INDIGO STAR HOLDINGS LIMITED
靛藍星控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8373

ANNUAL REPORT
2018

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This report, for which the directors (the "Directors") of Indigo Star Holdings Limited (the "Company") collectively and individually accept full responsibility, includes 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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

This report will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and the Company's website at www.indigostar.sg.

All defined terms have the same meanings as set out in the prospectus of the Company dated 31 October 2017, unless otherwise defined.

Certain English translations of Chinese names or words marked with "*" are included for information purpose only and should not be regarded as the official English translation of such Chinese names or words. If there is any inconsistency between the Chinese names of entities and their English translations, the Chinese names shall prevail.

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BOARD OF DIRECTORS

Executive Directors

Mr. Goh Cheng Seng
(Chairman and Chief Executive Officer)
Ms. Tan Soh Kuan
Mr. Ng Sai Cheong
Mr. Wang Jianye (Appointed on 25 June 2018)

Independent Non-executive Directors

Mr. Ma Yiu Ho Peter
Mr. Yip Ki Chi Luke
Mr. Zhou Guangguo (Appointed on 9 February 2018)
Dr. Zhang Tianmin (Appointed on 25 June 2018)

COMPANY SECRETARY

Mr. Qiu Minghao

COMPLIANCE OFFICER

Mr. Ng Sai Cheong

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

AUTHORISED REPRESENTATIVES

Mr. Goh Cheng Seng
Mr. Ng Sai Cheong

AUDIT COMMITTEE

Mr. Ma Yiu Ho Peter *(Chairman)*
Mr. Yip Ki Chi Luke
Dr. Zhang Tianmin

REMUNERATION COMMITTEE

Dr. Zhang Tianmin *(Chairman)*
Mr. Goh Cheng Seng
Mr. Yip Ki Chi Luke

NOMINATION COMMITTEE

Dr. Zhang Tianmin *(Chairman)*
Ms. Tan Soh Kuan
Mr. Ma Yiu Ho Peter

AUDITORS

HLB Hodgson Impey Cheng Limited

REGISTERED OFFICE

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

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Quartz Industrial Building
Singapore 367903

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

19th Floor, Three Exchange Square
8 Connaught Place, Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PRINCIPAL BANKERS

United Overseas Bank Limited

COMPANY'S WEBSITE

www.indigostar.sg

STOCK CODE

8373

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of the Directors of Indigo Star Holdings Limited (the "Company" or "our Company", together with its subsidiaries, the "Group" or "our Group"), I would like to present the annual results of the Group for the year ended 31 December 2018 (the "Reporting Year") together with the comparative figures for the year ended 31 December 2017 to you.

Our Company has successfully listed on GEM on 16 November 2017 (the "Listing"). On behalf of the Group, I would like to once again express our deep gratitude to all parties who have assisted us in building our business over the years and during the preparation process of the Listing.

In the Reporting Year, our Group's revenue decreased by approximately 5.8% to approximately S$42.6 million, as compared to approximately S$45.2 million in the year ended 31 December 2017 (the "Prior Year"). The decrease was mainly attributable to the decrease in revenue from Project Outram Community Hospital for approximately S$9.9 million and Project Tanjong Penjuru for approximately S$1.6 million due to their completions, offset by increase in revenue recognised for Project Orchard Station, Project New State Courts and Project Woodlands for approximately S$5.3 million, S$2.4 million and S$1.0 million, respectively due to increase their completions during the year. Profit for the Reporting Year recorded approximately S$2.5 million, representing a decrease by approximately 3.6% as compared to the Prior Year, as a result of the expenses incurred from the Listing during the Reporting Year.

During the Report Year, the Group has completed four Projects, and as at 31 December 2018, the Group has eight ongoing projects.

Looking ahead, the Group expects that the demand in construction industry in Singapore will continue to grow. The outlook for the construction industry in Singapore remains optimistic. Despite the fact that the competition of the market will be continue to be intense, the Group will continue to carefully evaluate the potential costs and seek for suitable projects for main contractor works and subcontracting works for business diversification to increase shareholders' return.

I would like to take this opportunity to express my gratitude to all shareholders, customers and suppliers for their valuable support. I would also like to express our sincere appreciation to all the employees of the Group for their hard work and dedication.

Goh Cheng Seng
Chairman and Chief Executive Officer

21 March 2019

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. GOH Cheng Seng (吳進順先生) ("Mr. Goh"), aged 49, is our founder, executive Director, Chairman and Chief Executive Officer of the Company, and the managing director of Interno Engineering (1996) Pte. Ltd. ("IEPL"). He is also one of the controlling shareholders of the Company. He has over 30 years of experience in the construction industry in Singapore and Malaysia. Mr. Goh is primarily responsible for overseeing our Group's business strategy and overall management of our Group. Prior to founding our Group in 1992, Mr. Goh had accumulated around five years of experience in the construction industry in both Malaysia and Singapore. From 1987 to 1988, Mr. Goh worked as an apprentice in Energo Project Ltd., a construction company in Malaysia, where he started to gain exposure to the construction industry through participating in projects involving pore piling, precast elements and structural works. From 1989 to 1991, Mr. Goh worked for Eastern Industries Pte. Ltd., a construction company in Singapore, as a steel reinforcement scheduler responsible for preparing bar bending schedule for off-site steel reinforcement cut and bending.

Over the years, Mr. Goh has participated in and handled various large-scale projects, including the construction of Sungei Langat Water Treatment Plant at Dengkil, Selangor, Malaysia, the 25-kilometre highway from Pagoh to Ayer Keroh in Malaysia and the Seletar Sewage Treatment Plant Phase II in Singapore.

Mr. Goh has attended WSH bizSAFE Level 1 Workshop for Company CEO and Top Management conducted by Hong Tech Consultant Pte. Ltd. in February 2008. He has also completed the Building Construction Supervisor Safety Course and the Work-at-Height Course for Supervisors, both organised by Star Safety Training Pte. Ltd., in August 2015.

Mr. Goh is the spouse of Ms. Tan Soh Kuan, our executive Director and controlling shareholder, and the brother-in-law of Ms. Tan Soh Lay, our human resource and administrative director.

Ms. TAN Soh Kuan (陳素寬女士) ("Ms. Tan"), aged 47, is our executive Director. She is also one of our controlling shareholders. She is primarily responsible for overseeing the financial performance of our Group and ensuring compliance with our Group's policies and objectives. She was a director of IEPL from December 1996 to March 2012 responsible for monitoring staff performance, and reviewing and recommending policies on employees' welfare and incentives. She also assumed the role of financial controller of IEPL from January 2013 to December 2015. She has been responsible for the financial, human resources and administrative matters for our Group. Ms. Tan attained a specialist diploma in workplace safety and health under the Singapore Workforce Skills Qualifications awarded by the Singapore Workforce Development Agency in August 2010.

Ms. Tan is the spouse of Mr. Goh and the sister of Ms. Tan Soh Lay.

Mr. NG Sai Cheong (伍世昌先生) ("Mr. Ng"), aged 42, is our executive Director and compliance officer. He is responsible for the overall financial and secretarial aspects of our Group. Mr. Ng has more than 18 years of experience in auditing and accounting. Prior to joining our Group, Mr. Ng worked as a semi-senior at Lee Sik Wai & Co., an accounting firm, between June 1998 and April 2000. He then worked at Charles Chan, Ip & Fung CPA Limited (currently known as CCIF CPA Limited) as an auditor from April 2000 until February 2001. Between February 2001 and September 2002 and between October 2002 and September 2003, he served as a staff accountant and senior accountant, respectively, at Ernst & Young. He later joined Beauty China Holdings Limited (a company formerly listed on the Singapore Stock Exchange (stock code: B15.SG)) as an accounting manager in October 2003 and was promoted to assistant financial controller in October 2007, a position which he had held until August 2009. He then worked at Top Express Holdings Limited as its accounting manager between September 2009 and April 2012 and his last position held is chief financial officer. Mr. Ng has been the financial controller of Kwan On Holdings Limited, a company listed on the Main Board of the Stock Exchange (the "Main Board") (stock code: 1559) from August 2012 to December 2018 and its company secretary from January 2013 to December 2018. Mr. Ng has been appointed as an independent non-executive director of Royal Catering Group Holdings Company Limited since 9 August 2018.

Mr. Ng graduated from The Hong Kong University of Science and Technology in November 1998 with a bachelor of business administration degree in accounting and obtained a master of corporate governance degree from The Open University of Hong Kong in June 2007. Mr. Ng has become an associate of the Hong Kong Institute of Certified Public Accountants since March 2003 and an associate of the Hong Kong Institute of Chartered Secretaries since September 2007.

Mr. WANG Jianye (王建業先生) ("Mr. Wang"), aged 48, is our executive Director. He has extensive and practical experience in trading of apparel, steel and non-ferrous metals, real estate development and investment and financing. Mr. Wang also served China Second Metallurgical Group Co., Ltd* (中國二冶集團有限公司), a large-scale state-owned enterprise, from 2001 to 2004 and was involved in and responsible for a number of large major projects, such as the overall renovation program of the equipment base of Baotou Iron and Steel Group Company Limited* (包頭鋼鐵集團有限公司), the construction and post-earthquake reconstruction of the family area of Baotou Iron and Steel Group Company Limited, the municipal engineering and waterproof pipeline network construction in Golmud City, Qinghai, the non-standard production and installation of potash of Qinghai Salt Lake Industry Co., Ltd*

(青海鹽湖鉀肥股份有限公司), the high-pressure natural gas pipeline network construction for the area between Shandong and Hebei in the oil pipeline engineering project of PetroChina Company Limited* (中國石油天然氣集團有限公司), as well as the production and installation of desulfurization equipment for power plants in the Inner Mongolia region of China Huadian Corporation Ltd* (中國華電集團). In 2000, he developed and constructed a business circle in Baiyun Road* (白雲路), Baotou City, and owned all the properties in the business circle. In 1997, Mr. Wang established Baotou Bei Yuan Feng Metallurgical Raw Materials Co. Ltd.* (包頭市北源豐鋼鐵爐料有限責任公司) and has been appointed as the president since 1997 to now. In 2010, he invested and developed a commercial and residential project, Hengyuan Yinzuo* (恒源銀座), and Zhonghe Cultural Square* (中和文化廣場) project in the city center area of Baotou City.

Independent non-executive Directors

Mr. MA Yiu Ho Peter (馬遙豪先生) ("Mr. Ma"), aged 54, was appointed as an independent non-executive Director on 24 October 2017 and is mainly responsible for supervising and providing independent judgment to our Board. He is also the chairman of the audit committee and a member of the nomination committee of our Company. Mr. Ma is currently the financial controller of Chyau Fwu Properties Limited, a company principally engaged in property development and hospitality. He has been a member of the Hong Kong Institute of Certified Public Accountants since February 1990 and a fellow member of the Chartered Association of Certified Accountants (UK) since April 1994. Mr. Ma obtained a Master Degree of Business Administration from the Hong Kong University of Science and Technology in November 1995. He has also been a member of the Hong Kong Institute of Directors since December 2015. Mr. Ma has over 20 years of experience in the finance and accounting field and worked as the financial controller and company secretary of The Hong Kong Parkview Group Limited (now known as Joy City Property Limited) (stock code: 207) from June 2008 to August 2012 and May 2011 to August 2012, respectively. From February 2008 to June 2008, Mr. Ma was the financial controller of VODone Limited (now known as V1 Group Limited) (stock code: 82) (the shares of these companies are listed on the Main Board). From June 2005 to September 2007, Mr. Ma was the chief financial officer of Superior Fastening Technology Limited (now known as Renewable Energy Asia Group Limited), a company listed on the Singapore Stock Exchange. From March 2010 to July 2018, Mr. Ma was an independent non-executive director of Convoy Global Holdings Limited (formerly known as Convoy Financial Holdings Limited) (stock code: 1019).

Mr. Ma is currently an independent non-executive director of various companies whose shares are listed on the Stock Exchange, a summary of which is set out as follows.

Name of companies	Position	Tenure of service
China Packaging Holdings Development Limited (now known as Mobile Internet (China) Holdings Limited) (stock code: 1439)	Independent non-executive director	December 2013 to present
TEM Holdings Limited (stock code: 8346)	Independent non-executive director	April 2016 to present
Royal Catering Group Holdings Company Limited (stock code: 8300)	Independent non-executive director	July 2016 to present

Mr. YIP Ki Chi Luke (葉祺智先生) ("Mr. Yip"), aged 53, was appointed as an independent non-executive Director on 24 October 2017 and is mainly responsible for supervising and providing independent judgment to our Board. He is also a member of the audit committee and the remuneration committee of our Company. Mr. Yip obtained a Bachelor of Laws degree from University of London in August 1991 and a Postgraduate Certificate in Laws from The University of Hong Kong in June 1992. He was admitted as a solicitor of the High Court of Hong Kong in April 1994 and is currently a practising solicitor in Hong Kong with over 20 years of post-qualification experience in the legal profession. From May 1992 to September 1996, he worked at Messrs. P. C. Woo & Co. as a trainee solicitor and subsequently a solicitor. He then joined Messrs. Siao, Wen & Leung in October 1996 as a solicitor. From March 1997 to September 1999, Mr. Yip was a partner and subsequently a consultant at Messrs. Wong & Yip. He has been a partner of Messrs. Cheung & Yip since February 1999. Mr. Yip has been a Notary Public and Civil Celebrant in Hong Kong since 2006. He has been a China Appointed Attesting Officer since December 2015.

Mr. ZHOU Guangguo (周光國先生) ("Mr. Zhou"), aged 43, was appointed as an independent non-executive Director on 9 February 2018 and is mainly responsible for supervising and providing independent judgment to our Board. Mr. Zhou obtained a bachelor of laws from Beijing Institute of Technology and a master's degree in economic law from Capital University of Economics and Business* (首都經濟貿易大學) in the People's Republic of China ("PRC") in July 2001 and a master of international and comparative law from Vrije Universiteit Brussel in Belgium in June 2005. Mr. Zhou has worked in Beijing No. 2 Intermediate People's Court* (北京市第二中級人民法院) and has been a practising lawyer in Beijing since 2006. Mr. Zhou is currently a partner of Beijing Junzhi Law Firm* (北京市君致律師事務所), serving of a client portfolio ranging from PRC's state-owned enterprises to domestic and offshore listed companies. His practice focuses on daily corporate matters, mergers and acquisitions, bond issuance, initial public offerings and other commercial practice, as well as practice on litigation and arbitration. Mr. Zhou was appointed as an independent non-executive director of National United Resources Holdings Limited, a company whose shares are listed on the Stock Exchange (stock code: 254), from June to August 2017.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Zhang Tianmin (張天民博士) ("Dr. Zhang"), aged 49, obtained a doctoral degree in law (civil law and business law) from China University of Political Science and Law* (中國政法大學) in May 2002. He has extensive experience in legal matters in respect of civil law and business law, trust and related asset management and policy of financial service industry. He worked in central enterprises, graduate schools of universities and industry associations. Currently, he is a partner of Beijing Junzejun Law Offices* (北京市君澤君律師事務所), a researcher in the Institute of Company Law of China University of Political Science and Law* (中國政法大學公司法研究所) since September 2017, an independent director of Guangdong Finance Trust Co. Ltd* (廣東粵財信託有限公司) since January 2008, AVIC Securities Co., Ltd.* (中航證券有限公司) since July 2013 and Guangdong Utrust Finance Financial Leasing Co., Ltd* (廣東粵財金融租賃股份有限公司) since June 2017. Dr. Zhang had been an independent non-executive director of National United Resources Holdings Limited (stock code: 254) from April 2016 to May 2017.

SENIOR MANAGEMENT

Mr. TAN Kim Yem (陳錦炎先生) ("Mr. KY Tan"), aged 69, is our operation director and is responsible for establishing and developing operational plans for our Group's projects, including its tendering, execution and completion. Mr. KY Tan joined our Group in April 1996 as a site foreman, and was promoted to project manager in April 2004, and to his current position as operation director in April 2010. Mr. KY Tan completed the Safety Coordinators Training Course organised by the Academy of the Building and Construction Authority of Singapore (the "BCA") in October 2007, the Safety Management Assessment (SMA) Scheme Workshop conducted by SC2 Pte. Ltd. in January 2008, the certificate in Risk Management Course organised by QuESH Consultants (Pte) Ltd in August 2009, and the Construction Safety Course for Project Managers organised by Absolute Kinetics Consultancy Pte. Ltd. in July 2010. Mr. KT Tan is a registered CoreTrade personnel under the Construction Registration of Tradesman Scheme implemented by BCA.

Ms. TAN Soh Lay (陳素麗女士) ("Ms. Sally Tan"), aged 46, is our human resource and administrative director. Ms. Sally Tan is primarily responsible for overseeing our Group's administrative and human resources activities, and reporting to our executive Directors on human resources issues, strategies and solutions. Ms. Sally Tan joined our Group in August 1998 as an administrative and accounting assistant, and was promoted to human resources and accounting executive in August 2001, and to human resources and finance manager in January 2004. Ms. Sally Tan assumed her current role in November 2016. Ms. Sally Tan was awarded a Diploma in Business Administration and Marketing in February 1998 by TMC Business School in Singapore. Ms. Sally Tan is the sister of Ms. Tan and the sister-in-law of Mr. Goh.

Mr. KOK Seng Yoong Peter (郭盛勇先生) ("Mr. Kok"), aged 57, is our general manager. Mr. Kok is primarily responsible for developing and implementing market and business development strategies of our Group and managing our relationship with our customers. Prior to joining our Group in November 2016, Mr. Kok has worked at various construction companies in Singapore. He worked as a general manager in BSI (1990) Pte. Ltd. from 2004 to 2016 responsible for overall management and supervision of construction projects in both public government and private sectors. From 1993 to 2004, he was a project manager at Kay Lim Construction & Trading Pte. Ltd. responsible for project management of building construction works which ranges from industrial, institutional to community club buildings for both private and public sectors. From 1981 to 1993, he was a site manager at Tan Gim Huat Contractors Pte. Ltd. responsible for the daily supervision of all works in projects which ranges from bridges, canals, institutional building, landed residential to wild life enclosures at Jurong Bird Park. Mr. Kok has over 35 years of management experience in the construction industry in Singapore and is knowledgeable in both categories of general building and civil engineering. He has experience in managing and leading public and private sector projects of various types, including general building, civil engineering, major retrofitting and design and build projects.

Mr. Kok graduated from Singapore Polytechnic with a Diploma in Building in May 1995 and was awarded a Bachelor Degree in Applied Science (Construction Management) by Royal Melbourne Institute of Technology in May 1999. Mr. Kok also obtained a certificate awarded by the Occupational Safety and Health (Training & Promotion) Centre of the Ministry of Manpower of Singapore following his completion of the Construction Safety Course for Project Managers in June 1998.

COMPANY SECRETARY

Mr. Qiu Minghao (邱明昊先生) ("Mr. Qiu") was appointed as Company Secretary of the Company on 7 September 2018. He is a Chartered Secretary and an Associate of both The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. He has more than eight years of experience in handling listed company secretarial and compliance related matters to Hong Kong listed companies. Mr. Qiu received a Bachelor's degree of Administrative Studies with Honours from York University in Canada in 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The Group is an established subcontractor in Singapore specialising in providing reinforced concrete works, which mainly cover steel reinforcement works, formwork erection and concrete works. Provision of structural reinforced and concrete works in general building and civil engineering works is the only segment of the Group. The Group may provide such services either individually or as a total package comprising all three, depending on the requirements of customers. We have also venture into projects as the main Contractor namely, SICC and 19A Tanjong Penjuru.

BUSINESS REVIEW

For the year ended 31 December 2018, our Group has completed four projects, namely Project Paya Lebar Central, Project Tanjong Penjuru, Project Woodlands and Project North Coast Drive and has been awarded for two projects, namely Project Micron FAB and Project North Coast Drive during the year ended 31 December 2018. Public sector projects remained the major contributor to our revenue and had contributed approximately S$33.0 million (2017: S$38.4 million), representing by approximately 77.6% (2017: 85.0%) of our total revenue for the year ended 31 December 2018. Our outstanding contract value as at 31 December 2018 was approximately S$9.5 million.

Set out below are the details of the contracts contributing to the revenue for the year ended 31 December 2018:

Name of project	Nature of project	Customer	Type of services offered	Commencement date	Expected completion date	Contract sum S$'000
Project Orchard Station	Public — civil engineering	Penta Bachy Joint Venture	Reinforced concrete works	October 2015	October 2019	39,006
Project New State Courts	Public — civil engineering	Samsung	Reinforced concrete works	June 2016	October 2018	23,926
Project Paya Lebar Central	Private — general building	JDC	Steel reinforcement works	September 2016	January 2018	1,897
Project Outram Community Hospital	Public — general building	Penta-Ocean	Reinforced concrete works	April 2016	July 2018	25,467
Project Tanjong Penjuru	Private — general building	Dovechem Packaging Pte Ltd	Main contract	May 2017	January 2018	6,118
Project Woodlands	Public — general building	Penta-Ocean	Steel reinforcement works and formwork erection	November 2017	March 2018	1,258
Project Micron FAB	Private — general building	M+W Singapore Pte Ltd	Reinforced concrete works	31 May 2018	February 2019	7,338
Project North Coast Drive	Private — general building	LK Ang Construction Pte Ltd	Steel works	15 May 2018	October 2018	483

FINANCIAL REVIEW

Revenue

Revenue decreased by approximately S$2.6 million, or approximately 5.8%, from approximately S$45.2 million for the year ended 31 December 2017 to approximately S$42.6 million for the year ended 31 December 2018. The decrease was mainly attributable to the decrease in revenue from Project Outram Community Hospital for approximately S$9.9 million and Project Tanjong Penjuru for approximately S$1.6 million due to their completions, offset by increase in revenue recognised for Project Orchard Station, Project New State Courts and Project Woodlands for approximately S$5.3 million, S$2.4 million and S$1.0 million, respectively due to increase their completions during the year.

Direct costs

Direct costs increased by approximately S$2.2 million, or approximately 6.7%, from approximately S$32.9 million for the year ended 31 December 2017 to approximately S$35.1 million for the year ended 31 December 2018.

Direct costs mainly comprised of (i) material costs of approximately S$6.0 million (2017: S$11.4 million); and (ii) direct labour of approximately S$14.2 million (2017: S$13.3 million) for the year ended 31 December 2018. The increase was mainly due to (i) increase in direct labour for approximately S$1.2 million and (ii) increase in other direct costs, particularly professional fees and rental of equipment, by approximately S$0.9 million.

Gross profit and gross profit margin

Gross profit recorded approximately S$7.5 million for the year ended 31 December 2018 (2017: S$12.3 million). The decrease was mainly due to decrease in revenue as a result of projects completed during the year ended 31 December 2018.

Gross profit margin decreased from approximately 27.2% for the year ended 31 December 2017 to 17.6% for the year ended 31 December 2018. The higher gross profit margin in the prior year was mainly due to receipt of final account for Project Sengkang General Hospital 2 while the project had been completed during the year 31 December 2017.

Other income, net

Other income for the year ended 31 December 2018 amounted to approximately S$0.4 million, which remained relatively stable (2017: S$0.4 million).

Administrative expenses

Administrative expenses for the year ended 31 December 2018 amounted to approximately S$4.8 million (2017: S$8.7 million). The decrease was mainly due to no professional fees for the Listing incurred for the year ended 31 December 2018 (2017: approximately S$3.5 million).

Finance costs

Finance costs remained relatively stable at approximately S$17,000 for the year ended 31 December 2018 (2017: S$40,000).

Income tax expenses

Income tax expense for the year ended 31 December 2018 amounted to approximately S$0.5 million (2017: S$1.3 million), and the effective tax rate was approximately 18.0% (2017: 34.1%). The effective tax rate was higher than the statutory tax rate of 17% in Singapore, which was mainly due to professional fees incurred for the Listing which were not tax deductible, amongst others.

Profit for the year

As a result of the foregoing, profit for the year ended 31 December 2018 decreased by approximately S$0.1 million, or approximately 3.6%, from approximately S$2.6 million for the year ended 31 December 2017 to approximately S$2.5 million for the year ended 31 December 2018.

LIQUIDITY AND FINANCIAL RESOURCES

The current ratio of the Group, calculated based on the total current assets divided by the total current liabilities as at 31 December 2018, was 2.6 times (2017: 1.5 times). The increase was mainly due to increase in net assets as a results of profit generated during the Reporting Year.

As at 31 December 2018, the Group had net current assets of approximately S$16.5 million (2017: S$6.8 million), including cash and cash equivalents of approximately S$12.9 million (2017: S$13.8 million).

The gearing ratio, calculated based on the total debt (including borrowings and finance lease payables) divided by total equity, was approximately 0.6% as at 31 December 2018 (2017: 5.2%).

CAPITAL STRUCTURE

Since the shares of the Company listed on the GEM on 16 November 2017, there has been no change in the capital structure of the Company. The share capital of the Company only comprises of ordinary shares.

As at 31 December 2018, the Company's issued share capital was HK$4.0 million and the number of ordinary shares issued was 400,000,000 of HK$0.01 each.

COMMITMENTS

As lessor

As at 31 December 2017, the Group had leased an industrial building unit which was classified as investment property under operating lease arrangements, with leases negotiated for term ranging from one to two years. The Group had not leased any properties as lessor as at 31 December 2018.

As at 31 December 2018, the total future minimum lease receivables under non-cancellable operating lease arrangements was nil (2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

As lessee

As at 31 December 2018, the Group had commitments for future minimum lease payments in respect of our dormitories and site equipment under non-cancellable operating lease arrangements, with leases negotiated for an initial period of 1 month to 13 months. The Group's operating lease commitments amounted to approximately S$0.3 million as at 31 December 2018 (2017: S$1.7 million).

Capital Commitments

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 December 2018, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

SIGNIFICANT INVESTMENTS

As at 31 December 2018, the Group did not hold any significant investments (2017: Nil).

CONTINGENT LIABILITIES AND LITIGATIONS

As at 31 December 2018, the Group was involved in certain immaterial litigation cases, details of which are set out below. Save for the disclosed, the Group did not have any material contingent liabilities.

As at 31 December 2018, the Group had three common law claims, which had been brought before the relevant courts in Singapore, in relation to work-related injury. The claim amount of these work-related common law claims has not been finalised. It is expected that the claim amount will be fully covered by insurance.

As at 31 December 2018, the Group did not pledge any asset.

FOREIGN EXCHANGE EXPOSURE

The Group was not exposed to foreign exchange risk during the year ended 31 December 2018 (2017: Nil).

TREASURY POLICIES

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk and liquidity risk. The major classes of financial assets of the Group are cash and cash equivalents, trade and retention sum receivables, amounts due from directors, amounts due from related companies and other receivables.

For trade and retention sum receivables, the Group adopts the policy of dealing only with customers of appropriate credit history. The Group assesses concentration of credit risk by monitoring the individual profile of its trade and retention sum receivables on an ongoing basis. As at 31 December 2018, approximately 43.4% (2017: 96.6%) of the Group's trade and retention sum receivables were due from the top five customers.

The credit risk on liquid funds is limited because the Group adopts the policy of dealing only with high credit quality counter parties. Other than concentration of credit risk on liquid funds which are deposited with a bank with a high credit rating, the Group does not have any other significant concentration of credit risk.

To ensure sufficient liquidity to meet the liabilities when fall due, the Group's policy is to monitor current and expected liquidity requirements to maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet short and long term liquidity requirements. In particular, the Group monitors and maintains a level of cash and cash equivalents assessed as adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on internally generated funding and borrowings as significant sources of liquidity.

CHARGE OF GROUP'S ASSETS AND SECURITIES FOR BANKING FACILITIES

As at 31 December 2018, the Group did not have any charge.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group employed a total of 523 full-time staff, of which approximately 8.2% were Singapore citizens and residents and approximately 91.8% were foreigners. Total employee benefit expenses, including Directors' emoluments, of the Group amounted to approximately S$16.4 million for the year ended 31 December 2018 (2017: approximately S$17.2 million). Remuneration of the employees is determined with reference to market terms and the performance, qualification and experience of individual employees. In addition to a basic salary, year-end discretionary bonuses are offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group.

SHARE OPTION SCHEME

The Group has adopted a share option scheme (the "Scheme") pursuant to which the Company may grant options to individuals including employees, adviser, consultant, service provider, agent, customer, partner or joint-venture partner of the Company and any subsidiary to acquire shares of the Company. The Directors consider that the Scheme assists in recruiting and retaining high calibre employees. Details of which are set out in note 30 of the consolidated financial statement.

No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 31 December 2018.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS AND USE OF PROCEEDS

Saved as disclosed in the prospectus of the Company dated 31 October 2017 (the "Prospectus"), the Group did not have other plans for material investments and capital assets.

The net proceeds from the Listing have been applied as follows:

	Planned use of proceeds up to 31 December 2018 HK$'000	Actual use of proceeds up to 31 December 2018 HK$'000	**Planned use of proceeds** **For the six months ending 30 June 2019 HK$'000**	**For the six months ending 31 December 2019 HK$'000**
Acquiring property for the dormitory and cut and bend factory	35,500	–	**35,500**	**–**
Renovating the new dormitory and cut and bend factory	3,300	–	**–**	**3,300**
Purchasing one single production line of cut and bend system	4,000	–	**–**	**4,000**
Working Capital	500	500	**–**	**–**
	43,300	500	**35,500**	**7,300**

Pursuant to the Prospectus, the Company intended to apply for approximately HK$35.5 million to acquire a property for our dormitory and cut and bend factory during the six months ended 30 June 2018. During the Report Period, the Group has searched many properties, and identified thirteen of them. Among them, three properties were shortlisted and two properties are under the group's evaluation. In comparing short listed properties, the Company is still in consideration of the prices offered by the sellers and evaluating the estimated amounts of additions and alterations needed. The Company will continue to evaluate the targets identified and look for other suitable properties in 2019. Due to the feasibility and availability, the group will renovate the new dormitory and cut and bend factory, and purchase the production line of cut and bend system after acquiring a property for the dormitory and cut and bend factory.

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business objectives as stated in the Prospectus	Actual business progress up to 31 December 2018
Upgrade our licences so as to expand our business through bidding for larger public sector projects	The Group has continued to make great efforts to upgrade of licence from C1 Grade to B2 Grade.
Set up our dormitory and cut and bend factory	The Group is in progress to identify suitable property for dormitory and cut and bend factory.
Strengthen our manpower in managerial and technical expertise	The Group has recruited one quantity surveyor and is in progress of recruiting high caliber staff to strengthen our team.

PROSPECT

The Directors considered that the continued construction demand in 2019 is expected to exceed the one in 2018. With the increasing demand, the outlook for the construction industry in Singapore remains optimistic. Going forward, the Group will continue to identify main contractor works and subcontracting works to capture more potential business opportunities in Singapore. Moreover, the Group is also making great efforts to upgrade of licence from C1 Grade to B2 Grade to enable the Group to tender larger public sector projects.

Meanwhile, to make robust development, the Group deals with risks such as credit risk and liquidity risk arising from its operations through internal risks reports which analyse exposure by degree and magnitude of risk . For credit risk management, the Group has adopted the policy to deal only with high credit quality and good history counterparties to minimise credit risk. For the liquidity risk management, the Group carefully monitors and maintains sufficient reserves of cash for expected liquidity requirements.

The funds raised from the Listing have laid a solid foundation for the future development of the Group. Looking ahead, the Group will endeavor to strengthen the development of its existing businesses and to provide steady return as well as growth prospects for the Company's shareholders.

CORPORATE GOVERNANCE PRACTICES

The Board recognises the importance of good corporate governance in management and internal procedures so as to achieve effective accountability.

The Company has adopted and complied with the code provisions stated in the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules, except for the following deviation:

Code Provision A.2.1

Code provision A.2.1 of the CG Code provides that the responsibilities between the chairman and the chief executive officer of an issuer should be segregated and should not be performed by the same individual.

However, the Company does not have a separate chairman and chief executive officer and Mr. Goh currently performs these two roles. The Directors believe that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient strategic planning for the overall development for the Group. The Directors also consider that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Group to make and implement effective and expedient decisions. The Company will continue to review and consider splitting the roles of chairman and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

COMPLIANCE WITH CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors (the "Code of Conduct") on terms no less than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiries of all Directors and all of them confirmed their compliance with the Code of Conduct for the year ended 31 December 2018.

BOARD OF DIRECTORS

Composition of the Board

The Board currently comprised eight Directors, with four executive Directors and four independent non-executive Directors.

Executive Directors

Mr. Goh Cheng Seng *(Chairman and Chief Executive Officer)*
Ms. Tan Sok Kuan
Mr. Ng Sai Cheong
Mr. Wang Jianye (appointed on 25 June 2018)

Independent non-executive Directors

Mr. Ma Yiu Ho Peter
Mr. Yip Ki Chi Luke
Mr. Zhou Guangguo (appointed on 9 February 2018)
Dr. Zhang Tianmin (appointed on 25 June 2018)

The biographical details of the Directors are set out in Biographical Details of Directors and Senior Management of this annual report. Save as disclosed below, none of the Directors have any relationship with other Directors and/or senior management of the Company:

(a) Mr. Goh is spouse of Ms. Tan and brother-in-law of Ms. Sally Tan;

(b) Ms. Tan is spouse of Mr. Goh and sister of Ms. Sally Tan; and

(c) Ms. Sally Tan is sister of Ms. Tan and sister-in-law of Mr. Goh.

Responsibilities of the Board

The Board is collectively responsible for managing and overseeing the operations of the Company.

It is also assumed responsibility for the leadership and control of the Company and promoting its success by directing and supervising its affairs. The Directors have to take decisions objectively in the best interests of the Company.

The Board regularly reviews the contribution required from each of the Directors to perform his/her responsibilities to the Company, and whether he/she has spent time performing such responsibilities.

The Board has also established and delegated various responsibilities to the board committee with details as set out in the section headed "Committees of the Board". The Board may from time to time delegate certain responsibilities to the management if and when considered appropriate. The management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board.

The Board also has to perform the following corporate governance functions in accordance with code provision D.3.1 of the CG Code:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Company;

(b) to review and monitor the training and continuous professional development of the Directors and senior management of the Company;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Company and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in this corporate governance report.

Board Meetings

Code provision A.1.1 of the CG Code provides, among other things, that the board of an issuer should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. The Directors are appropriately notified in advance of the meetings with proposed agenda and are free to contribute alternative views at meetings. all Directors are Major decisions are only adopted after deliberation at Board meetings. Directors who are considered having conflicts of interest or who have material interest in the proposed transactions or issues to be discussed will not be counted in the quorum of meetings and will abstain from voting on relevant resolutions given the opportunity to include matters for discussion in the agenda.

Board minutes are kept by the Company Secretary and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, who is responsible for ensuring that the Board procedures are complied with, and in consultation with the compliance officer, advising the Board on compliance matters. Directors also has the liberty to seek external professional advice if so required.

During the year ended 31 December 2018, the Board held four regular meetings and two ad-hoc meetings. The attendance record of individual Directors is set out below. Figure in brackets indicates the total number of meetings held in the period in which the individual was a Director.

Directors	Attendance
Executive Directors	
Mr. Goh Cheng Seng *(Chairman and Chief Executive Officer)*	6/(6)
Ms. Tan Soh Kuan	6/(6)
Mr. Ng Sai Cheong	6/(6)
Mr. Wang Jianye (appointed on 25 June 2018)	3/(3)
Independent Non-Executive Directors	
Mr. Ma Yiu Ho Peter	6/(6)
Mr. Yip Ki Chi Luke	6/(6)
Mr. Zhou Guangguo (appointed on 9 February 2018)	6/(6)
Dr. Zhang Tianmin (appointed on 25 June 2018)	3/(3)
Former Directors	
Mr. Tan Kee Cheo (also known as Tan Kee Cheok) (resigned on 25 June 2018)	3/(3)

Appointment, Retirement and Removal of Directors

Each of the executive Directors, namely Mr. Goh, Ms. Tan, Mr. Ng and Mr. Wang, has entered into a service contract with the Company for an initial term of three years with effect from their respective appointment dates and shall continue thereafter unless and until it is terminated by the Company or the relevant Director giving to the others not less than three months' prior notice in writing.

Code provision A.4.1 of the CG Code provides that the non-executive directors should be appointed for a specific term, subject to re-election.

Each of the independent non-executive Directors, namely Mr. Ma Yiu Ho Peter, Mr. Yip Ki Chi Luke, Mr. Zhou Guangguo and Dr. Zhang Tianmin has entered into a letter of appointment with the Company. Each letter of appointment is for an initial term of one year commencing from their respective appointment dates and shall continue thereafter unless terminated by either party giving at least one month's notice in writing.

According to Article 84 of the Articles, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Independent non-executive Directors

As at the date of this annual report, the Company has four independent non-executive Directors, representing more than one-third of the Board in compliance with Rule 5.05(1) and 5.05A of the GEM Listing Rules. At least one of the independent non-executive Director possesses appropriate professional qualifications, or accounting or related financial management expertise in compliance with Rule 5.05(2) of the GEM Listing Rules.

The Company has received confirmation of independence from each of the independent non-executive Directors for the period from 1 January 2018 or his appointment, whichever is later, to 31 December 2018.

Board Diversity Policy

The Company adopted a board diversity policy (the "Board Diversity Policy"), which was amended on 12 February 2019. The Company recognised the benefits of having a diverse Board to enhance the quality of its performance. The Board Diversity Policy aimed to set out the approach to achieve diversity on the Board. In designing the Board's composition, Board diversity has been considered from a number of measurable aspects including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of services, all of which the Company considers to be important to enhance the quality of its performance. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of services. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The nomination committee of the Company (the "Nomination Committee") will monitor the implementation of the Board Diversity Policy and recommend any proposed changes to the Board for approval. The Nomination Committee will from time to time review the Board Diversity Policy as appropriate to ensure its effectiveness.

Induction and Continuing Professional Development

Every newly appointed Director is provided with a comprehensive induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statutes, laws, rules and regulations. Code provision A.6.5 of the CG Code provides that all directors of an issuer should participate in continuous professional development to develop and refresh their knowledge and skills, so as to ensure that their contribution to the board remains informed and relevant. For the Reporting Year, all Directors participated in the training courses regarding directors' responsibilities and obligations under the GEM Listing Rules, the CG Code and the Companies Ordinance (Cap 622, the laws of Hong Kong).

COMMITTEES OF THE BOARD

The Board delegates certain responsibilities to various committees. In accordance with the Articles and the GEM Listing Rules, the Company formed three board committees, namely, the audit committee, the remuneration committee and the nomination committee.

Audit Committee

The audit committee of the Company (the "Audit Committee") was established on 24 October 2017 in accordance with Rule 5.28 of the GEM Listing Rules with written terms of reference in compliance with the CG Code. As at the date of this annual report, the Audit Committee comprises three members, namely Mr. Ma Yiu Ho Peter (chairman), Mr. Yip Ki Chi Luke and Dr. Zhang Tianmin.

The principal responsibilities of the Audit Committee include:

(a) reviewing the Company's annual financial statements;

(b) reviewing and monitoring the extent of the non-audit work undertaken by external auditors;

(c) advising on the appointment of external auditors; and

(d) reviewing the effectiveness of the Company's internal audit activities, internal control and risk management systems.

During the Reporting Year, the Audit Committee had reviewed the quarterly, interim and annual results of the Group and discussed and approved the relevant financial reports. It has also reviewed and discussed the risk management and internal control systems of the Group.

The Audit Committee held five meetings during the year ended 31 December 2018. The attendance record of individual members is set out below. Figure in brackets indicates the total number of meetings held in the period in which the individual was a member of the Audit Committee.

Committee members	Attendance
Mr. Ma Yiu Ho Peter	5/(5)
Mr. Yip Ki Chi Luke	5/(5)
Dr. Zhang Tianmin (appointed on 25 June 2018)	3/(3)
Former Committee members	
Mr. Tan Kee Cheo (also known as Tan Kee Cheok) (resigned on 25 June 2018)	2/(2)

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established on 24 October 2017 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules. As at the date of this annual report, the Remuneration Committee comprises three members, namely Dr. Zhang Tianmin (chairman), Mr. Goh Cheng Seng and Mr. Yip Ki Chi Luke.

The principal responsibilities of the Remuneration Committee include:

(a) making recommendations to the Board on the Company's policy on executive Director's remuneration;

(b) determining the individual remuneration and benefits package of each of the executive Directors; and

(c) recommending and monitoring the remuneration of senior management below Board level.

During the Reporting Year, the Remuneration Committee has reviewed the remuneration policy for the remuneration of executive Directors and assessed performance of executive Directors.

During the year ended 31 December 2018, three Remuneration Committee meetings were held. The attendance record of individual members is set out below. Figure in brackets indicates the total number of meetings held in the period in which the individual was a member of the Remuneration Committee.

Committee members	Attendance
Dr. Zhang Tianmin (appointed on 25 June 2018)	1/(1)
Mr. Goh Cheng Seng	3/(3)
Mr. Yip Ki Chi Luke	3/(3)
Former Committee members	
Mr. Tan Kee Cheo (also known as Tan Kee Cheok) (resigned on 25 June 2018)	2/(2)

Nomination Committee

The nomination committee of the Company (the "Nomination Committee") was established on 24 October 2017 with written terms of reference in compliance with the CG Code. As at the date of this annual report, the Nomination Committee comprises three members, namely Dr. Zhang Tianmin (chairman), Ms. Tan Soh Kuan and Mr. Ma Yiu Ho Peter.

The principal responsibilities of the Nomination Committee include:

(a) assisting the Board in discharging its responsibilities relating to the composition of the Board;

(b) evaluating the balance of skills, knowledge and experience on the Board;

(c) evaluating the size, structure and composition and diversity of the Board; and

(d) evaluating the retirements and appointments of additional and replacement directors and making appropriate recommendations to the Board on such matters.

During the Reporting Year, the Nomination Committee reviewed the structure, composition and diversity of the Board of the company; assessed the independence of the independent non-executive Directors and the Directors to be re-elected at the 2018 annual general meeting before putting forth for discussion and approval by the Board; and also made recommendation to the Board on the appointment of Directors.

During the year ended 31 December 2018, one Remuneration Committee meeting was held. The attendance record of individual members is set out below. Figure in brackets indicates the total number of meetings held in the period in which the individual was a member of the Remuneration Committee.

Committee members	Attendance
Dr. Zhang Tianmin (appointed on 25 June 2018)	n/a
Ms. Tan Soh Kuan	1/(1)
Mr. Ma Yiu Ho Peter	1/(1)
Former Committee members	
Mr. Yip Ki Chi Luke (resigned on 25 June 2018)	1/(1)

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements and to ensure that the consolidated financial statements of the Group are prepared in a manner which reflects the true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the GEM Listing Rules.

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

Statement of the external auditor's responsibilities in respect of the consolidated financial statements is set out in the Independent Auditor's Report of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group strives to maintain the integrity of its business, results of operations and reputation by strictly adhering to an internal control system in respect of its business. The Group has therefore implemented internal control procedures and manuals covering a number of key control areas such as tendering, purchase and procurement management, financial management and safety and environment compliance management with a view to ensuring compliance by the Group with applicable laws, rules and regulations.

The Board, through the Audit Committee, is responsible for overseeing and monitoring the key measures adopted by the Group under the risk management and internal control systems relating to the business operations of the Company and assess the effectiveness regularly. Review on the key measures adopted by the Group under the risk management and internal control system relating to the Group's business operations has been conducted for the Reporting Year.

For the Reporting Year, the Company did not have an internal audit function. The Company engaged an independent internal control consultant to perform a review on the design, implementation and operating effectiveness of the Company's internal control system, including the areas of control environment, risk assessment, financial reporting and information technology. The results of the review were report to the Audit Committee and the Board and measures was seriously considered by the Company after taking into account of the findings and recommendations of the internal control consultant.

Based on the above, for the Reporting Year, the Board considered the Group's risk management and internal control system as adequate and effective.

AUDITORS' REMUNERATION

During the Reporting Period, the fees paid/payable to the Company's auditors, HLB Hodgson Impey Cheng Limited, is set out as follows:

	S$ ('000)
Audit services	210
Non-audit services	–
Total:	210

COMPANY SECRETARY

Following the resignation of Mr. Ng Sai Cheong as the Company Secretary of the Company on 7 September 2018, the Company engaged Mr. Qiu Minghao as the Company Secretary on the same date. Mr. Ng Sai Cheong is still an executive Director and the Compliance Officer of the Company. The biographical details of Mr. Ng Sai Cheong and Mr. Qiu Minghao are set out in the section headed Biographical Details of Directors and Senior Management of this annual report.

COMPLIANCE OFFICER

Mr. Ng Sai Cheong is the Compliance Officer of the Company. The biographical details of Mr. Ng Sai Cheong are set out in the section headed Biographical Details of Directors and Senior Management of this annual report.

SHAREHOLDERS' RIGHTS

Right to put forward proposals at shareholders' meeting

Shareholders who wish to make proposals or move a resolution to convene an extraordinary general meeting may follow the procedures as set out in the section headed "Right to convene extraordinary general meeting" below.

Right to convene extraordinary general meeting

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

Right to put forward enquiries

Shareholders may send their written enquiries to the Board through the Company Secretary at 19th Floor, Three Exchange Square, 8 Connaught Place, Central, Hong Kong.

INVESTORS RELATIONS

The Group has established various communication channels between the Group and its shareholders and investors, including but not limited to publication of notices and announcement through its website at www.indigostar.sg.

There is no change in the Company's constitutional documents during the year ended 31 December 2018.

DIRECTORS' REPORT

The Directors are pleased to present their report and the audited consolidated financial statements for the Reporting Year.

CORPORATE REORGANISATION AND LISTING

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 March 2017 under the Companies Law of the Cayman Islands. Pursuant to the Reorganisation, the Company became the holding company of the Group on 16 October 2017.

Further details of the Reorganisation are set out in the section headed "History, Reorganisation and Group Structure" in the prospectus dated 31 October 2017 (the "Prospectus"). The ordinary shares of the Company (the "Shares") were listed on the GEM on 16 November 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the provision of reinforced concrete works. Details of the principal activities of its subsidiaries are set out in the note 37 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the Reporting Year.

BUSINESS REVIEW

Discussion and analysis of the business of the Group, outlook of the business and the analysis of the Group's performance for the Reporting Year and important events affecting the Group can be found in the Chairman's Statement and Management Discussion and Analysis of this annual report.

Key risks and uncertainties

The Company believes that risk management practices are important and uses its best efforts to ensure they are sufficient so as to mitigate the risks present in its operations and financial position as efficiently and effectively as possible.

The Group's key business risk exposures are summarised below:

(i) The Group's revenue during the Reporting Year was primarily generated from contracts awarded by its top five customers and any significant decrease in the number and/or the contract amount of projects with its major customers and any liquidity problems of its major customers may materially and adversely affect its financial condition and operating results;

(ii) The Group's revenue is mainly derived from projects which are non-recurring in nature and the Group may not be able to secure new customers or projects continuously;

(iii) The Group's success depends on its key personnel and its ability to attract, motivate and retain a sufficient number of competent or qualified employees;

(iv) Contract prices may not reflect the actual construction costs involved. The revenue and profitability of the Group are vulnerable to fluctuations in material costs and subcontracting costs;

(v) Failure to provide timely and quality services could materially affect the Group's financial performance as well as tarnish its reputation;

(vi) The Group's revenue and profitability generated during the Reporting Year may not be indicative of the future results of the operations;

(vii) The Group's business is dependent on the continuous provision of supplies and services by its suppliers;

(viii) The Group's plan of setting up regarding its cut and bend factory and dormitory may not be successfully implemented;

(ix) The Group could be negatively affected by the performance by its subcontractors;

(x) The Group's role as a main contractor may expose it to risk of prosecution and additional financial burden;

(xi) The Group's role as a main contractor may expose it to liquidity risks;

(xii) The Group's role as a main contractor may increase its subcontracting charges;

(xiii) Failure to collect the Group's receivables or receive the retention monies on time and in full may affect its liquidity position;

(xiv) The Group's cash flows may fluctuate due to the payment practice applied to its suppliers;

(xv) The Group may experience weak liquidity in the future as the Group had recorded net cash outflow from its operating activities in the past;

(xvi) The Group's operations may subject it to claims or the Group is exposed to litigation or dispute;

(xvii) The insurance coverage of policies maintained by the Group's customers, acting as main contractors, and the Group may be insufficient to cover all losses or potential claims arising in the course of operations;

(xviii) The Group's workforce is largely made up of foreign workers and any adverse changes in the government policies in relation to foreign workers could materially affect its operations and financial performance;

(xix) The Group's business operations involve inherent industrial risks and occupational hazards and the materialisation of such risks may tarnish its reputation as well as affect the Group's financial results;

(xx) Cancellation or suspension of or failure to renew the Group's current licenses and workheads registration may affect its operations and financial performance;

(xxi) The requirement to take out performance bonds to secure the Group's due performance of construction contracts will affect its cash flows and financial position; and

(xxii) Increase in the depreciation charge due to the additional capital expenditure may affect the Group's financial performance.

For other risks and uncertainties facing the Group, please refer to the section headed "Risk Factors" in the Prospectus.

Environmental policies and performance

The Group is committed to promoting and maintaining the environmental and social sustainable development; and complying with all relevant laws and regulations. A separate report on environmental, social and governance matters will be published within three months after the publication of this annual report.

Compliance with relevant laws and regulations

As far as the Directors are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operations of the Group. During the Reporting Year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Relationships with employees, customers and suppliers

The Group maintains a good relationship with its employees and provides its employees with competitive remuneration, good welfare benefits and continuous professional training.

The Group understands the importance of maintaining a good relationship with its suppliers, customers and other stakeholders to meet its immediate and long-term goals. During the Reporting Year, there were no material and significant dispute between the Group and its employers, suppliers, customers and/or other stakeholders. The Company has engaged the top-5 customers and top-5 suppliers for an average 9.6 years and 8 years respectively.

DIRECTORS' REPORT

RESULTS AND DIVIDEND

The results of the Group for the Reporting Year are set out in Consolidated Statement of Profit or Loss and Other Comprehensive Income of this annual report.

The Company has adopted a dividend policy (the "Dividend Policy") on 12 February 2019, pursuant to which, the Board considers the following factors to decide whether to announcement a dividend:

i. The general financial conditions of the Group;

ii. Retained earnings and distributable reserves of the Company and each of the members of the Group;

iii. The actual and future operations and liquidity positions of the Group;

iv. The future cash requirements and availability of the Group, including its expected working capital requirements, capital expenditure requirements and future expansion plans;

v. Any restrictions on payments of dividends that may be imposed by the Group's lenders;

vi. The general market conditions, business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; and

vii. Any other factor that the Board deems appropriate.

The Board did not recommend the payment of a final dividend for the Reporting Year.

There is no arrangement under which a shareholder has waived or agreed to waive any dividend.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group for the four years ended 31 December 2015, 2016, 2017 and 2018 is set out on Financial Summary of this annual report and does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Reporting Year are set out in note 17 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of the movements in the Company's share capital for the Reporting Year are set out in note 29 to the Consolidated Financial Statements of this annual report.

RESERVES

Details of the movements in the reserves of the Company and the Group are set out in the Consolidated Statement of Changes in Equity and note 36(b) to the consolidated financial statements of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2018, there was no reserve available for distribution to the members of the Company.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SHARES

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

DIRECTORS' REPORT

DIRECTORS

As at the date of this annual report, the Directors are:

Executive Directors

Mr. Goh Cheng Seng *(Chairman and Chief Executive Officer)*
Ms. Tan Soh Kuan
Mr. Ng Sai Cheong
Mr. Wang Jianye (appointed on 25 June 2018)

Independent non-executive Directors

Mr. Ma Yiu Ho Peter
Mr. Yip Ki Chi Luke
Mr. Zhou Guangguo (appointed on 9 February 2018)
Dr. Zhang Tianmin (appointed on 25 June 2018)

The Company has received, from each of the independent non-executive Directors, a confirmation of his independence for the period from 1 January 2018 or or his/her appointment, whichever is later, to 31 December 2018 pursuant to Rule 5.09 of the GEM Listing Rules.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors of the Group are set out in Biographical details of the Directors and Senior Management of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors entered into a service agreement with the Company for an initial term of three years commencing from their appointment dates. Either party may terminate the service agreement by giving to the other not less than three months' prior notice in writing at any time during the initial term.

Each of the independent non-executive Directors entered into a letter of appointment with the Company for a term of one year commencing from their appointment dates and may terminate their letter of appointment by giving a minimum of one month's notice in writing to the Company.

None of the Directors has entered into any service contracts with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment compensation other than the statutory compensation.

PERMITTED INDEMNITY PROVISION

According to Article 164 of the Articles, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against the Directors for the Reporting Year and such permitted indemnity provision for the benefits of the Directors is currently in force.

DIRECTORS' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as those disclosed in note 32 to the consolidated financial statement, there was no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with him has or had a material interest, whether direct or indirect, subsisting at any time during or at the end of the Reporting Year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as the share option scheme as set out in section headed "Share Option Scheme" below, at no time during the Reporting Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONTRACT OF SIGNIFICANCE

Save as those disclosed in note 32 to the consolidated financial statement, no contract of significance in relation to the Group's business (a) has been entered into between the Company, or one of its subsidiaries, and a controlling shareholder of the Company ("Controlling Shareholder") or any entity connected with him/her; nor (b) has been entered into for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any entity connected with him/her.

DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS AND REMUNERATION POLICY

Details of the Directors' remuneration and five highest paid individuals of the Group are set out in note 13 to the consolidated financial statements.

For year ended 31 December 2018, total discretionary bonuses of S$370,000 were paid to the Directors.

The Remuneration Committee has reviewed overall remuneration policy and structure relating to all Directors and senior management members of the Group in reference to the Group's operating results and individual performance.

The Group makes contribution to Central Provident Fund scheme in Singapore and Mandatory Provident Fund retirement benefits scheme in Hong Kong. Details of the defined contribution plans made by the Group are set out in note 35 to the consolidated financial statement.

The Company also adopted a share option scheme on 24 October 2017. Details of which are set out in the section headed "Share Option Scheme" of this directors' report and note 30 to the consolidated financial statement.

MANAGEMENT CONTRACTS

During the Reporting Year and up to the date of this annual report, other than the service contracts of the Directors, the Company did not enter into or have any management and administrative contracts in respect of the whole or any substantial part of the principal business of the Company.

EQUITY-LINKED AGREEMENTS

Save as those disclosed in the section headed "Share Option Scheme" below, no equity-linked agreements were entered into during Reporting Year. Details of the share option scheme are set out in note 30 to the consolidated financial statement.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 24 October 2017. There was no share option granted or agreed to be granted under the Scheme during the Reporting Year. The summary of the principal terms of the Scheme are set out in note 30 to the consolidated financial statement.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2018, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (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 or short positions in which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long Position in Shares

Name of Directors	Capacity	Number of Shares	Percentage of the Company's issued share capital
Mr. Goh	Interest in controlled corporation (Note 1) Interest of spouse (Note 2)	244,000,000	61%
Ms. Tan	Interest in controlled corporation (Note 1) Interest of spouse (Note 2)	244,000,000	61%

Notes:

1. Amber Capital Holdings Limited ("Amber Capital") holds 244,000,000 Shares, representing 61% of the Company's issued share capital. Mr. Goh and Ms. Tan hold 96.77% and 3.23% of the entire issued share capital of Amber Capital, respectively. Therefore, pursuant to the SFO, Mr. Goh and Ms. Tan are deemed to be interested in the Shares held by Amber Capital.

2. Each of Mr. Goh and Ms. Tan is spouse to each other. Therefore, pursuant to the SFO, Mr. Goh is deemed to be interested in the Shares held by Ms. Tan, and vice versa.

Long Position in the ordinary shares of associated corporation

Name of Directors	Name of associated corporation	Capacity	Number of Shares	Approximate Percentage of Shareholding
Mr. Goh	Amber Capital (Note 1)	Beneficial owner	9,677	96.77%
Ms. Tan	Amber Capital	Beneficial owner	323	3.23%

Note:

1. Amber Capital holds more than 50% of the issued share capital of the Company. Therefore, Amber Capital is the holding company and an associated corporation of the Company.

Saved as disclosed above, as at 31 December 2018, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 31 December 2018, the Shareholders (other than Directors and the chief executive director of the Company) who had interests and short positions of the share capital and underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

Long Position in Shares

Name of Shareholders	Capacity	Number of Shares	Percentage of the Company's issued share capital
Amber Capital	Beneficial owner	244,000,000 Shares	61%
Zhang He	Beneficial owner	37,000,000 Shares	9.25%

Save as disclosed above, as at 31 December 2018, the Company has not been notified by any persons (other than the Directors or chief executive of the Company) who held an interest or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group during the Reporting Year are set out in note 32 to the consolidated financial statements. None of the related party transactions falls under connected transaction nor continuing connected transaction under the GEM Listing Rules.

COMPETING INTEREST

The Directors are not aware that any Controlling Shareholders or Directors or their close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly with the Group's business during the Reporting Year.

DEED OF NON-COMPETITION

The Controlling Shareholders, namely Mr. Goh, Ms. Tan and Amber Capital, had entered into a deed of non-competition dated 24 October 2017 (the "Deed of Non-Competition") in favour of the Company (for itself and as trustee for each of its subsidiaries). The Controlling Shareholders have also confirmed that none of them nor any of his/her close associates is engaged in, involved in or interested in any Group's business (other than being a director or shareholder of the Group) which, directly or indirectly, competes or may compete with the Group's business. For details of the Deed of Non-Competition, please refer to the section headed "Relationship with Controlling Shareholders" in the Prospectus.

Each Controlling Shareholder has confirmed to the Company of his/her compliance with the Deed of Non-Competition from the Listing Date up to the date of this annual report. The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the Controlling Shareholders up to the date of this report.

MAJOR CUSTOMERS AND SUPPLIERS

The revenue of the Group's top five customers accounted for approximately S$41.7 million for the Reporting Year, representing approximately 98.1% of the Group's total revenue. The Group's largest customer accounted for approximately S$15.4 million or 36.3% of total revenue for the Reporting Year.

The total purchase from the Group's top five suppliers amounted to approximately S$8.2 million for the Reporting Year, representing approximately 50.4% of the Group's total purchase. The Group's largest supplier accounted for approximately S$3.1 million or 19.0% of total purchase for the Reporting Year.

As at the date of this annual report, as far as the Company is aware, none of the Directors, their close associates or any shareholder owning more than 5% of the Company's share capital had any interest in the Group's customers and suppliers as mentioned above.

SUFFICIENCY OF PUBLIC FLOAT

Based on the public information available to the Company and within the best knowledge of Directors as the date of this report, the Company has maintained the public float of not less than 25% of the Company issued shares as required under GEM Listing Rules since the Listing Date.

INTEREST OF THE COMPLIANCE ADVISER

As at the date of this annual report, except for (i) the participation of Guotai Junan Capital Limited ("GTJA") as the sponsor in relation to the Listing of the Company on GEM; and (ii) the compliance adviser agreement entered into between the Company and GTJA, neither GTJA nor any of its directors, employees or associates had any interests in relation to the Group which requires to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

EVENTS AFTER THE REPORTING YEAR

There is no significant event of the Company after the Reporting Year.

USE OF PROCEEDS FROM THE LISTING

Details of the use of proceeds from the Listing are set out in the section "Management Discussion and Analysis" of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for the pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

DONATIONS

During the Reporting Year, the Group did not make any charitable or other donations.

AUDITOR

HLB Hodgson Impey Cheng Limited was the reporting accountants of the Group for the purpose listing of the Company on GEM. The consolidated financial statements for the Reporting Year has been audited by HLB Hodgson Impey Cheng Limited. HLB Hodgson Impey Cheng Limited will retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming AGM.

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company ("AGM") will be held on Wednesday, 8 May 2019 at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong. The register of members of the Company will be closed from Friday, 3 May 2019 to Wednesday, 8 May 2019 (the "Closure Period"), both days inclusive, for the purposes of determining the entitlements of the Shareholders to attend and vote at the forthcoming AGM. During this closure period, no transfer of the shares will be registered. In order to qualify for attending and voting at the AGM, all transfers, accompanied by the relevant shares certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 2 May 2019.

By order of the Board
Goh Cheng Seng
Chairman, CEO and executive Director

Hong Kong, 21 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 INDIGO STAR HOLDINGS LIMITED
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Indigo Star Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 85, 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 the 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 the 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 the 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 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Contract Revenue Recognition and Accounting for Construction Contract *(Refer to Note 7 to the consolidated financial statements.)* The Group is involved in construction projects for which it applies the input method to measure the Group's progress towards complete satisfaction of a performance obligation and recognises revenue over time in accordance with IFRS 15 Revenue for contract with customers. The revenue and profit recognised in a year on these projects is dependent, amongst others, on the assessment of the Group's efforts or inputs to the construction projects (i.e. contract cost incurred for work performed) relative to the total expected inputs to the construction projects (i.e. estimated total budgeted contract cost committed for the projects). The uncertainty and subjectivity involved in determining the cost to complete and foreseeable losses may have a significant impact on the revenue and profit of the Group.	Our procedures in relation to revenue recognition from construction projects included: • obtained an understanding of the projects, evaluated the design and implementation of relevant controls and tested the operating effectiveness of the controls relating to revenue recognition and partially completed projects. • assessed the Group's revenue recognition practice to determine that they are in compliance with IFRS 15 Revenue from contracts with customers, including the assessment of the Group's efforts or inputs to the construction projects (i.e. contract cost incurred for work performed) relative to the total expected inputs to the construction projects (i.e. estimated total budgeted contract cost committed for the projects).

Key audit matter	How our audit addressed the key audit matter
Contract Revenue Recognition and Accounting for Construction Contract (continued)	
The Group's revenue recognition policy and key source of estimation uncertainty are set out in Note 4 and 5 to the consolidated financial statements.	• For selected projects, our audit procedures included the following: i. agreed projects contract sum to signed contracts and variation orders; ii. obtained construction contract from management and reviewed for any specific or special performance obligations and conditions during the financial period; iii. assessed the reasonableness of cost incurred against our understanding of the projects; iv. vouched the actual cost incurred during the year to details of supplier invoices and subcontractors to check the validity and accuracy of the costs; v. performed cut-off testing to verify contract costs were taken up in the appropriate financial year; vi. assessed and vouched to the estimated cost to complete by substantiating costs that have been committed to quotations and contracts entered; vii. performed retrospective review by comparing the total actual contract costs incurred at completion against the total budgeted contract costs to assess the reasonableness of the estimates used by the management; viii. for projects in progress, we further recomputed the percentage of the progress of the contract based on input method to test the accuracy of the percentage of the progress to determine the revenue; ix. for projects completed during the year, we obtained the certificate of substantial completion and verified that the remaining revenue has been captured; x. compared total contract revenue to actual cost incurred plus estimated cost to complete, and assessed for foreseeable losses; xi. examined the project documentation (including contracts effective during the financial period, terms and conditions) and discussed with management on the progress of significant projects to determine if there are any changes such as delays, penalties, overruns which may result in liquidated damages. • assessed the appropriateness and adequacy of the disclosures made in the consolidated financial statements. Based on our audit procedures performed above, we found that the management's judgement in relation to the estimation of construction contracts to be reasonable.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables and contract assets *(Refer to Note 18 and Note 20 to the consolidated financial statements.)*	
The Group's trade receivables and contract assets were significant to the Group as they represented 44% of the Group's total assets. As at 31 December 2018, the Group recorded trade receivables and contract assets amounted to approximately S$2,695,000 and S$10,035,000 respectively after impairment provision of trade receivables and contract assets of S$338,000 and S$300,000 respectively. Provision is made for lifetime expected credit losses on trade receivables. Management applied judgement in assessing the expected credit losses. Receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. Expected credit losses are also estimated by grouping the remaining receivables and contract assets based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer and its ageing category, and applying expected credit loss rates to the respective gross carrying amounts of the receivables and contract assets. The expected credit loss rates are determined based on historical credit losses experienced from the past 3 years and are adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables.	Our procedures in relation to the management's impairment assessment of trade receivables and contract assets included: • Understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk, including its procedures on periodic review of aged receivables and assessment on expected credit losses allowances of receivables and contract assets, and validating the control effectiveness on a sample basis; • Checking, on a sample basis, the ageing profile of the trade receivables and contract assets 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 and contract assets 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 contract assets 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 THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the 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 have 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.

As part of an audit in accordance with HKSAs, we exercise professional judgment 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 directors.

- Conclude on the appropriateness of the directors' 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 the 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.

We also provide the 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 the 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 auditor's report is Hon Koon Fai, Alex.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong, 21 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 S$'000	2017 S$'000
Revenue	7	**42,556**	45,196
Cost of sales		**(35,050)**	(32,900)
Gross profit		**7,506**	12,296
Other income	9	**375**	393
Administrative expenses		**(4,808)**	(8,701)
Finance costs	10	**(17)**	(40)
Profit before taxation	12	**3,056**	3,948
Income tax expense	11	**(549)**	(1,345)
Profit for the year		**2,507**	2,603
Other comprehensive expenses			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**(9)**	(11)
Other comprehensive expenses for the year, net of income tax		**(9)**	(11)
Profit and other comprehensive income for the year		**2,498**	2,592
Earnings per share			
— basic and diluted (Singapore cents)	15	**0.63**	0.84

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2018

	Notes	**2018 S$'000**	2017 S$'000
Non-current assents			
Investment property	*16*	**253**	258
Property, plant and equipment	*17*	**2,061**	2,050
Retention sum receivables	*18*	**–**	7,574
		2,314	9,882
Current assets			
Trade and retention sum receivables	*18*	**2,695**	5,174
Amounts due from customers for contract works	*19*	**–**	2,077
Contract assets	*20*	**10,035**	–
Prepayments, deposits and other receivables	*21*	**1,019**	784
Cash and cash equivalents	*22*	**12,919**	13,820
		26,668	21,855
Current liabilities			
Trade and retention sum payables	*23*	**1,828**	1,915
Amounts due to customers for contract works	*19*	**–**	4,272
Contract liabilities	*20*	**3,068**	–
Other payables and accruals	*24*	**4,096**	6,786
Amount due to a director	*25*	**414**	–
Bank borrowing	*26*	**–**	675
Obligations under finance leases	*28*	**43**	166
Tax payable		**748**	1,217
		10,197	15,031
Net current assets		**16,471**	6,824
Total assets less current liabilities		**18,785**	16,706
Non-current liability			
Deferred tax liabilities	*27*	**30**	30
Obligations under finance leases	*28*	**62**	23
		92	53
Net assets		**18,693**	16,653
Capital and reserves attributable to owners of the Company			
Share capital	*29*	**695**	695
Reserves		**17,998**	15,958
Total equity		**18,693**	16,653

The consolidated financial statements were approved and authorised for issue by the board of directors on 21 March 2019 and are signed on its behalf by:

Goh Cheng Seng
Executive Director

Ng Sai Cheong
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)	Exchange reserves	Retained earning	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
As at 1 January 2017	3,100	–	–	–	6,697	9,797
Profit for the year	–	–	–	–	2,603	2,603
Other comprehensive expenses for the year	–	–	–	(11)	–	(11)
Total comprehensive income for the year	–	–	–	(11)	2,603	2,592
Capitalisation issue (Note 29)	523	(523)	–	–	–	–
Effect of Reorganisation (Note 2)	(3,100)	–	3,100	–	–	–
Issue of new shares under the Share Offer (Note 29)	172	10,260	–	–	–	10,432
Share issue expenses	–	(1,677)	–	–	–	(1,677)
Dividends (Note 14)	–	–	–	–	(4,491)	(4,491)
As at 31 December 2017	**695**	**8,060**	**3,100**	**(11)**	**4,809**	**16,653**
Impact on initial application of IFRS 9 (Note 3)	**–**	**–**	**–**	**–**	**(458)**	**(458)**
As at 1 January 2018 (restated)	**695**	**8,060**	**3,100**	**(11)**	**4,351**	**16,195**
Profit for the year	**–**	**–**	**–**	**–**	**2,507**	**2,507**
Other comprehensive expenses for the year	**–**	**–**	**–**	**(9)**	**–**	**(9)**
Total comprehensive income for the year	**–**	**–**	**–**	**(9)**	**2,507**	**2,498**
As at 31 December 2018	**695**	**8,060**	**3,100**	**(20)**	**6,858**	**18,693**

Notes:

a. Share premium represents the excess of share issue over the par value.

b. Merger reserve represents the difference between the cost of acquisition pursuant to the Reorganisation and the total value of share capital of the entities acquired.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 S$'000	2017 S$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**3,056**	3,948
Adjustments for:			
Depreciation of property, plant and equipment	*17*	**255**	302
Depreciation of investment property	*16*	**5**	5
Finance costs	*10*	**17**	40
Recovery of provision for doubtful debt	*9*	**–**	(225)
Interest income	*9*	**(56)**	(13)
Reversals of credit losses on trade receivable and contract assets		**(120)**	–
Operating cash flows before movements in working capital		**3,157**	4,057
Decrease/(increase) in trade and retention sum receivables		**9,694**	(5,684)
(Increase)/decrease in contract assets/amounts due from customers for contract works		**(7,937)**	2,349
(Increase)/decrease in prepayments, deposits and other receivables		**(235)**	99
Decrease in amount due from a related company		**–**	93
(Decrease)/increase in trade and retention sum payables		**(418)**	416
Decrease in contract liabilities/amounts due to customers for contract works		**(873)**	(1,010)
(Decrease)/increase in other payables and accruals		**(2,690)**	273
Increase in amount due to a director		**414**	–
Decrease in amounts due to related companies		**–**	(706)
Cash generated from/(used in) operations		**1,112**	(113)
Income tax paid		**(1,315)**	(762)
Income tax refund		**297**	250
Net cash generated from/(used in) operating activities		**94**	(625)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	*17*	**(266)**	(55)
Interest income received		**56**	13
Net cash used in investing activities		**(210)**	(42)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares upon Listing		**–**	8,755
Proceeds from new finance leases		**83**	–
Repayment to a director	*34*	**–**	(954)
Repayment of bank borrowing	*34*	**(675)**	(96)
Repayment of finance leases	*34*	**(167)**	(182)
Interest paid		**(17)**	(40)
Dividend paid		**–**	–
Net cash (used in)/generate from financing activities		**(776)**	7,483
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(892)**	6,816
Cash and cash equivalents at the beginning of the year		**13,820**	7,015
Effect of foreign exchange rate changes		**(9)**	(11)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR		**12,919**	13,820

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 8 March 2017. The Company's immediate and ultimate holding company is Amber Capital Holding Limited ("Amber Capital"), a company incorporated in the British Virgin Islands ("BVI") with limited liability. The Company's shares were initially listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 November 2017.

The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The head office and principal place of business of the Group is at #03–08 Quartz Industrial Building, 5 Upper Aljunied Link, Singapore 367903.

The Company is an investment holding company and the Company's subsidiaries are principally engaged in provision of structural reinforced and concrete works in buildings and civil engineering works. The details of the subsidiaries are set out in Note 37. The consolidated financial statements are presented in Singapore dollars ("S$"), which is the functional currency of its principal subsidiaries. All values are rounded to the nearest thousand ("S$'000"), except when otherwise indicated.

2. REORGANISATION

Details of the Reorganisation are set out in the section headed "History, Reorganisation and Group Structure" to the prospectus of the Company dated 31 October 2017.

(i) Incorporation of the Company

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 March 2017. Upon incorporation, the Company has an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. One nil-paid Share was allotted and issued to the initial subscriber to the memorandum and articles of association of the Company, which was then transferred to Amber Capital at nil consideration on the same date.

(ii) Incorporation of Indigo Link Holdings Limited ("Indigo Link")

Indigo Link was incorporated in the BVI with limited liability on 10 March 2017 and is the intermediate holding company of the Group. Indigo Link is authorised to issue a maximum of 50,000 shares of a single class with par value of US$0.01 each.

On 10 March 2017, one ordinary share of Indigo Link, representing the entire issued share capital of Indigo Link, was allotted and issued to the Company at nominal consideration of US$0.01, credited as fully paid. Immediately upon the said allotment and issue of the ordinary share, the Company held one ordinary share in Indigo Link, representing the entire issued share capital of Indigo Link.

(iii) Acquisition of Interno Engineering (1996) Pte. Ltd. ("IEPL")

On 16 October 2017, Indigo Link as purchaser, Mr. Goh as vendor and the Company entered into a sale and purchase agreement, pursuant to which Mr. Goh transferred 3,000,000 ordinary shares in IEPL, representing the entire issued shares of IEPL, to Indigo Link. In consideration of the said transfer, (i) the one nil-paid Share in the Company held by Amber Capital was credited as fully paid; and (ii) one ordinary share in Indigo Link will be allotted and issued to the Company. Immediately after the said share transfer, IEPL had become an indirect wholly-owned subsidiary of the Company.

(iv) Acquisition of Interno Construction Pte. Ltd. ("ICPL")

On 16 October 2017, Indigo Link as purchaser, Ms. Tan as vendor and the Company entered into a sale and purchase agreement, pursuant to which Ms. Tan transferred 100,000 ordinary shares in ICPL, representing the entire issued shares of ICPL, to Indigo Link. In consideration of the said transfer, (i) the Company allotted and issued nine Shares to Amber Capital, credited as fully paid; and (ii) one ordinary share in Indigo Link will be allotted and issued to the Company. After the said share transfer, ICPL had become an indirect wholly owned subsidiary of the Company.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements have been prepared to include the financial statements of the companies now comprising the Group as if the Group structure upon the completion of the Group Reorganisation had been in existence throughout the period, or since their respective dates of incorporation or establishment where this is a shorter period.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Application of new and revised IFRSs — effective on 1 January 2018

In the current year, the Group has applied for the first time, the following new and revised standards, amendments and interpretations ("new and revised IFRSs") issued by International Accounting Standard Board (the "IASB") which are effective for the Group's financial year beginning from 1 January 2018. A summary of the new and revised IFRSs applied by the Group is set out as follows:

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

The above new IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

(a) Impact on the consolidated financial statements

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the application of new IFRSs have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below:

Consolidated statement of financial position (extract)	At 31 December 2017 S$'000	IFRS 9 S$'000	IFRS 15 S$'000	At 1 January 2018 S$'000
Non-current assets				
Retention sum receivables	7,574	(290)	(7,284)	–
Current assets				
Trade and retention sum receivables	5,174	(91)	(781)	4,302
Amounts due from customers for contract works	2,077	(77)	(2,000)	–
Contract assets	–	–	10,065	10,065
Current liabilities				
Amounts due to customers for contract works	4,272	–	(4,272)	–
Contract liabilities	–	–	4,272	4,272
Net current assets	6,824	(458)	–	6,366
Total assets less current liabilities	16,706	(458)	–	16,248
Net assets	16,653	(458)	–	16,195
Capital and reserves				
Reserves	15,958	(458)	–	15,500
Total equity	16,653	(458)	–	16,195

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

Application of new and revised IFRSs — effective on 1 January 2018 (Continued)

(b) IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 *Financial Instruments* and the related consequential amendments to other IFRSs. IFRS 9 introduce new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and contract assets and (3) general hedge accounting.

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.

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

Below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

Under the transition methods chosen, the Group recognises the cumulative effect of the initial application of IFRS 9 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been affected by IFRS 9.

	At 31 December 2017 S$'000	Impact on initial application of IFRS 9 S$'000	At 1 January 2018 S$'000
Non-current assets			
Retention sum receivables	7,574	(290)	7,284
Current assets			
Trade and retention sum receivables	5,174	(91)	5,083
Amounts due from customers for contract works	2,077	(77)	2,000
Retained earnings	4,809	(458)	4,351

(b) IFRS 9 Financial Instruments

(i) Classification and measurement

IFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede IAS 39 's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial assets is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

— Amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (CONTINUED)

Application of new and revised IFRSs — effective on 1 January 2018 (Continued)

(b) IFRS 9 Financial Instruments (Continued)

(i) Classification and measurement (Continued)

— FVOCI — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses. When the investment is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

— FVPL, if the investment does not meet the criteria for being measured at amortise cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer’s perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

There is no reclassification or remeasurement of the financial assets, including cash and cash equivalent, trade receivables, deposit and other receivables for the adoption of IFRS 9.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of IFRS 9.

(ii) Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. Except for those which had been determined as credit impaired under IAS 39, the remaining balances are grouped based on past due analysis. The Group has therefore estimated the expected loss rates for the trade receivables and contract assets on the same basis.

Except for those which had been determined as credit impaired under IAS 39, ECL for other financial assets at amortised cost, including deposit and other receivables and bank balances, are assessed on 12-month ECL (“12m ECL”) basis as there had been no significant increase in credit risk since initial recognition.

All loss allowances including trade receivables, contract assets and other financial assets at amortised cost as at 31 December 2017 reconciled to the opening loss allowances as at 1 January 2018 are as follows:

	Trade receivables S$’000	**Contract assets** S$’000	**Total** S$’000
At 31 December 2017 — IAS39	300	–	300
Amounts re-measured through opening — retained profits	60	398	458
At 1 January 2018 — IFRS9	360	398	758

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

IFRS 15 Revenue from Contracts with Customers and the related Amendments

The Group has adopted IFRS 15 Revenue from Contracts with Customers and the related Amendments from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in IFRS 15, prior period comparative figures have not been restated. In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2018):

	IAS 18 carrying amount at 31 December 2017	Reclassification	Remeasurement	IFRS 15 carrying amount at 1 January 2018
	S$'000	S$'000	S$'000	S$'000
Non-current assets				
Retention sum receivables	7,574	(7,284)	(290)	–
Current assets				
Trade and retention sum receivables	5,174	(781)	(91)	4,302
Amounts due from customers for contract works	2,077	(2,000)	(77)	–
Contract assets	–	10,065	–	10,065
Current liabilities				
Amounts due to customers for contract works	4,272	(4,272)	–	–
Contract liabilities	–	4,272	–	4,272

(i) Presentation of assets and liabilities related to contracts with customers

The Group has also changed the presentation of the following amounts in the balance sheet to reflect the terminology of IFRS 15:

- In relation to construction contracts previously accounted under IAS 11, the Group continues to apply input method in estimating the performance obligations satisfied up to date of initial application of IFRS 15. S$2,000,000, S$4,272,000 and S$8,065,000 of amounts due from/to customers for contract work and retention sum receivables were reclassified to contract assets and contract liabilities respectively.

(ii) Timing of revenue recognition

As a result of the changes in the Group's accounting policies, as explained below, except for the reclassification of the contract assets/contract liabilities from trade and retention sum receivables and amounts due from/to customers for contract works, 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 as stated in Note 4 on revenues with effect from 1 January 2018.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

New and revised IFRSs that have been issued but are 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 (Amendments)	Annual Improvements to IFRSs 2015–2017 Cycle[1]
IFRS 3 (Amendments)	Definition of a business[2]
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation[1]
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[4]
IAS 1 and IAS 8 (Amendments)	Definition of Material[3]
IAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement[1]
IAS 28 (Amendments)	Long-term interests in Associates and Joint Ventures[1]
IFRIC-Interpretation 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after 1 January 2020.
4 Effective for annual periods beginning on or after 1 January 2021.
5 Effective for annual periods beginning on or after a date to be determined.

IFRS 16 Leases

IFRS 16, which upon the effective date will supersede IAS 17 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value or short term leases. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as containing a lease applying IAS 17 and IFRIC-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application.

Furthermore, the Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profit without restating comparative information.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statement has been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statement includes applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statement has been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants. Fair value for measurement and/or disclosure purposes in the consolidated financial statement is determined on such a basis, except for share-based payment transactions that are within the of IAS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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 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.

Basis of combination

The consolidated financial statements incorporate the financial statements of the Company and companies controlled by the Company and its subsidiaries. Control is achieved when a company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with investee; and

- has the ability to use its power to affect its returns.

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

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

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 combination.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Merger accounting for common control combination

The consolidated financial statement incorporates the financial statement items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or business are combined using the existing book values from the controlling party's perspective. No amount is recognised with respect to goodwill or any excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or business from the earliest date presented or since the date when combining entities or business first came under common control, where this is a shorter period, regardless of the date of common control combination.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group which qualifies as business combination, except for those acquisitions which qualify as a common control combination and are therefore accounted for using the merger accounting.

Under the purchase method of accounting, subsidiaries are fully combined from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange and, all acquisition-related costs are expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the non- controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statements of profit or loss and other comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policy adopted by the Group.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payment. Contract costs include costs that related directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Contract costs are recognised when incurred and costs that relate directly to a specific contract comprise site labour costs; costs of subcontracting; costs of materials used in construction and an appropriate portion of variable and fixed construction overheads.

Variation in contract works and claims are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the year.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction contracts (Continued)

The outcome of a construction contract can be estimated reliably when: (i) the total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a construction cannot be estimated reliably, contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable.

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

Costs of construction contracts include costs that relate directly to the specific contract and costs that are attributable to contract activity and can be allocated to the contract. Such costs include but are not limited to material and consumables, direct labour, subcontracting charges and accommodation expenses. When progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers. When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Revenue and other income recognition (upon application of IFRS 15 in accordance with transition in Note 3)

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.

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 completed to date.

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

A contract asset represents the Group's right to consideration in exchange for 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Existence of significant financing component

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

For contracts where the Group transferred the associated goods or services before payments from customers in which the Group adjusts for the promised amount of consideration for significant financing components, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The Group recognises interest income during the period between the payment from customers and the transfer of the associated goods or services.

Variable consideration

For contracts that contain variable consideration (to specify), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (before application of IFRS 15 on 1 January 2018)

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) Construction contracts income

Revenue from construction contracts is recognised based on the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Rental income

Rental income is recognised, on a straight-line basis, over the terms of the respective leases.

Leases

Leases are classified as finance lease 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 lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting consolidated financial statement, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Singapore dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributable to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re- attributable to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

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

Employee benefits

Defined contribution plans

Singapore

The Group makes contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. CPF is a mandatory social security savings scheme funded by contributions from employers and employees. Under the Central Provident Fund Act (Chapter 36 of the laws of Singapore) (the "CPFA"), the Group is required to pay to the CPF by the end of each month in respect of each employee, who is either a citizen or permanent resident of Singapore, contributions at the contribution rates prescribed in the CPFA. These contributions are recognised as an expense in the period in which they become payable in accordance with the scheme.

Hong Kong

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, employees are required to contribute 5% of their monthly salaries or up to a maximum of HK$1,500 and they can choose to make additional contributions. Employers' monthly contributions are calculated at 5% of the employee's monthly salaries or up to a maximum of HK$1,500 (the "mandatory contributions"). Employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65, death or total incapacity.

Income taxes

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

(a) Current income tax

The tax currently payable is based on taxable profit for the current year. Taxable profit differs from "profit before taxation" as reported in the consolidated statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(b) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences 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 combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax 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 realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes (Continued)

(b) Deferred tax (Continued)

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

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

(c) Current and deferred tax

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(d) Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of other receivables or payables in the consolidated statements of financial position.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their 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.

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 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.

The property, plant and equipment are depreciated over their estimated useful lives or amortised over the lease period on a straight-line basis as follow:

Leasehold property	60 years
Leasehold improvement	3 years
Furniture and fixture	5 years
Machinery and equipment	1 to 6 years
Motor vehicle	5 years

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment properties over the lease term and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Impairment of assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its 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. When 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 to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date/settlement 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 market place.

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

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets (upon application of IFRS 9 in accordance with transitions in Note 3)

Classification and subsequent measurement of financial assets

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

All recognized financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under IAS 39.

Financial asset that meet the following conditions are subsequently measured at amortised cost:

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

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

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IFRS 9, 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.

Impairment of financial assets

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

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("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 trade and retention sum receivables and contract assets without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (upon application of IFRS 9 in accordance with transitions in Note 3) (Continued)

Significant increase in credit risk

In assessing whether the credit risk 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 instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- 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, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- 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;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

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.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when 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 collateral held by the Group).

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (upon application of IFRS 9 in accordance with transition in Note 3) (Continued)

Credit-impaired financial assets

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

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

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

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

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

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, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade and retention sum receivables, when the amounts are over 3 years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence 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 and contract assets are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments/receivables that are measured at FVTOCI, 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 and retention receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amount of these debt instruments.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities (upon application of IFRS 9 in accordance with transitions in Note 3)

Financial liabilities at amortised cost

Financial liabilities including trade and retention sum payables, contract liabilities, other payables and accruals, bank borrowing and obligation under finance leases are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

Financial instruments (before application of IFRS 9 on 1 January 2018)

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

Financial assets

Financial assets are classified as 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 debt instrument and of allocating interest income over the 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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and retention sum receivables, amounts due from customers for contract works, deposits, other receivables and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (before application of IFRS 9 on 1 January 2018) (Continued)

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 when 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 investment have been affected.

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that 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, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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. 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. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

Financial liabilities and equity instruments

Classification as debt or equity

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 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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities including trade and retention sum payables, contract liabilities, other payables and accruals, bank borrowing and obligations under finance leases 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 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (before application of IFRS 9 on 1 January 2018) (Continued)

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 control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, 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.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

Related parties transactions

A party is considered to be related to the Group if:

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control of the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

(b) an entity is related to the Group if any of the following conditions applies:

- (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- (viii) the entity or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that person in their dealing with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources, or obligations between the Group and a related party, regardless of whether a price is charged.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statement are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statement on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and at banks that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, which are not restricted as to use.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments.

Dividends

Dividends proposed by the Directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

5. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the consolidated financial statement requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Management is of the opinion that there is no significant judgement, apart from those involving estimations, made in applying accounting policies that has a significant effect on the amounts recognised in the consolidated financial statement.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Construction contract revenue recognition

Revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts, with reference to the proportion that contract costs incurred for work performed to date to the estimated total costs for the contracts. The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and provision for claims, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, the management conducts periodic reviews of the management budgets by comparing the budgeted amounts to the actual amounts incurred. The provision for claims is determined on the basis of the delay in the number of workdays of the completion of the construction works which is highly subjective and is subject to negotiation with the customers. Management conducts periodic review of the provisioning amount.

Significant judgement is required in estimating the contract revenue, contract costs, variation works and provision for claims which may have an impact in terms of percentage of completion and profit taken. The judgements of the management are based on contract costs and revenues on the latest available information, which includes detailed contract valuations. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenues are updated regularly and significant changes are highlighted through established internal review procedures. In particular, the internal reviews focus on the timing and recognition of payments and the age and recoverability of any disagreed income from variations to the contract scope or claims. The impact of the changes in accounting estimates is then reflected in the ongoing results.

Provision of ECL for trade and retention sum receivables and contract assets

The Group uses provision matrix to calculate ECL for the trade receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade and retention sum receivables and contract assets with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and retention sum receivables and contract assets are disclosed in notes 18 and 20 respectively.

Impairment of property, plant and equipment

The Group reviews its property, plant and equipment for indications of impairment at each reporting period. In analysing potential impairments identified, the Group uses projections of future cash flows from the assets based on management's assignment of a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

5. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

Income tax expense

The Group has exposure to income taxes in Singapore. In determining the income tax liabilities, management is required to estimate the amount of capital allowances, deductibility of certain expenses and applicable tax incentives. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred income tax recognised in the period in which such determination is made. The carrying amounts of the Group's current income tax liabilities as at 31 December 2018 was S$748,000 (2017: S$1,217,000).

Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The deprecation expenses for future period is adjusted if there are significant changes from previous estimates.

6. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

	2018 S$'000	2017 S$'000
Financial assets		
Loans and receivables:		
— Trade and retention sum receivables	**2,695**	12,748
— Deposits and other receivables	**765**	641
— Cash and cash equivalents	**12,919**	13,820
	16,379	27,209

	2018 S$'000	2017 S$'000
Financial liabilities		
Financial liabilities measured at amortised cost:		
— Trade and retention sum payables	**1,828**	1,915
— Other payables and accruals	**4,096**	6,786
— Bank borrowing	**–**	675
— Obligation under finance leases	**105**	189
	6,029	9,565

Financial Risk Management Objectives and Policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk and liquidity risk.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

6. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk concentration profile

(a) Credit risk

The Group's major financial instruments include equity and debt investments, trade receivables, contract assets, other receivables, trade and retention sum payables and obligation under finance lease. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The credit risk of the Group mainly arises from bank balances and deposits, trade receivables and deposit and other receivables. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In respect of cash deposited at banks, the credit risk is considered to be low as the counterparties are reputable banks. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of cash at bank is assessed to be close to zero and no provision was made as of 31 December 2018.

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 and contract assets. To measure the expected credit losses, trade receivables and contract assets 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.

As at 31 December 2018, trade receivables and contract assets 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.

Majority of the Group's revenue is received from individual customers in relation to construction contracts. The Group's trade receivables arise from construction contracts. As at the end of the year, the top three debtors and the largest debtor accounted for approximately 99.4% and 56.1%, of the Group's trade receivables balance. In view of the history of business dealings with the debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these debtors saved for the debtor related to the impaired trade receivable disclosed in the below. Management makes periodic assessment on the recoverability of the trade and other receivables based on historical payment records, the length of overdue period, the financial strength of the debtors and whether there are any disputes with the debtors.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 35 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

6. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk concentration profile (Continued)

(a) Credit risk (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

	Expected loss rate %	Gross carrying amount S$'000	Loss allowance S$'000
Neither past due nor impaired	1.38	2,733	38
Over 2 years	100.00	300	300
		3,033	338

The following table provides information about the Group's exposure to credit risk and ECLs for contract assets as at 31 December 2018:

	Expected loss rate %	Gross carrying amount S$'000	Loss allowance S$'000
Neither past due nor impaired	2.84	10,587	300
		10,587	300

The closing loss allowances for including trade receivables and contract assets at amortised cost as at 31 December 2018 reconcile to the opening loss allowances as follows:

	Trade receivables S$'000	Contract assets S$'000	Total S$'000
At 31 December 2017 — IAS 39	300	-	300
Amounts re-measured through opening — retained profits	60	398	458
At 1 January 2018 — IFRS 9	360	398	758
Reversal of credit losses	(22)	(98)	(120)
At 31 December 2018 — IFRS 9	338	300	638

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than 2 years past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The credit quality of the 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 other receivables is low due to the sound collection history of the receivables due from them. Therefore, expected credit loss rate of other receivables excluding prepayments is assessed to be close to zero and no provision was made as of 31 December 2018.

6. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk concentration profile (Continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity risk is to ensure, as far as possible, it will always have sufficient liquidity to meet its liabilities when due, such as maintaining sufficient cash and cash equivalents as disclosed in Note 22.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations:

	Weighted average effective interest rate %	On demand or within 1 year S$'000	More than 1 year but less than 2 years S$'000	More than 2 years but less than 5 years S$'000	Over 5 years S$'000	Total undiscounted cash flows S$'000	Carrying amount S$'000
As at 31 December 2018							
Financial liabilities:							
Trade and retention sum payables	**–**	**1,828**	**–**	**–**	**–**	**1,828**	**1,828**
Other payables and accruals	**–**	**4,096**	**–**	**–**	**–**	**4,096**	**4,096**
Obligation under finance leases	**4.77**	**47**	**66**	**–**	**–**	**113**	**105**
		5,971	**66**	**–**	**–**	**6,037**	**6,029**

	Weighted average effective interest rate %	On demand or within 1 year S$'000	More than 1 year but less than 2 years S$'000	More than 2 years but less than 5 years S$'000	Over 5 years S$'000	Total undiscounted cash flows S$'000	Carrying amount S$'000
As at 31 December 2017							
Financial liabilities:							
Trade and retention sum payables	–	1,915	–	–	–	1,915	1,915
Other payables and accruals	–	6,786	–	–	–	6,786	6,786
Bank borrowing	3.50	837	–	–	–	837	675
Obligation under finance leases	3.69	170	23	–	–	193	189
		9,708	23	–	–	9,731	9,565

6. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk concentration profile (Continued)

(b) Liquidity risk (Continued)

The following table summarises the maturity analysis of bank borrowing with repayable on demand clause based on agreed scheduled repayments set out in the loan agreements. The amount includes interest payments computed using contractual rates. Taking into account the Group's financial position, the Directors do not consider that it is probable that the bank will exercise its discretion to immediate repayment. The Directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Maturity Analysis — bank borrowings subject to a repayment on demand clause based on schedule repayments			
	Within one year S$'000	**More than one year but less than two years** S$'000	**More than two years but less than five years** S$'000	**Over five years** S$'000
As at 31 December 2018	**–**	**–**	**–**	**–**
As at 31 December 2017	129	129	386	193

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 from prior year. The capital structure of the Group consists of debt, which includes bank borrowing and obligations under finance leases, as disclosed in Notes 26 and 28, respectively, net of bank balances and cash and equity attributable to owners of the Group, comprising share capital and retained earning. 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.

Fair value and fair value hierarchy

The carrying amounts of the Group's financial assets, including trade and retention sum receivables, deposits and other receivables, amount due from a director, amount due from a related company and cash and cash equivalents and the Group's financial liabilities, including trade and retention sum payables, other payables and accruals, amount due to a director, amounts due to related companies, bank borrowing and obligation under finance leases, approximate their fair values due to their short maturities. The nominal values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group and the Company for similar financial instruments.

No analysis is disclosed since the Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the year. There were no transfers between levels 1 and 2 during the year.

7. REVENUE

	2018 S$'000	2017 S$'000
(i) Over time of revenue recognition		
General building projects	**27,126**	34,823
Civil engineering projects	**15,430**	10,373
	42,556	45,196
Outstanding Contract amount	**9,549**	50,595

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2018, the aggregated amount of the transaction price allocated to the remaining performance obligation under the Group's existing contracts is S$9,549,000. This amount represents revenue expected to be recognised in the future from pre-completion construction contracts entered into by the customers with the Group. The Group will recognised the expected revenue in future when or as the work is completed which is expected to occur within the next 12 months.

8. SEGMENT INFORMATION

The Group operates in one operating segment which is the provision of structural reinforced and concrete works in general building and civil engineering works. A single management team reports to the Directors (being the chief operating decision-maker ("CODM")) who comprehensively manage the entire business. The CODM reviews revenue by nature of contracts, i.e. "General Building Projects" and "Civil Engineering Projects" and profit for the year as a whole. Accordingly, the Group does not present separately segment information. No analysis of the Group's results by type of works nor assets and liabilities is regularly provided to the CODM for review. In addition, all of the Group's revenue is generated in Singapore and all of the Group's assets and liabilities are located in Singapore. Accordingly, no business or geographical segment information is presented.

Revenue from major customers

Revenue from customers over 10% of the Group's total revenue is as follows:

	2018 S$'000	2017 S$'000
Customer A	**11,074**	9,482
Customer B	**6,513**	–
Customer C	**6,509**	20,021
Customer D	**15,403**	9,853
	39,499	39,356

Geographical information

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

9. OTHER INCOME

	2018 S$'000	2017 S$'000
Recovery of provision for doubtful debt	–	225
Government grants (note)	75	80
Rental income	–	11
Interest income	56	13
Sundry income	124	64
Reversals of credit losses on trade receivables and contract assets	120	–
	375	393

Note:

The government grants received mainly pertain to Special Employment Credit Scheme and Workforce Training and Upgrading Scheme, which are incentives received upon fulfilling the conditions for compensation of expenses already incurred or as immediate financial support. There were no unfulfilled conditions or contingencies relating to those government grants.

10. FINANCE COSTS

	2018 S$'000	2017 S$'000
Interest on:		
Bank borrowing wholly repayable on demand	10	23
Obligations under finance leases	7	17
	17	40

11. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

The Singapore Corporate Income Tax rate was 17% during the year ended 31 December 2018 (2017: 17%). Income tax expense for the Group relates wholly to the profits of the subsidiaries, which were taxed at a statutory income tax rate of 17% in Singapore. Major components of income tax expense are summarised as follows:

	2018 S$'000	2017 S$'000
Current tax		
— Singapore Corporate Income Tax ("CIT")	743	1,256
(Over)/under provision in respect of prior year	(194)	59
Deferred tax expenses (Note 27)	–	30
	549	1,345

11. INCOME TAX EXPENSE (CONTINUED)

A reconciliation of the tax expenses applicable to profit before tax at the statutory rate for country in which the Company's subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2018 S$'000	2017 S$'000
Profit before taxation	**3,056**	3,948
Income tax using the statutory tax rate	**527**	671
Non-deductible expenses	**407**	822
Non-taxable incomes	**(27)**	(2)
Enhanced deduction	**(107)**	(148)
Effect of tax exemption and tax relief	**(42)**	(42)
Corporate tax rebate	**(15)**	(15)
(Over)/under provision in prior year	**(194)**	59
	549	1,345

For the years ended 31 December 2018 and 2017 the Group has no tax loss brought forward from prior year to offset against the assessable profit in the future.

12. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	2018 S$'000	2017 S$'000
Auditors' remuneration		
— Audit service	**210**	222
— Non-audit service	**–**	–
Material used	**5,984**	11,368
Subcontracting charges	**10,206**	5,616
Depreciation on property, plant and equipment	**255**	302
Depreciation on investment property	**5**	5
Listing expenses	**–**	3,514
Employee benefit expenses (including directors' emoluments)		
Salaries and other employee benefits	**16,139**	16,869
Contributions to defined contribution retirement plan	**295**	320
Total employee benefit expenses (including directors' emoluments)	**16,434**	17,189

13. DIRECTORS' CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

(i) Directors' Emoluments

Details for the emoluments of each director for the year ended 31 December 2018 are set out below:

	Directors' Fees S$'000	Salaries and bonuses S$'000	Contributions to defined contribution retirement plan S$'000	Other short-term benefits S$'000	Total S$'000
Executive directors					
Mr. Goh Cheng Seng (note a)	**–**	**960**	**28**	**22**	**1,010**
Ms. Tan Soh Kuan (note b)	**–**	**706**	**30**	**14**	**750**
Mr. Ng Sai Cheong (note c)	**–**	**272**	**3**	**–**	**275**
Mr. Wang Jianye (note e)	**–**	**74**	**2**	**–**	**76**
Independent non-executive directors					
Mr. Ma Yiu Ho Peter (note d)	**41**	**–**	**–**	**–**	**41**
Mr. Tan Kee Cheo (note d)	**20**	**–**	**–**	**–**	**20**
Mr. Yip Ki Chi Luke (note d)	**41**	**–**	**–**	**–**	**41**
Mr. Zhou Guangguo (note f)	**37**	**–**	**–**	**–**	**37**
Dr. Zhang Tianmin (note e)	**19**	**–**	**–**	**–**	**19**
	158	**2,012**	**63**	**36**	**2,269**

Details for the emoluments of each director for the year ended 31 December 2017 are set out below:

	Directors' Fees S$'000	Salaries and bonuses S$'000	Contributions to defined contribution retirement plan S$'000	Other short-term benefits S$'000	Total S$'000
Executive directors					
Mr. Goh Cheng Seng (note a)	–	1,110	28	2	1,140
Ms. Tan Soh Kuan (note b)	–	658	30	2	690
Mr. Ng Sai Cheong (note c)	–	151	–	–	151
Independent non-executive directors					
Mr. Ma Yiu Ho Peter (note d)	5	–	–	–	5
Mr. Tan Kee Cheo (note d)	5	–	–	–	5
Mr. Yip Ki Chi Luke (note d)	5	–	–	–	5
	15	1,919	58	4	1,996

Notes:

a. Mr. Goh Cheng Seng was appointed as the executive Director, Chairman and Chief Executive Officer of the Company on 8 March 2017.

b. Ms. Tan Soh Kuan was appointed as the executive Director of the Company on 8 March 2017.

c. Mr. Ng Sai Cheong was appointed as the executive Director, company secretary and compliance officer of the Company on 5 April 2017, and resigned as company secretary on 7 September 2018.

d. Mr. Ma Yiu Ho Peter, Mr. Tan Kee Cheo and Mr. Yip Ki Chi Luke were appointed as the independent non-executive Director of the Company on 24 October 2017. Mr. Tan Kee Cheo was resigned on 25 June 2018.

e. Mr. Wang Jianye and Dr. Zhang Tianmin were appointed as executive Director and independent non-executive Director of the Company on 25 June 2018 respectively.

f. Mr. Zhou Guangguo was appointed as independent non-executive Director of the Company on 9 February 2018.

13. DIRECTORS' CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS (CONTINUED)

(ii) Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group for the year included 3 (2017: 3) directors of the Company whose directors' emoluments are disclosed in the above analysis. The emoluments payable to the rest of 2 (2017: 2) individuals during the year are as follows:

	2018 S$'000	2017 S$'000
Salaries and bonuses	**232**	319
Contributions to defined contribution retirement plan	**9**	15
	241	334

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

	Number of individuals 2018	2017
Nil to HK$1,000,000 (equivalent to Nil to S$180,505)	**2**	2

During the years ended 31 December 2018 and 2017, no emoluments were paid by the Group to any of the Directors and the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. There was no Directors and the five highest paid individuals agreed to waive or waived any emoluments during the years ended 31 December 2018 and 2017.

14. DIVIDENDS

On 19 April 2017, a special dividend in aggregate amount of approximately S$4,500,000 has been proposed by the directors of IEPL and subject to approval by the shareholders. On 13 October 2017, the special dividend was declared to its then shareholders.

The Directors do not recommend the payment of any dividend of the year ended 31 December 2018.

15. EARNINGS PER SHARE

	2018 S$'000	2017 S$'000
Profit for the year attributable to owners of the Company	**2,507**	2,603
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**400,000**	308,333
Basic earnings per share (Singapore cents)	**0.63**	0.84

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company and the weighted average number of shares in issue.

Diluted earnings per share is the same as the basic earnings per share because there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2018 and 2017.

16. INVESTMENT PROPERTY

	Total S$'000
Cost	
As at 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	300
Accumulated depreciation	
As at 1 January 2017	37
Charge for the year	5
As at 31 December 2017 and 1 January 2018	42
Charge for the year	5
As at 31 December 2018	47
Net carrying values	
As at 31 December 2018	253
As at 31 December 2017	258
Fair value	
As at 31 December 2018	570
As at 31 December 2017	580

	2018 **S$'000**	2017 S$'000
Rental income	–	11
Direct operating expenses arising from investment property that generated rental income	–	2

The investment property of the Group consists of an industrial building used for rental income generation purpose. It was located at 50 Serangoon North Avenue 4 #04-21 Singapore 555856 on a leasehold land. The estimated useful life of the investment property is 60 years. The investment property is stated at cost less accumulated depreciation and any impairment loss.

The investment property was classified under Level 3 in the fair value hierarchy. During the year, there were no transfer of fair value measurements between Level 1 and 2 and no transfer into or out of Level 3.

As at 31 December 2018, investment property was valued by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. Fair value is determined by a market comparison method by reference to recent sales price of comparable properties. The significant unobservable input in the fair value measurement is the price per square feet, which ranged from S$405 to S$435 and the weighted average price per square feet is S$416.

A significant increase/decrease in the unobservable input would result in a significant higher/lower in the fair value measurement. The highest and best use of the investment property of the Group does not differ from its current use.

17. PROPERTY, PLANT AND EQUIPMENTS

	Leasehold Property S$'000	Leasehold improvement S$'000	Furniture and fixture S$'000	Machinery and equipment S$'000	Motor vehicles S$'000	Total S$'000
Cost						
As at 1 January 2017	1,560	196	114	971	782	3,623
Additions	–	–	2	53	–	55
As at 31 December 2017 and 1 January 2018	1,560	196	116	1,024	782	3,678
Additions	–	–	32	99	135	266
As at 31 December 2018	1,560	196	148	1,123	917	3,944
Accumulated depreciation						
As at 1 January 2017	82	196	49	369	630	1,326
Charge for the year	27	–	16	204	55	302
As at 31 December 2017 and 1 January 2018	109	196	65	573	685	1,628
Charge for the year	27	–	7	174	47	255
As at 31 December 2018	136	196	72	747	732	1,883
Net carrying values						
As at 31 December 2018	1,424	–	76	376	185	2,061
As at 31 December 2017	1,451	–	51	451	97	2,050

Notes:

a. The net book value of property, plant and equipment held under finance lease obligations comprises:

	2018 S$'000	2017 S$'000
Cost	**225**	827
Less: Accumulated depreciation	**(71)**	(345)
Net carrying value	**154**	482

b. As at 31 December 2017, property, plant and equipment with carrying amount of approximately S$1,451,000 were pledged for the secured mortgage loan as below mentioned in Note 26. During the year ended 31 December 2018, the secured mortgage loan was fully settled and the pledged property, plant and equipment have been release.

18. TRADE AND RETENTION SUM RECEIVABLES

	2018 S$'000	2017 S$'000
Trade receivables	**3,033**	4,662
Retention sum receivables (Note i)	**–**	8,386
	3,033	13,048
Less: Allowance for credit losses (Note ii)	**(338)**	(300)
	2,695	12,748

	2018 S$'000	2017 S$'000
Current portion	**2,695**	5,174
Non-current portion	**–**	7,574
	2,695	12,748

Credit period granted to the Group's customers generally within 35 days from invoice date of the relevant contract revenue. The terms of some construction contracts stipulate that the customers withhold a portion of total contract sum (usually 5% to 10%) and will be settled in accordance with the terms of the respective contracts. The terms and conditions in relation to the release of retention vary from contract to contract.

The non-current portion represented retention sum receivables only.

Based on invoices date, ageing analysis of the Group's trade and retention sum receivables, net of allowance for credit losses, are summarised as follows:

	2018 S$'000	2017 S$'000
Within 30 days	**2,695**	4,538
31 to 90 days	**–**	616
91 to 180 days	**–**	935
181 to 365 days	**–**	1,897
Over 1 year but less than 2 years	**–**	1,952
Over 2 years	**–**	2,810
	2,695	12,748

18. TRADE AND RETENTION SUM RECEIVABLES (CONTINUED)

Ageing analysis of the Group's trade and retention sum receivables that are past due but not impaired are summarised as follows:

	2017 S$'000
Neither past due nor impaired	12,584
1 to 30 days	–
31 to 90 days	–
91 to 180 days	–
181 to 365 days	–
Over 1 year but less than 2 years	164
Over 2 years	–
	12,748

The Group's trade and retention sum receivables as at the reporting dates that were neither past due nor impaired for whom there was no recent history of default. The Group's management considers that trade and retention sum receivables that were past due but not impaired under review are of good credit quality. The Group does not hold any collateral in respect of trade and retention sum receivables past due but not impaired.

Bad debt, in respect of trade and retention sum receivables, is recognised by using a provision account unless the Group is satisfied that the recoverability of bad debt is remote; in such case, the bad debt is written off against trade and retention sum receivables directly.

Notes:

(i) Due to the adoption of IFRS 15, effective on 1 January 2018, the balance of retention sum receivable of S$8,065,000 were reclassified to contract asset (Note 20).

(ii) As at 1 January 2018, loss allowance on the trade receivables of S$60,000 was provided upon transition to IFRS 9 Financial Instrument and reversed by S$22,000 during the year ended 31 December 2018 as detailed in Note 6(a).

19. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORKS

	2018 **S$'000**	2017 S$'000
Contract cost incurred plus recognised profit less recognised loss	**–***	56,908
Less: Progress billings	**–***	(59,103)
As at the end of the year	**–***	(2,195)

19. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORKS (CONTINUED)

Analyses for reporting purposes as:

	2018 S$'000	2017 S$'000
Amounts due from customers for contract works	**–***	2,077
Amounts due to customers for contract works	**–***	(4,272)
As at the end of the year	**–***	(2,195)

All amounts due from/(to) customers for contract works are expected to be recovered/settled within one year.

* Due to the adoption of IFRS 15, effective on 1 January 2018, the balance of amounts due from/(to) customers for contract works were reclassified to contract assets and contract liabilities (Note 20).

20. CONTRACT ASSETS/CONTRACT LIABILITIES

	2018 S$'000
Contract asset:	
Construction services	**1,606**
Retention sum receivable	**8,729**
	10,335
Allowance of credit losses	**(300)**
	10,035
Contract liabilities:	
Construction services	**3,068**
	3,068

* Due to the adoption of IFRs15, effective on 1 January 2018, the balances of amounts due from/(to) customers for contract works and retention sum receivables/(payables) were reclassified to contract assets and contract liabilities. See Note 3 for further details.

The contract assets primarily relate to the Group's rights to consideration for work completed but not yet billed at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. The contract liabilities primarily relate to the advanced consideration received from customers, for which revenue is recognised based on the progress of the provision of related services.

The balance of contract assets and contract liabilities (construction service) are expected to be recovered/settled within one year.

The terms of some construction contracts stipulate that the customers withhold a portion of total contract sum (usually 5% to 10%) and will be settled in accordance with the terms of the respective contracts. The terms and conditions in relation to the release of retention vary from contract to contract.

20. CONTRACT ASSETS/CONTRACT LIABILITIES (CONTINUED)

Movement in the contract assets and the contract liabilities balances during the year ended 31 December 2018 are as follows:

Contract assets:

	S$'000
As at 31 December 2017	–
Reclassification from amounts due from customers for contract works (Note 19)	2,077
Reclassification from retention sum receivables (Note 18)	8,386
Impact on initial application of IFRS 9 (Note 6(a))	(398)
As at 1 January 2018	10,065
Rights of consideration for works amplitude but not yet billed	950
Transfers from the contract assets recognised to trade receivables	(1,422)
Retention receivables released	(1,382)
Retention receivables recognised	1,726
Reversal of credit losses on contract asset	98
As at 31 December 2018	10,035

The expected timing of recovery or settlement for contract assets as 31 December 2018 is as follows:

	S$'000
Within one year	8,239
More than one year	1,796
	10,035

The movements in the loss allowance for impairment of contract assets during the year ended 31 December 2018 are as follows:

	S$'000
At beginning of the year	–
Effect of adoption of IFRS 9 (Note 6(a))	398
At beginning of the year (restated)	398
Reversal of credit losses on contract asset	(98)
At the end of the year	300

Contract liabilities:

	S$'000
As at 31 December 2017	–
Reclassification from amounts due to customers for contract works	(4,272)
As at 1 January 2018	(4,272)
Consideration received from customers over the amounts of revenue recognised	(990)
Revenue recognised during the period	2,194
As at 31 December 2018	(3,068)

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 S$'000	2017 S$'000
Prepayments	254	143
Deposits	482	466
Other receivables	283	175
	1,019	784

22. CASH AND CASH EQUIVALENTS

	2018 S$'000	2017 S$'000
Cash and bank balances	6,562	12,817
Time deposits with an original maturity of less than three months	6,357	1,003
	12,919	13,820

The bank balances bear interest at floating rates based on daily bank deposits rates. Certain of the Group's cash as bank earns interest at the weighted average effective interest rates of 1.15% per annum. Short term time deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates.

Cash and cash equivalents were denominated in the following currencies:

	2018 S$'000	2017 S$'000
Singapore dollars	12,852	7,898
Hong Kong dollars	59	5,922
Renminbi	8	–
	12,919	13,820

23. TRADE AND RETENTION SUM PAYABLES

	2018 S$'000	2017 S$'000
Trade payables	1,497	1,765
Retention sum payables	331	150
	1,828	1,915

Trade and retention sum payables are non-interest bearing. Trade payables are generally settled on 30-days terms. The terms and conditions in relation to the release of retention vary from contract to contract, which usually within 1 year and subject to practical completion, the expiry of the defect liability period or a pre-agreed time period.

Trade and retention sum payables were denominated in Singapore dollars.

23. TRADE AND RETENTION SUM PAYABLES (CONTINUED)

Ageing analysis of trade and retention sum payables as at the reporting dates is as follows:

	2018 S$'000	2017 S$'000
0 to 30 days	**1,211**	1,532
31 to 90 days	**151**	93
91 to 180 days	**149**	82
Over 180 days	**317**	208
	1,828	1,915

24. OTHER PAYABLES AND ACCRUALS

	2018 S$'000	2017 S$'000
Accrued operating expenses (note a)	**3,456**	5,789
Other payables (note b)	**219**	536
GST payables	**421**	461
	4,096	6,786

Notes:

a. As at 31 December 2018, accrued operating expenses mainly represented the accrued salaries of approximately S$1,727,000 (2017: S$2,651,000).

b. As at 31 December 2017, other payable mainly represented amount due to Octagon Consultancy Services Pte Ltd which related to the joint operation project of approximately S$460,000). The joint operation was terminated during the year ended 31 December 2017 since the project was completed in June 2016.

25. AMOUNT DUE TO A DIRECTOR

The amount due to a director which was in non-trade nature is unsecured, interest free and repayable on demand.

26. BANK BORROWING

	2018 S$'000	2017 S$'000
Secured mortgage loan	**–**	675

Note:

The bank borrowing was secured by the pledge of certain Group's property, plant and equipment (Note 17) and investment property (Note 16) which carries weighted average effective interest rate at 3.50% per annum in 2017. It is subject to a repayment on demand clause and hence classified as current liabilities.

During the year ended 31 December 2018, the bank borrowing was fully settled.

27. DEFERRED TAX LIABILITIES

	2018 **S$'000**	2017 S$'000
As at 1 January	**30**	–
Recognised in profit or loss during the year *(Note 11)*:		
Accelerated tax depreciation	**–**	30
As at 31 December	**30**	30

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

28. OBLIGATION UNDER FINANCE LEASES

The total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments		**Present value of minimum lease payments**	
	2018 **S$'000**	2017 S$'000	**2018** **S$'000**	2017 S$'000
Amounts payable under finance leases:				
Within one year	**47**	170	**43**	166
In the second to fifth year, inclusive	**66**	23	**62**	23
	113	193	**105**	189
Less: Finance charges	**(8)**	(4)	**–**	–
	105	189	**105**	189

	2018 **S$'000**	2017 S$'000
Current portion	**43**	166
Non-current portion	**62**	23
	105	189

As at 31 December 2017, the Group has leased a motor vehicle and a heavy machinery under finance leases. The lease terms are 3 years. Effective interest rate underlying all obligations under finance leases are fixed at respective contract dates ranged from approximately 2.79% to 4.81% per annum. Obligations under finance leases are denominated in Singapore dollars.

The obligations under finance leases are secured by the lessor's charge over the leased assets and the relevant heavy machinery.

29. SHARE CAPITAL

For the purpose of presenting the share capital of the Group prior to the Reorganisation in the consolidated statement of financial position, the balance as at 31 December 2016 represented the share capital of the Singapore subsidiaries IEPL at the amount of S$3,000,000 and ICPL at the amount of S$100,000 in which the Company was incorporated in the Cayman Islands on 8 March 2017.

The Company was successfully listed on GEM on 16 November 2017 by way of share offer of public offer of 10,000,000 ordinary shares and placing of 90,000,000 ordinary shares at the price of HK$0.60 per share ("Share Offer").

	Number of shares '000	Amount S$'000
Authorised share capital of the Company at HK$0.01 each:		
At date of incorporation (note a)	38,000	69
Increase on 24 October 2017 (note b)	962,000	1,678
As at 31 December 2017, 1 January 2018 and 31 December 2018	1,000,000	1,747
Issued and fully paid of the Company at HK$0.01 each:		
At date of incorporation on 8 March 2017	–	–
Issue of share under the capitalisation issue (note c)	300,000	523
Issue of shares under the Share Offer (note d)	100,000	172
As at 31 December 2017, 1 January 2018 and 31 December 2018	400,000	695

Notes:

a. The Company was incorporated in the Cayman Islands with limited liability on 8 March 2017 with authorised share capital of HK$380,000 (approximately S$69,000) divided into 38,000,000 shares at HK$0.01 each. One nil-paid share was allotted and issued to the initial subscriber to the memorandum and articles of the Company, which was then transferred to Amber Capital at nil consideration on the same date.

b. Pursuant to the written resolutions passed on 24 October 2017, the Company increased its authorised share capital from HK$380,000 (approximately S$69,000) to HK$10,000,000 (approximately S$1,747,000) by the creation of an additional 962,000,000 shares of HK$0.01 each.

c. Pursuant to the resolution passed by the sole shareholder on 24 October 2017, conditional on the share premium account of the Company being credit with the proceeds from the Share Offer, HK$2,999,999.90 (approximately S$523,000) will be capitalised from the share premium account of the Company and applied in paying up in full at par 299,999,990 shares for the allotment.

d. On 16 November 2017, 100,000,000 ordinary shares of HK$0.01 each were issued by way of placing at a price of HK$0.60 per share for cash consideration of approximately HK$600,000,000 (approximately S$10,432,000). The excess of the Share Offer over the par value of the shares issued were credited to the share premium account.

30. SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 24 October 2017. The following is the summary of the principal terms of the Scheme:

(a) Purpose

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and service providers of the Group and to promote the success of the business of the Group.

(b) Who may join and basis of eligibility

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, including, where required under the GEM Listing Rules, the independent non-executive Directors) from time to time on the basis of the participant's contribution or potential contribution to the development and growth of the Group.

30. SHARE OPTION SCHEME (CONTINUED)

(c) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option, provided that in the event of fractional prices, the subscription price per Share shall be rounded upwards to the nearest whole cent.

(d) Maximum number of Shares

The maximum number of shares in respect of which options may be granted under the Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue, being 40,000,000 shares, unless the Company obtains a fresh approval.

(e) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted in any 12-month period to a Participant under the Scheme and other schemes must not exceed 1% of the Shares in issue.

(f) Time of exercise of option

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the date of grant subject to the provisions of early termination thereof.

31. OPERATING LEASE COMMITMENTS

As lessee

Future minimum rental payables under non-cancellable operating lease of the Group as at the reporting dates are as follows:

	2018 **S$'000**	2017 S$'000
Within one year	**309**	1,518
Within two to five years	**–**	207
	309	1,725

The Group leases dormitories and site equipment under non-cancellable operating leases. The leases run for an initial period of 1 month to 13 months, with options to renew the lease terms upon expiry when all terms are re- negotiated. None of these leases include any contingent rentals.

32. MATERIAL RELATED PARTIES TRANSACTIONS

In addition to the information disclosed elsewhere in the financial statement, the following transactions took place between the Group and related parties at terms agreed between the parties:

(i) Compensation paid to key management personnel of the Group represented are disclosed in Note 13.

33. NON-CASH TRANSACTIONS

During the year ended 31 December 2017, special dividend of approximately S$4,500,000 was declared and being settled against the amounts due from directors.

During the year ended 31 December 2018, the additions of property, plant and equipment was partly settled by the agreement of hire purchase facility of S$97,000.

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank Borrowing S$'000	Obligations under finance leases Current S$'000	Obligations under finance leases Non– current S$'000	Amount due to director S$'000	Total S$'000
As at 1 January 2018	**675**	**166**	**23**	**–**	**864**
Changes from financing cash flows:					
Repayment to a director	**–**	**–**	**–**	**–**	**–**
Repayment of bank borrowing	**(675)**	**–**	**–**	**–**	**(675)**
Proceeds from new finance leases	**–**	**21**	**62**	**–**	**83**
Repayment of finance leases	**–**	**(144)**	**(23)**	**–**	**(167)**
Interest paid	**(10)**	**(4)**	**(3)**	**–**	**(17)**
Total changes in financing cash flows	**(685)**	**(127)**	**36**	**–**	**(776)**
Other change:					
Interest expenses	**10**	**4**	**3**	**–**	**17**
As at 31 December 2018	**–**	**43**	**62**	**–**	**105**

	Bank borrowing S$'000	Obligations under finance leases Current S$'000	Obligations under finance leases Non-current S$'000	Amount due to director S$'000	Total S$'000
As at 1 January 2017	771	188	183	954	2,096
Changes from financing cash flows:					
Repayment to a director	–	–	–	(954)	(954)
Repayment of bank borrowing	(96)	–	–	–	(96)
Repayment of finance leases	–	(22)	(160)	–	(182)
Interest paid	(23)	(14)	(3)	–	(40)
Total changes in financing cash flows	(119)	(36)	(163)	(954)	(1,272)
Other change:					
Interest expenses	23	14	3	–	40
As at 31 December 2017	675	166	23	–	864

35. RETIREMENT BENEFIT PLANS

Hong Kong

The Group operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (2017: HK$30,000). Contributions to the plan vest immediately.

Singapore

The CPF is a comprehensive social security system that enables working citizens and permanent residents of Singapore to set aside funds for retirement. We are required to pay monthly to the CPF in respect of each employee, who is either a citizen or permanent resident of Singapore, contributions at the contribution rates prescribed under the Central Provident Fund Act (Cap 36) of Singapore ("CPFA").

Pursuant to section 7(2) of the CPFA, the employer is allowed to recover certain amounts as stipulated in the CPFA from the monthly wages of an employee.

Section 7(3) of the CPFA provides that any employer who has recovered any amount from the monthly wages of an employee in accordance with the CPFA and fails to pay the contributions to the CPF within such time as may be prescribed, shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S$10,000 or to imprisonment for a term not exceeding seven (7) years or to both.

Section 9 of the CPFA provides that, where the amount of the contributions which an employer is liable to pay in respect of any month is not paid within the prescribed period for payment, the employer shall be liable to pay interest on the amount for every day the amount remains unpaid commencing from the first day of the month succeeding the month in respect of which the amount is payable and the interest shall be calculated at the rate of 1.5% per month or the sum of S$5.00, whichever is the greater.

The CPFA provides that in general if any person convicted of an offence under the CPFA for which no penalty is provided shall be liable on conviction to pay a fine not exceeding S$5,000 or to imprisonment for a term not exceeding 6 months or both, and if that person is a repeat offender for the same offence, to a fine not exceeding S$10,000 or to imprisonment for a term not exceeding 12 months or both.

The total expense recognised in consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 of approximately S$295,000 (2017: S$320,000), which represents contributions paid and/or payable to the scheme by the Group.

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of Financial Position

	2018 S$'000	2017 S$'000
Current assets		
Prepayments	**18**	46
Amount due from a subsidiary	**3,811**	4,495
Cash and cash equivalents	**43**	870
	3,872	5,411
Current liabilities		
Accruals	**420**	244
Amount due to a subsidiary	**95**	877
	515	1,121
Net asset	**3,357**	4,290
Capital and reserves attributable to owners of the Company		
Share capital	**695**	695
Reserves	**2,662**	3,595
Total equity	**3,357**	4,290

The financial statement was approved and authorised for issue by the board of directors on 21 March 2019 and was signed on its behalf by:

Goh Cheng Seng
Executive Director

Ng Sai Cheong
Executive Director

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

(b) Reserves

	Share Premium S$'000	Exchange reserves S$'000	Accumulated loss S$'000	Total S$'000
As at 3 March 2017 (date of incorporation)	–	–	–	–
Loss for the year	–	–	(4,454)	(4,454)
Other comprehensive expenses for the year	–	(11)	–	(11)
Total comprehensive expenses for the year	–	(11)	(4,454)	(4,465)
Capitalisation issue	(523)	–	–	(523)
Issue of new shares under the Share Offer	10,260	–	–	10,260
Share issue expenses	(1,677)	–	–	(1,677)
As at 31 December 2017	8,060	(11)	4,454	3,595

	Share Premium S$'000	**Exchange reserves S$'000**	**Accumulated loss S$'000**	**Total S$'000**
As at 1 January 2018	**8,060**	**(11)**	**(4,454)**	**3,595**
Loss for the year	**–**	**–**	**(997)**	**(997)**
Other comprehensive expenses for the year	**–**	**64**	**–**	**64**
Total comprehensive expenses for the year	**–**	**64**	**(997)**	**(933)**
As at 31 December 2018	**8,060**	**53**	**(5,451)**	**2,662**

37. SUBSIDIARIES

The Group's principal subsidiaries as at 31 December 2018 are set out below. The proportion of ownership interest held equals the voting rights held by the Group. The country of incorporation is also the principal place of business.

Name of Subsidiaries	Place of incorporation	Issued and fully paid share capital registered capital at the date of this report	2018 %	2017 %	Principal activities
Directly held:					
Indigo Link Holdings Limited ("Indigo Link")	BVI	Ordinary shares US$0.01	**100**	100	Investment holding
Indirectly held:					
IEPL	Singapore	Ordinary shares S$3,000,000	**100**	100	Building construction
ICPL	Singapore	Ordinary shares S$100,000	**100**	100	Building construction

38. EVENTS AFTER THE REPORTING PERIOD

There is no significant event of the Company after the Reporting Year.

39. COMPARATIVE FIGURES

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 4.

40. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Directors on 21 March 2019.

FINANCIAL SUMMARY

For the year ended 31 December 2018

For the four years ended 31 December 2015, 2016, 2017 and 2018:

RESULTS

	Year ended 31 December			
	2018	2017	2016	2015
	S$'000	S$'000	S$'000	S$'000
Revenue	**42,556**	45,196	30,068	29,942
Profit before taxation	**3,056**	3,948	3,282	2,877
Income tax expense	**(549)**	(1,345)	(308)	(374)
Profit for the year	**2,507**	2,603	2,974	2,503
Total profit and comprehensive income for the year	**2,498**	2,592	2,974	2,503

ASSETS AND LIABILITIES

	Year ended 31 December			
	2018	2017	2016	2015
	S$'000	S$'000	S$'000	S$'000
Total assets	**28,982**	31,737	26,307	23,826
Total liabilities	**10,289**	15,084	16,510	14,503
Total equity	**18,693**	16,653	9,797	9,323