Accounting policies resulting from application of IFRS 9 are disclosed in note 3.

Summary of effects arising from initial application of IFRS 9

Classification and measurement of financial assets and financial liabilities at amortised cost

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognized financial assets and financial liabilities that are within the scope of IFRS 9 are subsequently measured at amortised cost.

Trade receivables

The Group applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL REPORTING STANDARDS ("IFRSS") (continued)

2.1 New and Amendments to IFRSs that are mandatorily effective for the current year (continued)

Summary of effects arising from initial application of IFRS 9 (continued)

Trade receivables (continued)

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The Group has assessed the expected credit loss model applied to the trade receivables as at 1 January 2018 and the change in impairment methodologies did not have any material impact on the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

The adoption of expected credit loss model under IFRS 9 did not have material impact on allowance for impairment of trade receivables calculated under IAS 39.

Impairment under ECL model

ECL for other financial assets at amortised cost, including bank balances, other receivables and bank deposits are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. No impairment allowance was recognised at 1 January 2018 and further assessment process is set out in note 29.

IFRS 15 Revenue from Contracts with Customers and the related amendments

As a result of the changes in the Group's accounting policies, as explained below, Except for the reclassification of the contract liabilities from customer deposit received of S$90,709 at initial application, IFRS 15 was generally adopted without restating any other comparative information. The adoption of IFRS 15 in the current period does not result in any impact on the amounts reported in the consolidated financial information and/or disclosures set out in the consolidated financial information except that, the Group has adopted the following accounting policies on revenues with effect from 1 January 2018.

IFRS 15 requires that revenue from contracts with customers be recognised upon the transfer of control over goods or services to the customer. As such, upon adoption, this requirement under IFRS 15 resulted in immaterial impact to the financial statements as the timing of revenue recognition on sale of goods is nearly unchanged. Thus there was no impact on the Group's consolidated statement of financial position as of 1 January 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL REPORTING STANDARDS ("IFRSs") (continued)

2.2 New and revised IFRSs in issue but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[2]
IFRIC – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 10 and IAS 28	Sale and Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after a date to be determined
4 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.
5 Effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to IFRSs and interpretations mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 16 Leases

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

IFRS 16 distinguishes leases and service contracts on the basis of whether there is an identified asset controlled by the customer. Distinction of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL REPORTING STANDARDS ("IFRSs") (continued)

2.2 New and revised IFRSs in issue but not yet effective (continued)

IFRS 16 Leases (continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exception) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows, whereas under the IFRS 16 model, the lease payments will be spilt into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of S$333,448 as disclosed in note 30. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognize the cumulative effect of initial application to opening retained earnings without restating comparative information.

Except disclosed above, the directors of the Company do not anticipate that the application of other new and revised IFRSs will have a material impact on the Group's financial performance and financial positions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") 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 financial instruments that are measured at fair values at the end of each reporting period as explained in the accounting policies set out 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 at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except 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.

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 are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company 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 Company gains control until the date when the Company ceases to control the subsidiary.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

Revenue and other income recognition

Revenue from contracts with customers (upon allocation of IFRS 15 in accordance with transitions in note 2)

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 the customer.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and other income recognition (continued)

Revenue from contracts with customers (upon allocation of IFRS 15 in accordance with transitions in note 2) (continued)

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

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- 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 complete to date.

Otherwise, revenue is recognized 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 goods or services that the Group has transferred to a customer that is not yet 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 goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A contract asset and a contract liability relating to a contract are accounted for an presented on a net basis.

For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

Revenue is recognized when the control of the goods including signage, bollard, variable-message signs, bus stops, linkways and aluminum railings are considered to have been transferred to the customer.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and other income recognition (continued)

Revenue from contracts with customers (upon allocation of IFRS 15 in accordance with transitions in note 2) (continued)

In the comparative period, revenue is measured at the fair value of the consideration received or receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenues is recognised when the amount of revenue can be reliably measured and it is possible that future economic benefits will flow to the Group.

Revenue from the sales of goods including signage, bollard, variable-message signs, bus stops, linkways and aluminum railings is recognised when goods are delivered to and accepted by the customers.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset

In the comparative period, interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

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 in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating leases are added to the carrying amount of the leased assets.

The Group as lessee

Assets held under finance leases are 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 a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligations so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

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

Foreign currencies

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore Dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the consolidated financial statements of the Group, transactions in currencies other than the functional currency of the Group (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the Group operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

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.

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

Retirement benefit costs

Payments made to defined contribution retirement plan are recognised as an expense when employees have rendered service entitling them to the contributions.

Central Provident Fund

Group's subsidiary in Singapore makes contributions to the Central Provident Fund retirement benefit scheme (the "CPF Scheme") in Singapore, a state-managed retirement benefit scheme operated by the government of Singapore. The subsidiary is required to contribute a specified percentage of payroll costs to the CPF Scheme to fund the benefits. The only obligation of the Group with respect to the CPF Scheme is to make the specified contributions.

Mandatory Provident Fund

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

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 tax' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the company and subsidiaries operate by the end of each 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 base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business consolidation) of 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 assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of 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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment on tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives 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.

Recoverable amount is the higher of fair value less costs of disposal 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on tangible and intangible assets (continued)

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 in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a 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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments (before the adoption of IFRS 9 as at 1 January 2018)

Financial assets and financial liabilities are recognised in the statements of financial position when a group entity 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial debt instrument and of allocating interest income over the financial year. 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) through the expected life of the finance assets, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (before the adoption of IFRS 9 as at 1 January 2018) (continued)

Financial assets (continued)

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables; (b) held-to-maturity investments; or (c) financial assets at fair value through profit or loss.

Equity securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investment are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of "fair value reserve". When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

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 and other receivables, pledged bank deposits and bank balances and cash) are carried at amortised cost using effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the effect of discounting is immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are 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 AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (before the adoption of IFRS 9 as at 1 January 2018) (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for the financial asset because of financial difficulties.

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

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

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

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of "investment revaluation reserve".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (before the adoption of IFRS 9 as at 1 January 2018) (continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity 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 instrument

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

Financial liabilities

Financial liabilities including trade and bills payables, other payable and amounts due to related parties and directors are subsequently measured at amortised cost, using the effective interest method.

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 financial year. 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 net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to courted the transferred asset, the Group recognises it retained interest in the asset and an osculated liability for amounts it may have to pay. If the Group retains substantially all the risks and reward 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, 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 expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (under adoption of IFRS 9 as at 1 January 2018)

Financial assets and financial liabilities are recognised when the group entity becomes a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at fair value except for trade receivable arising from contracts with customers which are initially measured in accordance with IFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities 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 FVTPL are recognised in profit or loss.

Financial assets

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically

a. debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI"), are subsequently measured at amortised cost;

b. debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI; and

c. all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

However, the Group may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in other comprehensive income; and

- the Group may irrevocably designate a debt instrument that meets the amortised cost of FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

For financial instruments other than purchased or originated credit-impaired financial assets, 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 ("ECLs"), 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. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments other than purchased or originated credit impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Interest income is recognised in profit or loss and is included in the "Other income" line item.

Debt instruments that are subsequently measured at amortised cost are subject to impairment.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits/will continue to be held in the FVTOCI reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the other income line item in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Amortised cost and effective interest method (continued)

Impairment of financial assets

The Group recognises loss allowances for ECLs on the following financial instruments that are neither measured at FVTPL:

(a) other deposits

(b) amounts due from related companies

(c) cash and bank balances

ECLs are required to be measured through a loss allowance at an amount equal to:

(a) 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date (referred to as Stage l); or

(b) Lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument (referred to as Stage 2 and Stage 3).

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 ("12m 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. Assessment are done 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 conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for amounts due from related companies. The ECL on these assets are assessed individually for debtors with significant balances.

For all other instruments, the Group measures the loss allowance equal to 12m 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.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective interest rate.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of financial instruments that share similar economic risk characteristics. The measurement of loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate, regardless of whether it is measured on an individual basis or a collective basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Amortised cost and effective interest method (continued)

Impairment of financial assets (continued)

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 as at the reporting date with the risk of a default occurring on the financial instruments as at the date of initial recognition. In making this assessment, the Group considers both quantitative and quantitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information 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; significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Amortised cost and effective interest method (continued)

Impairment of financial assets (continued)

Definition of default

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

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

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

Credit-impaired financial assets

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

(a) significant financial difficulty of the borrower or issuer;

(b) a breach of contract such as a default or past due event;

(c) the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

(d) the disappearance of an active market for a security because of financial difficulties; or

(e) the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Amortised cost and effective interest method (continued)

Measurement and recognition of ECLs

The measurement of ECLs 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 guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

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.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

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 (i.e. the Group's trade and other receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for finance lease receivables; and
- External credit ratings where available.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Amortised cost and effective interest method (continued)

Measurement and recognition of ECLs (continued)

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 12m ECL at the current reporting date.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risk are taken into account by adjusting the cash shortfalls being discounted.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount with the exception of trade receivables where the corresponding adjustment is recognized through a loss allowance account.

Presentation of allowance for ECL in the combined statements of financial position

Loss allowances for ECL are presented in the combined statements of financial position as follows:

(a) for financial assets measured at amortised cost; loss allowances for ECL are presented in the combined statements of financial position as a deduction from the gross carrying amount of the assets;

(b) for equity instruments measured at FVTOCI, no loss allowance is recognised in the combined statements of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the FVTOCI reserve.

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 the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Amortised cost and effective interest method (continued)

Measurement and recognition of ECLs (continued)

Derecognition of financial assets (continued)

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

Financial liabilities, including other payables, amounts due to related companies, amount due to a related party and secured borrowings are subsequently measured 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 period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, canceled 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.

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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, 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 key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty

Useful lives and impairment assessment of plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss in the statement of financial position. The estimation of their useful lives is the key element for the annual depreciation expense. Whenever there is any indication that the assets are impaired, plant and equipment are evaluated for any possible impairment on a specific asset basis or group of similar assets basis, as applicable. This process requires the management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the appropriate asset's carrying value would be written down to the recoverable amount and the impairment loss recognised would be charged to profit or loss. As at 31 December 2018 and 2017, the carrying amount of plant and equipment amounted to S$971,399 and S$759,019 respectively.

Estimated Impairment of trade receivables

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 29.

Estimated allowance for write-down of inventories to net realisable value

The Group makes allowance for inventories based on assessments of the net realisable values of existing inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value of certain items is lower than the cost of those items. The identification of obsolete inventories requires the use of estimation of the net realisable value of items of inventory and estimates on the conditions and usefulness of items of inventories. Where the estimated net realisable value is lower than the cost of the inventory items, an impairment may arise. As at 31 December 2018 and 2017, the carrying amount of inventories amounted to S$300,509 (net of inventory allowance of S$8,400) and S$455,329 (net of inventory allowance of S$8,400) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT INFORMATION

The Group operates in a single segment which mainly include sale of signage, bollard, variable-message signs, bus stops, linkways and aluminium railings to customers located in Singapore.

Information is reported to the chief operating decision maker ("CODM") of the Group, for the purposes of resource allocation and performance assessment. The accounting policies are the same as Group's accounting policies described in note 3. The CODM reviews revenue by nature of contracts, i.e. "Public" and "Private" and profit for the year as a whole. No analysis of the Group's assets and liabilities is regularly provided to the CODM for review. Accordingly, only entity-wide disclosures on products, major customers and geographical information are presented in accordance with IFRS 8 Operating Segments.

An analysis of the Group's revenue provided to the CODM for resource allocation and performance assessment is as follows:

	2018 **S$**	2017 S$
Revenue from contracts with customers recognised at a point in time		
Public	**9,389,929**	11,842,152
Private	**1,084,967**	1,005,243
	10,474,896	12,847,395

Entity-wide disclosures

Major customers

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

	Year ended 31 December	
	2018 **S$**	2017 S$
Customer A	**1,215,789**	–Note

Note The corresponding revenue did not contribute over 10% of the total revenue of the Group.

Geographical information

The Group principally operates in Singapore, also the place of domicile. All revenue and non-current assets of the Group are generated from external customers and located in Singapore by location of customers and non-current assets, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. OTHER INCOME

	2018 S$	2017 S$
Bank interest income	**41,814**	12,996
Government grants	**27,547**	73,266
Rental income under operating lease in respect of subleasing of workshop premises	**–**	10,000
Unclaimed payables	**7,209**	52,557
Others	**50,338**	40,544
	126,908	189,363

7. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2018 S$	2017 S$
Allowance for doubtful debts (Note 20)	**(22,656)**	(100,073)
Bad debt recovered (Note 20)	**89,673**	19,377
Gain on disposal of plant and equipment	**–**	36,360
Foreign exchange gain/(loss), net	**69,173**	(497,145)
Loss on disposal of available for sales financial assets	**–**	(1,411,169)
Plant and equipment written off	**(2,142)**	(6,975)
	134,048	(1,959,625)

8. SELLING AND ADMINISTRATIVE EXPENSES

	Year ended 31 December	
	2018 S$	2017 S$
Staff costs	**2,008,917**	1,967,763
Audit, legal and professional fees	**348,149**	538,083
Advertisement expenses	**223,805**	256,834
Depreciation and amortisation expenses	**94,617**	88,410
Rental expenses	**108,681**	169,482
Upkeep of equipment and vehicles	**84,347**	95,446
Others	**290,289**	492,221
	3,158,805	3,608,239

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. OTHER EXPENSES

Other expenses related to direct attributable expenses in respect of subletting workshop premises.

10. FINANCE COSTS

	Year ended 31 December	
	2018	2017
	S$	S$
Interests on borrowings wholly repayable within five years:		
– Obligations under finance leases	**17,343**	13,958
– Others	**15**	23
	17,358	13,981

11. INCOME TAX EXPENSE

	Year ended 31 December	
	2018	2017
	S$	S$
Current tax – Singapore Corporate Income Tax ("CIT")	**302,500**	392,000
Under/(over) provision in prior years	**16,939**	(17,395)
Deferred tax (Note 26)	**–**	(16,000)
	319,439	358,605

Singapore CIT is calculated at 17% of the estimated assessable profit eligible for CIT rebate of 40%, capped at S$15,000 and 20%, capped at S$10,000 for Year of Assessment 2018 and 2019 respectively. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. INCOME TAX EXPENSE (continued)

The income tax expense for the year can be reconciled to the profit before tax per the statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2018	2017
	S$	S$
Profit before tax	**1,203,835**	158,495
Tax at Singapore CIT of 17%	**204,652**	26,944
Tax effect of expenses not deductible for tax purpose	**156,312**	536,759
Tax effect of income under tax exemption and rebate	**(35,925)**	(35,925)
Tax effect of enhanced allowance (Note)	**(13,855)**	(149,469)
Under/(over) provision in prior years	**16,939**	(17,395)
Others	**(8,684)**	(2,309)
Income tax expense for the period	**319,439**	358,605

Note: Being additional 300% tax deductions/allowances for qualified capital expenditures and operating expenses under the Productivity and Innovation Credit scheme in Singapore.

12. PROFIT/(LOSS) FOR THE YEAR

	Year ended 31 December	
	2018	2017
	S$	S$
Profit/(loss) for the year has been arrived at after charging:		
Audit fees paid to auditor of the Company:		
– current year	**85,000**	103,000
Depreciation and amortisation expenses	**349,466**	287,407
Cost of inventories recognised as expenses	**4,362,930**	5,145,203
Directors' fee (note 13)	**84,902**	79,388
Directors' and chief executive's remuneration (note 13)	**343,528**	344,936
Other staff costs		
– salaries and other staff costs	**2,563,233**	3,082,027
– contributions to defined contribution plans	**94,488**	102,610
Minimum lease payment under operating lease in respect staff dormitory, office and working premises	**390,305**	441,231

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the directors and the chief executive (Mr. Tan Kwang Hwee Peter) were as follows:

	Fee S$	Salaries and other benefits S$	Bonus S$	Contributions to defined contribution plan S$	Total S$
For the year ended 31 December 2018					
Executive directors:					
Mr. Tan Thiam Kiat Kelvin	–	127,200	10,000	13,940	151,140
Mr. Tan Kwang Hwee Peter	–	127,200	10,000	13,940	151,140
Kong Weishan	–	41,248	–	–	41,248
	–	295,648	20,000	27,880	343,528
Independent non-executive directors					
Mr. Tan Kiang Hua	25,780	–	–	–	25,780
Mdm. Kow Yuen-Ting (Gao Yun Ting) (Retired on 8 May 2018)	8,979	–	–	–	8,979
Mr. Oh Eng Bin (Hu Rongming) (Resigned on 13 June 2018)	11,467	–	–	–	11,467
Mr. Lock Kiu Yin (Appointed on 8 May 2018)	24,293	–	–	–	24,293
Mr. Lau Muk Kan (Appointed on 13 June 2018)	14,383	–	–	–	14,383
	84,902	–	–	–	84,902
	84,902	295,648	20,000	27,880	428,430
For the year ended 31 December 2017					
Executive directors:					
Mr. Tan Thiam Kiat Kelvin	–	127,200	10,000	13,940	151,140
Mr. Tan Kwang Hwee Peter	–	127,200	10,000	13,940	151,140
Ms. Liu Qian (Resigned on 25 January 2017)	–	3,008	–	–	3,008
Kong Weishan (Appointed on 25 January 2017)	–	39,648	–	–	39,648
	–	297,056	20,000	27,880	344,936
Independent non-executive directors					
Mr. Oh Eng Bin (Hu Rongming)	26,463	–	–	–	26,463
Mr. Tan Kiang Hua	26,463	–	–	–	26,463
Mdm. Kow Yuen-Ting (Gao Yun Ting)	26,462	–	–	–	26,462
	79,388	–	–	–	79,388
	79,388	297,056	20,000	27,880	424,324

The remuneration of directors and senior management including the discretionary bonus is determined having regard to the performance and market trend by the remuneration committee.

The fees are for services as a director of the Company and the salaries and other benefits, bonus and contributions to defined contribution plan are paid for services in connection as management of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

Neither the chief executive nor any of the directors of the Company waived any emoluments during the years ended 31 December 2018 and 2017.

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, 2 (2017: 2) were directors of the Company during the year ended 31 December 2018 whose emoluments are included in the disclosures above. The emoluments of the remaining 3 (2017: 3) individuals were as follows:

	Year ended 31 December	
	2018	2017
	S$	S$
Salaries and other staff costs	**334,188**	251,228
Contributions to defined contribution plan	**30,378**	20,337
	364,566	271,565

Their emoluments were within the following band:

	Year ended 31 December	
	2018 No. of employees	2017 No. of employees
Nil to HK$1,000,000	**3**	3

During both reporting periods, no emoluments were paid by the Group to any of the directors of the Company or 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. EARNINGS/(LOSS) PER SHARE

	Year ended 31 December	
	2018	2017
Profit/(loss) attributable to the owners of the Company (S$)	**884,396**	(200,110)
Weighted average number of ordinary shares in issue	**3,200,000,000**	3,200,000,000
Basic and diluted earnings/(loss) per share (S$ cents)	**0.028**	(0.006)

The diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share as there were no unissued shares of the Company under option.

15. RETIREMENT BENEFITS CONTRIBUTION

The total cost charged to profit or loss of S$122,368 and S$130,490 for the years ended 31 December 2018 and 2017 respectively, represents contributions paid to the retirement benefits scheme by the Group.

As at 31 December 2018 and 2017, contributions of S$41,592 and S$47,346 respectively, were due in respective years had not been paid to the plans. The amounts were paid subsequent to the end of the respective year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. PLANT AND EQUIPMENT

	Computers S$	Furniture and fittings S$	Office equipment and machinery S$	Renovation S$	Motor vehicles S$	Total S$
COST						
At 1 January 2017	115,477	2,372	369,049	107,747	1,106,224	1,700,869
Additions	–	–	215,670	23,057	–	238,727
Elimination on disposals	–	–	(12,500)	–	(95,623)	(108,123)
Written off	(15,205)	–	(29,115)	–	–	(44,320)
Exchange realignment	–	–	–	(528)	–	(528)
At 31 December 2017 and 1 January 2018	**100,272**	**2,372**	**543,104**	**130,276**	**1,010,601**	**1,786,625**
Additions	**11,385**	**–**	**–**	**–**	**532,676**	**544,061**
Written off	**(7,200)**	**–**	**–**	**–**	**(48,509)**	**(55,709)**
Exchange realignment	**–**	**–**	**–**	**448**	**–**	**448**
At 31 December 2018	**104,457**	**2,372**	**543,104**	**130,724**	**1,494,768**	**2,275,425**
ACCUMULATED DEPRECIATION						
At 1 January 2017	97,580	1,422	212,414	55,815	482,254	849,485
Provided for the year	15,076	474	70,008	23,086	159,196	267,840
Eliminated on disposals	–	–	(12,500)	–	(39,843)	(52,343)
Written off	(15,205)	–	(22,140)	–	–	(37,345)
Exchange realignment	–	–	–	(31)	–	(31)
At 31 December 2017 and 1 January 2018	**97,451**	**1,896**	**247,782**	**78,870**	**601,607**	**1,027,606**
Provided for the year	**4,466**	**476**	**92,552**	**26,085**	**206,321**	**329,900**
Written off	**(7,200)**	**–**	**–**	**–**	**(46,367)**	**(53,567)**
Exchange realignment	**–**	**–**	**–**	**87**	**–**	**87**
At 31 December 2018	**94,717**	**2,372**	**340,334**	**105,042**	**761,561**	**1,304,026**
CARRYING AMOUNTS						
At 31 December 2017	2,821	476	295,322	51,406	408,994	759,019
At 31 December 2018	**9,740**	**–**	**202,770**	**25,682**	**733,207**	**971,399**

The above items of plant and equipment are depreciated on a straight-line basis over the following estimated useful lives:

Computers	3 years
Furniture and fittings	5 years
Office equipment and machinery	5 years
Renovation	5 years
Motor vehicles	5 to 10 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. PLANT AND EQUIPMENT (continued)

Additions to plant and equipment are analysed as follows:

	2018 S$	2017 S$
Additions of plant and equipment	544,061	238,727
Acquired under finance lease agreements	(218,898)	(54,070)
Cash payments to acquire plant and equipment	325,163	184,657

Depreciation expense has been included in the profit and loss as follows:

	2018 S$	2017 S$
Cost of sales	254,849	198,997
Selling and administrative expenses	75,051	68,843
	329,900	267,840

17. INTANGIBLE ASSET

	2018 S$	2017 S$
SOFTWARE		
COST:		
At the beginning of the year	58,700	25,800
Additions	–	32,900
At the end of the year	58,700	58,700
ACCUMULATED AMORTISATION:		
At the beginning of the year	(22,434)	(2,867)
Amortisation for the year	(19,566)	(19,567)
At the end of the year	(42,000)	(22,434)
CARRYING AMOUNT:		
At the end of the year	16,700	36,266

The intangible asset has finite useful live of 3 years, over which the asset is amortised.

The amortisation expense has been included in the line item "depreciation and amortisation expense" in profit and loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. AVAILABLE-FOR-SALE INVESTMENTS

For the year ended 31 December 2017, the investments in listed equity securities were fully disposed.

	2017 S$
At the beginning of the year	2,907
Additions	2,837,553
Disposals	(2,840,460)
At the end of the year	–

19. INVENTORIES

	At 31 December	
	2018 **S$**	2017 S$
Raw material, net of allowance	**258,583**	193,355
Work-in-progress	**–**	200,116
Finished goods	**41,926**	61,858
	300,509	455,329

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. TRADE AND OTHER RECEIVABLES

	At 31 December	
	2018	2017
	S$	S$
Trade receivables	**1,941,685**	2,600,549
Less: allowance for doubtful debts	**(22,656)**	(89,673)
	1,919,029	2,510,876
Retention receivables	**648,151**	468,705
Purchase advances paid to suppliers	**181,354**	217,735
Receivables from disposals of freehold property (Note)	**200,000**	200,000
Interest receivables	**2,517**	945
Rental and other deposits	**127,723**	127,774
Prepayments	**110,365**	44,790
Other receivables	**–**	810
	3,189,139	3,571,635

Note: The amount of S$200,000 is withheld due to pending the finalisation of transfer of a part of related common property from the Management Corporation Strata Title to increase in the gross floor area of the disposed property. The directors are of the view that the process will be finalised and completed in due course.

In addition, certain executive directors who are the controlling shareholders have provided an undertaking to indemnify the Group for any loss arising from non settlement of this amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. TRADE AND OTHER RECEIVABLES (continued)

For majority of customers, invoices are issued upon transferred risks and rewards of the products. Invoices may be raised in according to the schedule set out in the sales contracts (i.e. recognised as advanced billing as disclosed in note 23) while the revenue will be recognised until goods are delivered and accepted by the counterparties. Trade receivables are generally granted a credit period of 30 to 60 days from the invoice date. The following is an aging analysis of trade receivables net of allowance for doubtful debts presented based on invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	At 31 December	
	2018	2017
	S$	S$
1-30 days	**689,794**	639,883
31-60 days	**302,558**	662,217
61-90 days	**287,033**	377,568
91-180 days	**283,303**	588,675
181-365 days	**345,136**	180,065
Over 365 days	**11,205**	62,468
	1,919,029	2,510,876

Before granting credit to new customers, the Group reviews the customers' profile and available consolidated financial statements to assess the potential customer's credit quality and defines credit limits for each customer.

The Group assesses at each of the reporting period end whether there is objective evidences that trade and other receivables are impaired.

Retention receivables are retention monies held by customers which will be repaid upon expiry of defect liability period, generally of 1 to 2 years, in accordance with sales contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. TRADE AND OTHER RECEIVABLES (continued)

The following is an aging analysis of trade receivables (net of allowance for doubtful debts) which are past due but not impaired based on the due date:

	At 31 December	
	2018	2017
	S$	S$
Overdue:		
31-60 days	**302,558**	662,217
61-90 days	**287,033**	377,568
91-180 days	**283,303**	588,675
181 days to 365 days	**345,136**	180,065
Over 365 days	**11,205**	62,468
	1,229,235	1,870,993

	At 31 December	
	2018	2017
	S$	S$
Trade receivable impaired:		
Past due > 90 days	**22,656**	89,673

The Group has provided allowance for individual receivables that were considered to be impaired based on management assessment performed at each reporting period end and write off individual debtors with long overdue amounts which management assessed are unlikely to be recovered. Based on past experience, management believes that no impairment allowance is necessary in respect of remaining balances as there has not been a significant change in credit quality and the remaining balances are still considered fully recoverable. The balances of trade receivables that are neither past due nor impaired have good credit quality as assessed by the Group according to repayment history of respective customer. The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. TRADE AND OTHER RECEIVABLES (continued)

Movement in the allowance on doubtful debts for trade receivables

	At 31 December 2017 S$
At beginning of the year	21,747
Amounts recovered during the year	(19,377)
Allowance on doubtful debts recognised in profit or loss	100,073
Amounts written off	(12,770)
At end of the year	89,673

Movement in lifetime ECL that has been recognised for trade receivable in accordance with simplified approach set out in IFRS 9 for the year ended 31 December 2018.

	Total S$
Balance as at 31 December 2017 under IAS 39	89,673
Adjustment upon application of IFRS 9	–
Adjusted balance as at 1 January 2018	89,673
Expected credit losses ("ECL")	22,656
Reverse of ECL (note)	(89,673)
Balance as at 31 December 2018	22,656

Note: Reversal of allowance of ECL is due to the Group's recovery of receivable.

21. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

Bank deposits carry prevailing market interest rate ranging from 0.20% to 1.42% and 0.20% to 0.35% per annum as at 31 December 2018 and 2017, respectively.

Pledged bank deposits have been pledged as a security for bankers guarantee issued in relation to contracts awarded to the Group.

Bank balances are non-interest bearing, except for S$161 carries interest at fixed rate of 0.025% per annum as at 31 December 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. TRADE PAYABLES

	At 31 December	
	2018	2017
	S$	S$
Trade payables	**557,675**	580,150

The following is an aging analysis of trade payables presented based on the purchase recognition date, that is, goods receipt date, at the end of each reporting period:

	At 31 December	
	2018	2017
	S$	S$
0–30 days	**319,873**	206,784
31–90 days	**200,354**	238,084
Over 90 days	**37,448**	135,282
	557,675	580,150

23. OTHER PAYABLES AND ACCRUALS

	At 31 December	
	2018	2017
	S$	S$
Advance billings to customers	**–**	265,285
Retention payable to suppliers	**103,394**	65,928
Goods and services tax payable	**93,441**	167,092
Accrued operating expenses	**357,362**	364,864
Accrued staff commission	**30,183**	44,860
Customer deposits received	**–**	90,709
	584,380	998,738

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. CONTRACT LIABILITIES

	31 December 2018 S$	1 January 2018# S$
Customer deposits received (note)	**56,480**	90,709

The amounts in this column are after the adjustments from the application on IFRS 15.

Note: When the Group receives a deposit from customer, this will give rise to contract liabilities at the beginning of a contract, until the revenue recognised

25. OBLIGATIONS UNDER FINANCE LEASES

The Group entered into lease arrangements with independent third parties in relation to certain motor vehicles and office equipment. The Group considered that these lease arrangements are finance lease as substantially all the risks and rewards incidental to ownership of these motor vehicles and office equipment retained with the Group. The lease terms ranged from 4-7 years (2017: 4-5 years). Interest rates of underlying all obligations under finance leases at the date of inception is 3.6% to 6.0% and 4.0% to 6.3% per annum as at 31 December 2018 and 2017, respectively.

The net carrying value of leased assets used to secure the lease obligations was S$651,473 (2017: S$436,927).

	Minimum lease payments As at 31 December		Present value of minimum lease payments As at 31 December	
	2018 S$	2017 S$	**2018 S$**	2017 S$
Amounts payable under finance leases:				
Not later than one year	**139,047**	95,864	**124,058**	83,886
Later than one year and not later than five years	**246,219**	197,906	**230,233**	183,597
Later than five years	**11,956**	–	**11,738**	–
	397,222	293,770	**366,029**	267,483
Less: future finance charges	**(31,193)**	(26,287)	–	–
Present value of lease obligations	**366,029**	267,483	**366,029**	267,483
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(124,058)**	(83,888)
Amount due for settlement after 12 months (shown under non-current liabilities)			**241,971**	183,595

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. OBLIGATIONS UNDER FINANCE LEASES (continued)

Reconciliation of liabilities arising from financing activities

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

	1 January 2018 S$	Financing cash flows S$	New finance lease S$	Finance cost S$	31 December 2018 S$
Finance leases	267,483	(137,695)	218,898	17,343	366,029

26. DEFERRED TAX LIABILITY

Deferred tax liability arises mainly from the excess of tax over book depreciation of plant and equipment.

	2018 S$	2017 S$
At beginning of the year	**28,000**	44,000
Credited to profit or loss (note 11)	**–**	(16,000)
At end of the year	**28,000**	28,000

27. SHARE CAPITAL

	Number of shares	Par value HK$	Share capital HK$
Authorised:			
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	40,000,000,000	0.00125	50,000,000

	Number of shares	Share capital S$
Issued and fully paid:		
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	3,200,000,000	689,655

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. CAPITAL 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 Group's overall strategy remains unchanged throughout the reporting period.

The capital structure of the Group consists of debt, which includes, obligations under finance leases, net of bank and cash balances and equity attributable to owners of the Group, comprising share capital and reserves.

The management of the Group reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. 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.

29. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	At 31 December	
	2018	2017
	S$	S$
Financial assets		
Loans and receivables (including cash and cash equivalents)	**15,010,152**	14,593,036
Financial liabilities		
Amortised cost	**1,105,094**	1,146,511

b. Financial risk management objectives and policies

The major financial instruments include trade and other receivables, pledged bank deposits, bank and cash balances, trade payables, other payables and accruals and obligations under finance leases. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (foreign exchange risk and interest rate risk), liquidity risk and credit 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.

Market risks

(i) Foreign currency risk

The Group's foreign currency exposures arise mainly from the exchange rate movements of the Hong Kong Dollars against the Singapore Dollars.

Those exposures are managed primarily by using natural hedges that arise from offsetting assets and liabilities that are denominated in foreign currencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risks (continued)

(i) Foreign currency risk (continued)

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

	Assets		Liabilities	
	2018	2017	**2018**	2017
	S$	S$	**S$**	S$
Hong Kong Dollars	**5,728,052**	4,740,889	**216,507**	149,589

The sensitivity rate used when reporting foreign currency risk to key management personnel is 5%, which is the change in foreign exchange rate that management deems reasonably possible which will affect outstanding foreign currency denominated monetary items at period end.

If the Hong Kong Dollars to change by 5% against the Singapore Dollars, profit will increase/decrease by S$275,577 (2017: S$229,565).

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to pledged bank deposits and bank and cash balance. The cash flow interest rate risk is mainly concentrated on fluctuations associated with variable rate pledged bank deposits and bank and cash balance.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider interest rate hedging should the need arise.

No sensitivity analysis of bank deposits is presented as a reasonably possible change in interest rate would not have significant impact on profit or loss of the Group.

Obligations under finance leases issued at fixed rates expose the Group to fair value interest rate risk. During the reporting period, the Group did not hedge its fair value interest rate risk.

Liquidity risk

In the management of the liquidity risk, the management of the Group monitors and maintains a level of bank and cash balances deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The following tables detail the Group's remaining contractual maturities for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

	Effective interest rate	Within 1 year S$	1-5 years S$	Over 5 years S$	Total undiscounted cash flows S$	Carrying amount S$
At 31 December 2018						
Non-interest bearing Instruments						
Trade and other payables		1,105,094	–	–	1,105,094	1,105,094
Interest bearing instruments						
Obligations under finance leases	3.6% to 6.0%	139,047	246,219	11,956	397,222	366,029
		1,244,141	246,219	11,956	1,502,316	1,471,123
At 31 December 2017						
Non-interest bearing Instruments						
Trade and other payables		1,146,511	–	–	1,146,511	1,146,511
Interest bearing instruments						
Obligations under finance leases	4.0% to 6.3%	95,864	197,906	–	293,770	267,483
		1,242,375	197,906	–	1,440,281	1,413,994

Credit risk

The Group's concentration of credit risk by geographical locations is mainly in Singapore, which accounted for approximately 62% (2017: 67%) of the total financial assets as at 31 December 2018 and 2017 respectively.

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forwarding-looking information.

Approximately 47% and 44% of total trade receivables outstanding at 31 December 2018 and 2017 were due from top 5 trade receivables which exposed the Group to concentration of credit risk.

29. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk (continued)

	Current	Within 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
As at 31 December, 2018						
Expected credit loss rate	0%	0%	0.38%	5.34%	15.9%	1.17%
Gross carrying amount (S$)	689,794	589,591	284,373	364,603	13,324	1,941,685
Lifetime ECL	–	–	(1,070)	(19,467)	(2,119)	(22,656)
	689,794	589,591	283,303	345,136	11,205	1,919,029

As at 31 December 2018, trade receivables that are individually significant have been separately assessed for impairment. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience.

The credit quality of the retention receivables and other receivables excluding prepayments has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. The directors are of the opinion that the credit risk of retention receivables and other receivables is low due to the sound collection history of the receivables due from them. Therefore, expected credit loss rate of the retention receivables and other receivables excluding prepayments is assessed to be close to zero and no provision was made as of 31 December 2018.

Other than concentration of credit risk on bank deposits and balances placed in 5 banks (2017: 4 banks) in which the counterparties are financially sound and on trade receivables from top 5 customers, 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 statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. FINANCIAL INSTRUMENTS (continued)

c. Fair value measurements of financial instruments

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

The fair value of other 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.

30. OPERATING LEASES COMMITMENTS

As lessee

At the end of each of the reporting period, the Group had commitment for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31 December	
	2018	2017
	S$	S$
Within one year	**287,448**	295,483
In the second to fifth year inclusive	**46,000**	333,365
	333,448	628,847

Operating lease payment represented rentals payable by the Group for staff dormitory, office and workshop premises. Leases are negotiated for terms of 1 to 3 years with fixed rental and no renewal option or contingent rent provision.

31. RELATED PARTY DISCLOSURES

Some of the Group's transactions and arrangements are with related parties and the effects of these on the basis determined between the parties is reflected in these financial statements.

	Year ended 31 December	
	2018	2017
	S$	S$
Purchase of motor vehicle from a director	**120,000**	–

Key management personnel remuneration

Remuneration for key management personnel of the Group is the amounts paid to the Group's directors as disclosed in note 13.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. CONTINGENT LIABILITIES

The Group has following contingent liabilities:

	At 31 December	
	2018	2017
	S$	S$
Banker guarantee	**35,381**	23,271

Legal and Potential Proceedings

On 18 January 2019, Signmechanic Pte Ltd ("Signmechanic"), a wholly-owned subsidiary of the Company, received a letter of demand from a solicitors firm who act for Mandai Development Pte Ltd ("MDPL"), claiming that Signmechanic had made a negligent misrepresentation to MDPL on a property sold in previous years and MDPL claimed for their loss and damage amounting to a total sum of S$1,007,540. After consulting the Company's lawyer, the Directors are of the view that Signmechanic has a reasonably good chance of success in defending potential claim for the negligent misrepresentation. No provision was provided in the consolidated financial statements for the year ended 31 December 2018.

33. PARTICULARS OF SUBSIDIARIES

Particular of the subsidiaries of the Company are as follows:

Name	Place of incorporation/ operation	Paid up issued capital	Group's effective interest		Held by the Company		Principal activities
			2018	2017	2018	2017	
Sino Promise Investment Limited	British Virgin Islands	US$1	100%	100%	100%	100%	Investment holding
Joyful Passion Limited	British Virgin Islands	US$1	100%	100%	100%	100%	Investment holding
Signmechanic Pte Ltd	Singapore	S$2,000,000	100%	100%	100%	100%	Design, fabrication, installation and maintenance of signage products

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

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

	At 31 December	
	2018	2017
	S$	S$
Non-current assets		
Investment in subsidiary	**6,570,096**	6,570,096
Plant and equipment	**285**	713
Total non-current assets	**6,570,381**	6,570,809
Current assets		
Prepayment	**36,568**	12,560
Amount due from subsidiaries	**1,618,018**	1,958,839
Bank and cash balances	**5,609,036**	4,263,247
Total current assets	**7,263,622**	6,234,646
Current liabilities		
Trade payables	**10,981**	185,838
Accruals	**198,526**	118,799
Total current liabilities	**209,507**	304,637
Net current assets	**7,054,115**	5,930,009
NET ASSETS	**13,624,496**	12,500,818
Capital and reserves		
Share capital	**689,655**	689,655
Share premium	**12,126,905**	12,126,905
Accumulated losses	**807,936**	(315,742)
TOTAL EQUITY	**13,624,496**	12,500,818

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

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

	Share premium S$	Accumulated losses S$	Total S$
At 1 January 2017	12,126,905	(2,978,058)	9,148,847
Profit for the year, representing total comprehensive income for the year	–	2,662,316	2,662,316
At 31 December 2017 and 1 January 2018	12,126,905	(315,742)	11,811,163
Profit for the year, representing total comprehensive income for the year	**–**	**1,123,678**	**1,123,678**
At 31 December 2018	**12,126,905**	**807,936**	**12,934,841**

SUMMARY OF FINANCIAL INFORMATION

31 December 2018

The following is a summary of the consolidated results and of the assets and liabilities of the Group for the last five financial years as extracted from the published financial statements:

	Year ended 31 December				
	2018	2017	2016	2015	2014
	S$	S$	S$	S$	S$
RESULTS					
Revenue	**10,474,896**	12,847,395	9,549,724	11,384,339	11,850,088
Cost of sales	**(6,355,854)**	(7,282,418)	(5,294,555)	(6,144,909)	(6,307,276)
Gross profit	**4,119,042**	5,564,977	4,255,169	5,239,430	5,542,812
Other income	**126,908**	189,363	246,315	300,953	208,193
Other gains and losses	**134,048**	(1,959,625)	188,853	337,895	(109,873)
Selling and administrative expenses	**(3,158,805)**	(3,608,239)	(3,212,731)	(2,667,288)	(2,638,320)
Other expenses	**–**	(14,000)	(121,800)	(2,634,874)	(63,250)
Finance costs	**(17,358)**	(13,981)	(13,550)	(58,192)	(111,351)
Profit before tax	**1,203,835**	158,495	1,342,256	517,924	2,828,211
Income tax expense	**(319,439)**	(358,605)	(268,216)	(347,560)	(262,996)
Profit/(loss) for the year	**884,396**	(200,110)	1,074,040	170,364	2,565,215
ASSETS AND LIABILITIES					
Non-current assets	**988,099**	795,285	877,224	583,745	679,393
Current assets	**15,602,381**	15,310,890	15,956,992	15,081,431	8,783,427
Current liabilities	**(1,625,093)**	(2,054,776)	(2,573,795)	(2,572,627)	(4,293,783)
Net current assets	**13,977,288**	13,256,114	13,383,197	12,508,804	4,489,644
Non-current liabilities	**(269,971)**	(211,595)	(255,685)	(161,853)	(155,170)
Net assets	**14,695,416**	13,839,804	14,004,736	12,930,696	5,013,867