KPM HOLDING LIMITED
吉輝控股有限公司*

Incorporated in the Cayman Islands with limited liability

Stock Code: 8027

ANNUAL REPORT

2019

* For identification purpose only

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

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

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

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

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Tan Thiam Kiat Kelvin *(Chairman)*
Mr. Tan Kwang Hwee Peter (Resigned on 9 November 2019)
Ms. Kong Weishan

Independent non-executive Directors

Mr. Tan Kiang Hua (Resigned on 9 November 2019)
Mr. Lock Kiu Yin
Mr. Lau Muk Kan
Mr. Xiao Laiwen (Appointed on 9 November 2019)

AUDIT COMMITTEE MEMBERS

Mr. Lock Kiu Yin *(Chairman of audit committee)*
Mr. Lau Muk Kan
Mr. Xiao Laiwen

NOMINATION COMMITTEE MEMBERS

Mr. Lau Muk Kan *(Chairman of nomination committee)*
Mr. Lock Kiu Yin
Mr. Xiao Laiwen

REMUNERATION COMMITTEE MEMBERS

Mr. Xiao Laiwen *(Chairman of remuneration committee)*
Mr. Lau Muk Kan
Mr. Lock Kiu Yin

COMPLIANCE OFFICER

Mr. Tan Thiam Kiat Kelvin

COMPANY SECRETARY

Ms. Wong Tsz Yan Pinky

AUTHORISED REPRESENTATIVES

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

INDEPENDENT AUDITOR

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

REGISTERED OFFICE

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75 Fort Street
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Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

14 Loyang Way 4
Singapore 507601

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

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

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKER

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

COMPANY'S WEBSITE

www.kpmholding.com

STOCK CODE

8027

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of KPM Holding Limited (the "Company"), I am pleased to present the annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019.

PERFORMANCE

For the year ended 31 December 2019, the Group recorded a 18.8% decrease in revenue from approximately S$10,475,000 in 2018 to approximately S$8,501,000 in 2019. Gross profit and loss for the year of the Group were approximately S$1,987,000 (2018: approximately S$4,119,000) and approximately S$1,587,000 (2018: profit for the year approximately S$884,000) respectively.

Revenue had decreased by approximately 18.8% or S$1,974,000, mostly attributable to lower revenue of approximately S$1,918,000 from the public sector. The gross profit margin decreased from 39.3% for the year ended 31 December 2018 to 23.4% for the year ended 31 December 2019. Loss after tax for the year ended 31 December 2019 was approximately S$1,587,000 as compared with profit after tax of approximately S$884,000 for the year ended 31 December 2018. This was mainly due to lower gross profit by approximately S$2,132,000 and net allowance for expected credit losses of approximately S$533,000 during the year ended 31 December 2019.

OUTLOOK

Looking forward to 2020, it is expected the Group will face significant challenges. Due to fierce competition in bidding prices and higher material costs, both revenue and gross profit of the local construction market are expected to be maintained compared to year 2019.

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

APPRECIATION

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

Tan Thiam Kiat Kelvin
Chairman and Executive Director

Singapore, 19 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and Results

For the year ended 31 December 2019, the Group recorded revenue of approximately S$8,501,000 (2018: approximately S$10,475,000) and loss for the year of approximately S$1,587,000 (2018: profit for the year of approximately S$884,000).

Revenue had decreased by approximately 18.8% or S$1,974,000, attributable to lower revenue of approximately S$1,918,000 from the public sector. The lower revenue contribution from the public sector is due to the absence of new high value contracts to replace those which are near expiry or have expired.

The gross profit and gross profit margin for the year ended 31 December 2019 was approximately S$1,987,000 (2018: approximately S$4,119,000) and approximately 23.4% (2018: approximately 39.3%) respectively. The lower gross profit by approximately S$2,132,000 was mainly due to decline of the demand in construction sector activities, force competition in bidding prices and higher material costs.

Other gains and losses included net allowance for expected credit losses of approximately S$533,000 during the year ended 31 December 2019. The Group also recorded approximately S$83,000 foreign exchange loss which was mainly arise from cash and cash equivalents denominated in Hong Kong dollars which was depreciating against Singapore dollars.

Selling and administrative expenses for the year ended 31 December 2019 was approximately S$3,161,000, (2018: approximately S$3,159,000). Higher expenses incurred for legal and professional fees and other expenses, offset with lower expenses incurred for staff costs and advertisement expenses.

The Group recorded a loss before tax for the year ended 31 December 2019 of approximately S$1,627,000 (2018: profit before tax for the year approximately S$1,204,000), representing a decrease of approximately S$2,831,000 as compared with the last financial year. This was mainly due to lower gross profit by approximately S$2,132,000 and net allowance for expected credit losses of approximately S$533,000 during the year ended 31 December 2019.

Loss for the year ended 31 December 2019 was approximately S$1,587,000, compared with profit of approximately S$884,000 for the year ended 31 December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

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

For the year ended 31 December 2019, the cash and cash equivalents of the Group has decreased by approximately S$3,517,000. This was mainly due to net cash of approximately S$834,000 used in operating activities, purchase of property, plant and equipment of approximately S$1,036,000 and increase in loan and other receivables of approximately S$1,669,000.

At 31 December 2019, the Group had cash and cash equivalents of approximately S$7,629,000 (2018: approximately S$11,147,000) which were placed with major banks in Singapore and Hong Kong.

As at 31 December 2019, the Group's borrowings comprised the property loan of approximately S$3,280,000 (2018: Nil) and lease liabilities of approximately S$291,000 (2018: obligation under finance lease of approximately S$366,000).

FOREIGN EXCHANGE EXPOSURE

The Group transacts mainly in Singapore Dollars, which is the functional currency of the Group. However, the Group had an unrealised foreign exchange loss of approximately S$83,000 mainly due to the Group retains the proceeds from placement in Hong Kong Dollars which was depreciated against the Singapore Dollars.

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

There were no significant investments held, nor were there any material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2019. The Group had no specific future plan for material investments or capital assets as at 31 December 2019.

CHARGES ON GROUP'S ASSETS

As at 31 December 2019, the Group's borrowings are secured by the lessor's title to the relevant leasehold land, building leased motor vehicles and office equipment with the aggregate carrying values amounting to approximately S$4,690,000 (2018: approximately S$651,000).

CONTINGENT LIABILITIES

As at 31 December 2019, the guarantees in respect of performance bonds in favour of our customers was approximately S$21,000, which is secured by pledged bank deposits (2018: approximately S$35,000).

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS

As at 31 December 2019, the Group did not have any capital commitment (2018: Nil).

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The business objectives as set out in the prospectus of the Company dated 30 June 2015 (the "Prospectus") for the period from 10 July 2015 (the "Listing Date") to 31 December 2019 is set out below:

Business objectives	**Planned expenses (as stated in the Prospectus) in respect of business objectives from the Listing Date to 31 December 2019** HK$ (in million)	**Use of proceeds** HK$ (in million)	**Balance available** HK$ (in million)
Purchase of materials and/or equipment in relation to expansion of existing sector and to target and secure more non-road infrastructure related projects	8.2	8.2	–
Expansion via new companies or acquisitions	8.2	–	8.2
Expansion and enhancement of work force to support our business expansion in the existing sector and non-road infrastructure related projects	4.7	4.7	–
Working capital and other general corporate purposes	2.3	2.3	–
Total	23.4	15.2	8.2

In view of the challenging economic environment, the Group has deferred the implementation of some business objectives and such planned business expenses. The remaining proceeds is expected to be utilised by 30 June 2021.

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

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE INFORMATION

As at 31 December 2019, the Group had an aggregate of 81 (2018: 77) employees.

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

Total staff costs, including Directors' emoluments, amounted to approximately S$3,142,000 for the year ended 31 December 2019 (2018: approximately S$3,086,000).

BUSINESS REVIEW

Revenue comprised of revenue from the sales of signage and related products in both the public and private sectors in Singapore, which amounted to approximately S$8,501,000 and S$10,475,000 for the year ended 31 December 2019 and 2018, respectively.

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

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

During the current financial year, the business revenue and net loss was approximately S$8,501,000 and S$1,587,000 respectively. The public sector revenue has decreased by S$1,918,000 due to the absence of new high value contracts to replace those which are near expiry or have expired.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Tan Thiam Kiat Kelvin (陳添吉), age 47, a co-founder, an executive Director and the Chairman of the Group. He was first appointed as the Director on 10 March 2015. Mr. Tan Thiam Kiat Kelvin is also the director of Signmechanic Pte Ltd ("Signmechanic Singapore"), appointed on 1 December 1997. Mr. Tan Thiam Kiat Kelvin is responsible for the Group's overall management, strategic planning and business development. He has more than 20 years of experience in the signage industry.

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

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

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

Ms. Kong Weishan (孔維姍), aged 37, was appointed as an executive Director on 25 January 2017.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lock Kiu Yin (陸翹彥), age 38, was appointed as an independent non-executive Director on 8 May 2018. He is currently the chairman of the audit committee and a member of the nomination committee and remuneration committee of the Company.

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

Mr. Lau Muk Kan (劉木根), age 69, was appointed as an independent non-executive Director on 13 June 2018. He is currently the chairman of the nomination committee and a member of the audit committee and remuneration committee of the Company.

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

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. Xiao Laiwen (肖來文), age 31, was appointed as an independent non-executive Director on 9 November 2019. He is currently the chairman of the remuneration committee and a member of the audit committee and nomination committee of the Company.

Mr. Xiao Laiwen graduated from Xiangtan University with a bachelor's degree in economics. He has extensive experience in the manufacturing and technology industries.

SENIOR MANAGEMENT

Mr. Soh Chiau Kim (蘇招金), age 40, was appointed as the general manager of the Company since March 2013. He is responsible for overall management of operations, with a focus on the execution of contracts. His roles include managing, executing and coordinating the entire contracts, in particular larger value road infrastructure projects.

COMPANY SECRETARY

Ms. Wong Tsz Yan Pinky, age 31, is the company secretary of the Company. She was appointed as the company secretary of the Company since 11 March 2016. Ms. Wong Tsz Yan Pinky is a member of the Hong Kong Institute of Certified Public Accountants. She holds a Bachelor of Administrative Studies with Honours (specialised in accounting) from the York University.

COMPLIANCE OFFICER

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The board (the "Board") of Directors considers good corporate governance is a key element in managing the business and affairs of the Group. The management of the Group periodically reviews and proposes amendments to its corporate governance practices for compliance with the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 15 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("GEM Listing Rules"). In the opinion of the Board, the Company has complied with the CG Code during the year ended 31 December 2019. Details of the Group's corporate governance practices adopted by the Board are set out in the Corporate Governance Report on pages 12 to 22 of this report.

CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings concerning securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Model Code"). Having been made specific enquiry, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code during the year ended 31 December 2019.

BOARD OF DIRECTORS

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

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

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

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

CORPORATE GOVERNANCE REPORT

DIRECTORS' ATTENDANCE AT BOARD MEETING

During the year ended 31 December 2019, the Board held 4 board meetings and 1 general meetings and the attendance of each Director is set out as follows:

Directors	Number of meetings attended/ eligible to attend Board meetings	 Annual general meeting
Executive Directors		
Mr. Tan Thiam Kiat Kelvin	4/4	1/1
Mr. Tan Kwang Hwee Peter (Resigned on 9 November 2019)	4/4	1/1
Ms. Kong Weishan	4/4	1/1
Independent non-executive Directors		
Mr. Tan Kiang Hua (Resigned on 9 November 2019)	3/4	1/1
Mr. Lock Kiu Yin	4/4	1/1
Mr. Lau Muk Kan	4/4	1/1
Mr. Xiao Laiwen (Appointed on 9 November 2019)	N/A	N/A

APPOINTMENT AND RE-ELECTION OF THE DIRECTORS

Each of the executive Directors has entered into a service contract with the Company with an initial term of three years commencing from the execution date. Each of the independent non-executive Directors have signed a letter of appointment with the Company with a term of two years commencing from the execution date. In compliance with the code provision in A.4.2 of the CG Code, all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. By virtue of the articles of association of the Company, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In compliance with the code provision in A.4.2 of the CG Code, all Directors are subject to retirement by rotation at least once every three years. Furthermore, pursuant to the articles of association of the Company, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall be subject to retirement by rotation at least once every three years. Such retiring Director shall be eligible for re-election.

CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

DIRECTORS' PARTICIPATION IN CONTINUOUS PROFESSIONAL TRAININGS

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

All Directors confirmed that they have participated in continuous professional development during the year ended 31 December 2019 by reading relevant articles and materials and attending seminars, courses or conferences to develop and refresh their knowledge and skills.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

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

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

During the year ended 31 December 2019, the Audit Committee held 4 meetings and the attendance of each Audit Committee member is set out as follows:

Audit Committee members	**Number of meetings attended/ eligible to attend**
Mr. Lock Kiu Yin *(Chairman)*	4/4
Mr. Tan Kiang Hua (Resigned on 9 November 2019)	3/4
Mr. Lau Muk Kan	4/4
Mr. Xiao Laiwen (Appointed on 9 November 2019)	N/A

The following is a summary of work performed by the Audit Committee during the year ended 31 December 2019:

(i) reviewed the Group's annual financial results for 2018, and the Group's quarterly and half-yearly financial results for 2019;

(ii) reviewed in detail, with both management and the external auditors (a) the approach and methodology applied with respect to matters subject to external audit for the financial year ended 2019; and (b) significant findings of the external auditors pursuant to such external audit and management's response to external auditors' recommendations in respect of such findings;

(iii) reviewed in detail, with both management and the internal auditors (a) the approach and methodology applied with respect to matters subject of internal audit by internal auditor in the course of 2019; and (b) significant findings of the internal auditors pursuant to such internal audit and management's response to internal auditors' recommendations in respect of such findings; and

(iv) reviewed the external auditors' independence.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

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

The primary duties of the Remuneration Committee include:

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

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

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

During the year ended 31 December 2019, the Remuneration Committee held 1 meeting and the attendance of each Remuneration Committee member is set out as follows:

Remuneration Committee members	**Number of meetings attended/ eligible to attend**
Mr. Xiao Laiwen *(Chairman)* (Appointed on 9 November 2019)	N/A
Mr. Tan Kiang Hua *(Chairman)* (Resigned on 9 November 2019)	1/1
Mr. Lock Kiu Yin	1/1
Mr. Lau Muk Kan	1/1

During the year ended 31 December 2019, the Remuneration Committee has reviewed the Group's overall remuneration practices and scale and other remuneration-related matters. It also deliberated on matters relating to the payment of discretionary bonuses and the remuneration packages of the Directors and senior management.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

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

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

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

During the year ended 31 December 2019, the Nomination Committee held 1 meeting and the attendance of each Nomination Committee member is set out as follows:

Nomination Committee members	Number of meetings attended/ eligible to attend
Mr. Lau Muk Kan *(Chairman)* (Appointed on 13 June 2018)	1/1
Mr. Tan Kiang Hua (Resigned on 9 November 2019)	1/1
Mr. Lock Kiu Yin (Appointed on 8 May 2018)	1/1
Mr. Xiao Laiwen (Appointed on 9 November 2019)	N/A

During the year ended 31 December 2019, the Nomination Committee has reviewed the structure, size and composition of the Board and the independence of independent non-executive Directors. It has also made recommendations to the Board on the appointment or re-appointment of Directors.

Nomination Policy

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

CORPORATE GOVERNANCE REPORT

Selection criteria

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

– character and integrity;

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

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

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

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

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

Nomination Procedures

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

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

During the year ended 31 December 2019, the Board has reviewed and monitored the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the Company's code of conduct and the compliance with the CG Code and disclosure in this Corporate Governance Report.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration and the five highest paid employees for the year ended 31 December 2019 are set out in note 12 to the consolidated financial statements in this annual report.

The remuneration of the members of the senior management (other than the Directors), whose particulars are contained in the section headed "Directors and Senior Management Profile" of the annual report, for the year ended 31 December 2019 by band is set out below:

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

AUDITORS' REMUNERATION

The remuneration paid/payable to the Company's external auditors, HLB Hodgson Impey Cheng Limited, for the year ended 31 December 2019, is set out as follows:

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

CORPORATE GOVERNANCE REPORT

The Group has engaged an independent internal auditor, Yang Lee & Associates (the "IA"), to perform the internal audit functions and evaluate the risk management and internal control systems of the Group. The IA reports directly to the Audit Committee and internal control weaknesses identified during the internal audit reviews and the recommended corrective actions are reported to the Audit Committee periodically. The IA completed a review for the year ended 31 December 2019 in accordance with the internal audit plan developed and approved by the Audit Committee. The Board has reviewed and will adopt the recommendations of the internal auditors set out in the internal audit report.

During the year ended 31 December 2019, the management presented to the Audit Committee and the Board on the Group's risk profile, status of risk mitigation action plans and results of various assurance activities carried out during the year ended 31 December 2019 on the Group's risk management and internal control systems addressing financial, operational, compliance and information technology risks. The assurance activities include controls self-assessment performed by the management, internal and external audits performed by internal and external auditors and external certifications by external certification centers.

Based on the risk management framework and internal controls established and maintained by the Group, work performed by the internal, external auditors and reviews performed by management, various Board committees and the Board, the Audit Committee and the Board consider the risk management and internal control systems of the Group to be adequate and effective for the year ended 31 December 2019.

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

COMPANY SECRETARY

Ms. Wong Tsz Yan Pinky ("Ms. Wong") has been appointed as the company secretary of the Company since 11 March 2016 pursuant to Rule 5.14 of the GEM Listing Rules. Ms. Wong has taken no less than 15 hours of professional training during the year ended 31 December 2019.

SHAREHOLDERS' RIGHTS

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

CORPORATE GOVERNANCE REPORT

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

Any one or more shareholder(s) holding at the date of the deposit of the requisition not less than one tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Company's principal office as set out in the manner below, to require an extraordinary general meeting ("EGM") to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

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

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

Right to Put Enquiries to the Board

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

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2019, there had been no significant change in the Company's constitutional documents. The articles of association of the Company are available on the websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

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

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

ACCOUNTABILITY AND AUDIT FINANCIAL REPORTING

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

The Directors acknowledge their responsibilities for preparing the financial statements of the Group that give a true and fair view of the state of affairs of the Group. As at 31 December 2019, the Board was not aware of any material uncertainties relating to any events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis.

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

REPORT OF THE DIRECTORS

The Board of Directors of the Company is pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in notes 1 and 35 to the consolidated financial statements in this annual report. The business of the Group is principally engaged in the design, fabrication, installation and maintenance of signage and related products. There were no significant changes to the Group's principal activities during the current year.

BUSINESS REVIEW

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

RESULTS AND APPROPRIATIONS

The Group's financial performance for the year ended 31 December 2019 is set out in the consolidated statement of profit or loss and other comprehensive income on page 38 of this report and the financial position of the Group as at 31 December 2019 are set out in the consolidated statement of financial position on page 39 to page 40 of this report. The Directors do not recommend the payment of a final dividend for the year ended 31 December 2019.

DIVIDEND POLICY

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

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

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

SUMMARY OF FINANCIAL INFORMATION

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

REPORT OF THE DIRECTORS

CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 31 December 2019, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings except matter below and as disclosed in note 34 to the consolidated financial statements in this annual report.

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

KEY RISKS AND UNCERTAINTIES

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

Liquidity risk

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

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

Foreign Exchange Exposure

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

GOING CONCERN

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

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

Details of movements in the Group's property, plant and equipment and right-of-use assets during the year ended 31 December 2019 are set out in notes 15 and 16 to the consolidated financial statements.

During the year ended 31 December 2019, the Group acquired a property at a cost of S$4,236,109 (including transaction costs). This property is accounted as building of S$2,836,109 and leasehold land of S$1,400,000, which are recorded under property, plant and equipment (note 15) and right-of-use assets (note 16) respectively.

Please refer to the Company's announcement dated 5 July 2019 for details. The transaction was completed in December 2019.

BANK AND OTHER BORROWINGS

As at 31 December 2019, the Group's borrowings comprised the property loan of S$3,280,000 (2018: Nil) and lease liabilities of approximately S$291,000 (2018: obligation under finance lease of approximately S$366,000). Details of the bank borrowings and lease liabilities are set out in note 24 and note 25 to the consolidated financial statements respectively.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2019 are set out in note 27 to the consolidated financial statements.

USE OF PROCEEDS FROM THE PLACING OF SHARES

As at 31 December 2019, the Company has not yet utilised the net proceeds of approximately HK$8.2 million (approximately S$1.4 million) raised from the placing in accordance with the intended use of proceeds set out in the Prospectus. Details of the intended uses and utilised amount are set out on page 8 of this annual report.

RESERVES

Details of change in reserves of the Group and the Company are set out on page 41 and page 99 of this report respectively.

DISTRIBUTABLE RESERVES

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

As at 31 December 2019, the Company had distributable reserves amounting to S$12,126,905 (2018: S$12,126,905).

CHARITABLE CONTRIBUTIONS

Charitable contributions made by the Group during the year ended 31 December 2019 amounted to S$3,000 (2018: S$1,600).

EVENT AFTER THE REPORTING PERIOD

No significant events have taken place subsequent to 31 December 2019.

REPORT OF THE DIRECTORS

PUBLIC FLOAT

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2019, sales to the Group's five largest customers accounted for approximately 27.5% of total sales and sales to the largest customer included therein amounted to approximately 7.5% of total sales. The Group's five largest suppliers accounted for approximately 46.8% of total purchases during the year ended 31 December 2019 and purchases from the largest supplier included therein amounted to approximately 12.8% of total purchases.

None of the Directors or any of their close associates (as defined in the GEM Listing Rules), or any of the shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or its five largest suppliers during the year ended 31 December 2019.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2019, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of our Group.

RELATIONSHIPS WITH STAKEHOLDERS

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

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

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the year ended 31 December 2019 and up to the date of this report are:

Executive Directors

Mr. Tan Thiam Kiat Kelvin *(Chairman)*
Mr. Tan Kwang Hwee Peter - Resigned on 9 November 2019
Ms. Kong Weishan

Independent non-executive Directors

Mr. Tan Kiang Hua - Resigned on 9 November 2019
Mr. Lock Kiu Yin
Mr. Lau Muk Kan
Mr. Xiao Laiwen - Appointed on 9 November 2019

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

DIRECTORS' SERVICE CONTRACTS

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

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

REMUNERATION POLICY

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

The remuneration policy of the Group is on the basis of the qualifications and contributions of individuals to the Group. Details of the remuneration of the Directors and five highest paid individuals pursuant to Rules 18.28 to 18.30 of the GEM Listing Rules are set out in note 12 to the consolidated financial statements.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

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

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party at any time during the year ended 31 December 2019.

COMPETING INTERESTS

The Directors are not aware of any business and interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interests which any such person has or may have with the Group during the year ended 31 December 2019.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive Directors to be independent.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole and any part of the Company's business were entered into or existed during the year ended 31 December 2019.

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

As at 31 December 2019, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

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

Name of Director	Nature of interest	Number of shares held	Approximate percentage of the Company's issued share capital
Executive Directors:			
Tan Thiam Kiat Kelvin	Interest of controlled company(1)	983,440,000	30.73%

REPORT OF THE DIRECTORS

Notes:

(1) The entire issued share capital of Absolute Truth Investments Limited is beneficially owned as to 50% by Mr. Tan Thiam Kiat Kelvin and as to 50% by Mr. Tan Kwang Hwee Peter. Under the SFO, each of Mr. Tan Thiam Kiat Kelvin and Mr. Tan Kwang Hwee Peter is deemed to be interested in all the shares held by Absolute Truth Investments Limited.

Save as disclosed above, as at 31 December 2019, none of the Directors and chief executive of the Company had any interests or short positions in any shares, debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at 31 December 2019, the following substantial shareholders' and other persons' interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register required to be kept under section 336 of the SFO:

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

Name of substantial shareholder	Nature of interest	Number of shares held	Approximate percentage of the Company's issued share capital
Absolute Truth Investments Limited	Beneficial owner	983,440,000	30.73%
Tan Kwang Hwee Peter	Interest of controlled company(1)	983,440,000	30.73%
Wang Ya Fei	Beneficial owner	240,000,000	7.50%
Han Dongshen	Beneficial owner	176,000,000	5.50%

Notes:

(1) The entire issued share capital of Absolute Truth Investments Limited is beneficially owned as to 50% by Mr. Tan Thiam Kiat Kelvin and as to 50% by Mr. Tan Kwang Hwee Peter. Under the SFO, each of Mr. Tan Thiam Kiat Kelvin and Mr. Tan Kwang Hwee Peter is deemed to be interested in all the shares held by Absolute Truth Investments Limited.

REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2019, the Directors were not aware of any other person (other than the Directors or chief executive of the Company whose interests are disclosed above) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

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

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

SHARE OPTION SCHEME

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

No share option has been granted, exercised, lapsed or cancelled under the Share Option Scheme since its adoption and there were no outstanding share options under the Share Option Scheme as at 31 December 2019.

The following is a summary of the principal terms of the Share Option Scheme:

Purpose

The purpose of the Share Option Scheme is to provide incentives and/or rewards to eligible participants for their contributions to, and continuing efforts to promote the interests of, the Company.

Eligible participants

The eligible participants include any full time or part time employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Group); and any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sublicensee) or distributors, landlords or tenants (including any sub-tenants) of the Group who, in the sole discretion of the Board, has contributed or may contribute to the Group.

REPORT OF THE DIRECTORS

Number of shares available for issue

The total number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme must not, in aggregate, exceed 320,000,000, which represented 10% of the issued share capital of the Company as at the date of this annual report.

Maximum entitlement of each participant

The maximum number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised and outstanding options) in any twelve (12)-month period up to the date of grant shall not exceed 1% of the issued share capital of the Company. Any further grant of share options in excess of this limit is subject to approval by the shareholders of the Company in the general meeting of the Company with such participant and his/her/its close associates abstain from voting.

Option period

An option may be exercised at any time during the period to be determined by the Board provided that such period shall not exceed the period of 10 years from the date of the grant of the particular option subject to the provisions for early termination of the Share Option Scheme. There is no specified minimum period under the Share Option Scheme for which an option must be held or the performance target which must be achieved before it can be exercised.

Acceptance of offer

The offer of the grant of the share option shall remain open for acceptance for a period of 21 days from the date of the offer. A non-refundable nominal consideration of HK$1.00 is payable by the grantee upon acceptance of the offer.

Exercise price

The exercise price may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the Company's shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the date of the offer of the share options; (ii) the average of the closing prices of the Company's shares as shown in the daily quotations sheets of the Stock Exchange for the five (5) trading days immediately preceding the date of the offer of the share options; and (iii) the nominal value of the Company's shares.

Remaining life of the scheme

The Share Option Scheme shall be valid and effective for a period of ten years from 21 September 2018.

REPORT OF THE DIRECTORS

AUDITOR

Deloitte & Touche LLP ("Deloitte") has resigned as auditor of the Company with effect from 21 October 2017 due to the professional risk associated with the audit and the level of audit fees.

HLB Hodgson Impey Cheng Limited was appointed as the new auditor of the Company with effect from 22 December 2017 to fill the casual vacancy following the resignation of Deloitte.

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

Singapore, 19 March 2020

INDEPENDENT AUDITORS' REPORT

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

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

TO THE SHAREHOLDERS OF KPM HOLDING LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of KPM Holding Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 38 to 99, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT

Key Audit Matter	How our audit addressed the key audit matter
Recoverability of trade receivables	
Refer to note 4 and note 19 to the consolidated financial statements As at 31 December 2019, the Group had gross trade receivables of approximately S$2,533,433 (2018: S$1,941,685) and net allowance for expected credit losses of approximately S$554,005 (2018: S$22,656). In general, the credit terms granted by the Group to the customers ranged between 30 to 60 days (2018: 30 to 60 days). Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of provision for impairment based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment.	We focused on this area due to the impairment assessment of trade receivables under the expected credit losses model involved the use of significant management judgements and estimates. Our procedures in relation to management's impairment assessment of the trade receivables as at 31 December 2019 included: • Understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk, and validating the control effectiveness on a sample basis; • Checking, on a sample basis, the ageing profile of the trade receivables as at 31 December 2019 to the underlying financial records and post year-end settlements to bank receipts; • Inquiring of management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as performing public search of credit profile of selected customers, understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers; and • Assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses. We found that the management judgment and estimates used to assess the recoverability of the trade receivables and determine the impairment provision to be supportable by available evidence.

INDEPENDENT AUDITORS' REPORT

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon ("Other Information").

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

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

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

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

The engagement director on the audit resulting in this independent auditors' report is Hon Koon Fai, Alex.

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

Hong Kong, 19 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 S$	2018 S$
Revenue	5	**8,500,700**	10,474,896
Cost of sales		**(6,513,302)**	(6,355,854)
Gross profit		**1,987,398**	4,119,042
Other income	6	**188,633**	126,908
Other gains and losses	7	**(617,658)**	134,048
Selling and administrative expenses	8	**(3,161,112)**	(3,158,805)
Finance costs	9	**(24,436)**	(17,358)
(Loss)/Profit before income tax		**(1,627,175)**	1,203,835
Income tax credit/(expense)	10	**40,346**	(319,439)
(Loss)/Profit for the year	11	**(1,586,829)**	884,396
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operation		**10,965**	(28,784)
Other comprehensive income/(expense), net of tax		**10,965**	(28,784)
Total comprehensive (loss)/income for the year, attributable to owners of the Company		**(1,575,864)**	855,612
(Loss)/Earnings per share			
Basic and diluted (S$ cents)	13	**(0.050)**	0.028

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	31 December 2019 S$	31 December 2018 S$
ASSETS			
Non-current assets			
Property, plant and equipment	15	**3,118,705**	971,399
Right-of-use assets	16	**1,928,010**	–
Intangible assets	17	**–**	16,700
Deferred tax assets	26	**26,000**	–
Total non-current assets		**5,072,715**	988,099
Current assets			
Inventories	18	**200,169**	300,509
Trade and other receivables	19	**4,968,199**	3,189,139
Pledged bank deposits	20	**516,202**	966,056
Bank and cash balances	20	**7,629,334**	11,146,677
Total current assets		**13,313,904**	15,602,381
Total assets		**18,386,619**	16,590,480
Current liabilities			
Trade payables	21	**1,381,559**	557,675
Other payables and accruals	22	**278,023**	584,380
Contract liabilities	23	**36,239**	56,480
Bank loan	24	**332,235**	–
Lease liabilities/Obligation under finance lease	25	**173,032**	124,058
Income tax payable		**–**	302,500
Total current liabilities		**2,201,088**	1,625,093
Net current assets		**11,112,816**	13,977,288
Total assets less current liabilities		**16,185,531**	14,965,387
Non-current liabilities			
Bank loan	24	**2,947,765**	–
Lease liabilities/Obligation under finance lease	25	**118,214**	241,971
Deferred tax liabilities	26	**–**	28,000
Total non-current liabilities		**3,065,979**	269,971
NET ASSETS		**13,119,552**	14,695,416

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	**31 December 2019 S$**	31 December 2018 S$
Capital and reserves			
Share capital	27	**689,655**	689,655
Share premium		**12,126,905**	12,126,905
Merger reserves		**(4,570,095)**	(4,570,095)
Currency translation reserve		**17,359**	6,394
Accumulated profits		**4,855,728**	6,442,557
TOTAL EQUITY		**13,119,552**	14,695,416

The consolidated financial statements on pages 38 to 99 were approved and authorised for issue by the Board of Directors on 19 March 2020 and are signed on its behalf by:

Tan Thiam Kiat Kelvin
Chairman and Executive Director

Kong Weishan
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital	Share premium (Note A)	Merger reserves (Note B)	Currency translation reserve	Retained earnings	Total
	S$	S$	S$	S$	S$	S$
At 1 January 2018	689,655	12,126,905	(4,570,095)	35,178	5,558,161	13,839,804
Profit for the financial year	–	–	–	–	884,396	884,396
Other comprehensive income:						
Foreign currency translation	–	–	–	(28,784)	–	(28,784)
Total comprehensive income	–	–	–	(28,784)	884,396	855,612
At 31 December 2018 and 1 January 2019	689,655	12,126,905	(4,570,095)	6,394	6,442,557	14,695,416
Loss for the financial year	–	–	–	–	(1,586,829)	(1,586,829)
Other comprehensive income/(expense):						
Foreign currency translation	–	–	–	10,965	–	10,965
Total comprehensive loss	–	–	–	10,965	(1,586,829)	(1,575,864)
At 31 December 2019	689,655	12,126,905	(4,570,095)	17,359	4,855,728	13,119,552

Note:

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 S$	2018 S$
OPERATING ACTIVITIES			
(Loss)/profit before tax		**(1,627,175)**	1,203,835
Adjustments for:			
Loss on disposal of property, plant and equipment	7	**1,414**	–
Plant and equipment written off	7	**–**	2,142
Depreciation and amortisation expenses	11	**574,677**	349,466
Interest income	6	**(151,267)**	(41,814)
Finance costs	9	**24,436**	17,358
Net allowance for expected credit losses	19	**533,183**	22,656
Bad debts recovered	19	**–**	(89,673)
Foreign exchange loss/(gain)		**83,061**	(84,865)
Operating cash flow before movements in working capital		**(561,671)**	1,379,105
Inventories		**100,340**	154,820
Trade and other receivables		**(553,385)**	451,085
Trade payables		**823,883**	(22,475)
Other payables and accruals		**(306,355)**	(323,649)
Contract liabilities		**(20,241)**	(34,229)
Cash (used in)/generated from operations		**(517,429)**	1,604,657
Income tax paid		**(316,154)**	(408,939)
Net cash (used in)/from operating activities		**(833,583)**	1,195,718
INVESTING ACTIVITIES			
Withdrawal/(placement) of pledged bank deposits		**449,854**	(2,696)
Purchase of property, plant and equipment	15	**(1,036,137)**	(325,163)
Proceeds from disposal of property, plant and equipment		**90,753**	–
Increase in loan and other receivables		**(1,668,681)**	–
Interest received		**61,088**	40,242
Net cash used in investing activities		**(2,103,123)**	(287,617)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019	2018
	S$	S$
FINANCING ACTIVITIES		
Repayment of lease liabilities	**(484,926)**	(120,352)
Lease liabilities interest paid	**(24,436)**	(17,343)
Other interest paid	**–**	(15)
Net cash used in financing activities	**(509,362)**	(137,710)
Net (decrease)/increase in cash and cash equivalents	**(3,446,068)**	770,391
Cash and cash equivalents, represented by bank and cash balances at 1 January	**11,146,677**	10,320,566
Effect of exchange rate changes	**(71,275)**	55,720
Cash and cash equivalents, represented by bank and cash balances at 31 December	**7,629,334**	11,146,677

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was a public limited company incorporated and registered as an exempted company in the Cayman Islands with limited liability on 10 March 2015 and its registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. Its shares are listed on GEM of The Stock Exchange of Hong Kong Limited. Its parent is Absolute Truth Investments Limited (incorporated in the British Virgin Islands). Its ultimate controlling parties are Mr. Tan Thiam Kiat Kelvin, who is also the Chairman and Executive Directors of the Company, and Mr. Tan Kwang Hwee Peter. The Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "Companies Ordinance") on 30 March 2015. The principal place of business in Hong Kong registered is Unit 6, 10/F, Wayson Commercial Building, 28 Connaught Road West, Sheung Wan, Hong Kong. The head office and principal place of business of the Group is at 14 Loyang Way 4, Singapore 507601.

The Company is an investment holding company and the principal activities of its operating subsidiary are engaged in the design, fabrication, installation and maintenance of signage and related products. The details of the subsidiaries are set out in note 35.

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

The consolidated financial statements are approved by the Board of Directors of the Company on 19 March 2020.

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

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

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

IFRS 16	Leases
IFRIC – Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IFRS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

IFRS 16 Leases

Transition and summary of effects arising from initial application of IFRS 16

On 1 January 2019, the Group has applied IFRS 16. IFRS 16 superseded IAS 17, and the related interpretations. The Group applied the IFRS 16 in accordance with the transition provisions of IFRS 16.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC – Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessor

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated. During the year ended 31 December 2019, application of IFRS 16 by the Group as a lessor has no material impact on the Group's consolidated financial statements.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

IFRS 16 Leases (continued)

As a lessee (continued)

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

ii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties was determined on a portfolio basis; and

iii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options.

On transition, the Group has made the following adjustments upon application of IFRS16:

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rate applied by relevant group entities was ranged from 5.13% to 5.33%.

	S$
Operating lease commitments disclosed as at 31 December 2018	333,448
Less: Effect from discounting at the incremental borrowing rate as at 1 January 2019	(8,884)
	324,564
Add: obligation under finance lease recognised as at 31 December 2018	366,029
Lease liabilities as at 1 January 2019	690,593
Analysed as:	
Current	402,920
Non-current	287,673
	690,593

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

IFRS 16 Leases (continued)

As a lessee (continued)

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Right-of-use assets S$
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	324,564
Add: Amounts included in property, plant and equipment under IAS 17	
– Assets previously under finance leases	608,981
	933,545
By class	
Land and building	313,117
Vehicle	608,981
Office	11,447
	933,545

Note: In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 January 2019 amounting to S$608,981 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of S$124,058 and S$241,971 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

IFRS 16 Leases (continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously report at 31 December 2018 S$	Adjustments S$	**Carrying amounts under IFRS 16 at 1 January 2019 S$**
Non-current assets			
Property, plant and equipment	971,399	(608,981)	**362,418**
Right-of-use assets	–	933,545	**933,545**
Current liabilities			
Obligation under finance lease	124,058	(124,058)	**–**
Lease liabilities – due within one year	–	402,920	**402,920**
Non-current liabilities			
Obligation under finance lease	241,971	(241,971)	**–**
Lease liabilities – due over one year	–	287,673	**287,673**

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.2 New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts[2]
Amendments to IFRS 3	Definition of a Business[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform [4]

1 Effective for annual periods beginning on or after a date to be determined

2 Effective for annual periods beginning on or after 1 January 2021

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

4 Effective for annual periods beginning on or after 1 January 2020

The directors of the Company anticipate that the application of all new and amendments to IFRSs will have no material impact of the consolidated financial statement in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except leasing transactions that are within the scope of IFRS 16 Leases and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of assets.

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

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

The principal accounting policies are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

Revenue and other income recognition

Revenue from contracts with customers

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and other income recognition (continued)

Revenue from contracts with customers (continued)

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

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

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

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

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

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

A contract liability represents the group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A contract asset and a contract liability relating to a contract are accounted for an presented on a net basis.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and other income recognition (continued)

Other income

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

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

Leasing (upon application of IFRS 16)

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (upon application of IFRS 16) (continued)

As a lessee (continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (upon application of IFRS 16) (continued)

As a lessee (continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (upon application of IFRS 16) (continued)

As a lessee (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

As a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (upon application of IFRS 16) (continued)

As a lessor (continued)

Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies IFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

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

The Group as lessor

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit costs

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

Central Provident Fund

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

Mandatory Provident Fund

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

Short-term employee benefits

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

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the company and subsidiaries operate by the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment on tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on tangible and intangible assets (continued)

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

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

Inventories

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

Financial instruments

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

Recognised financial assets and financial liabilities are initially measured at fair value except for trade receivable arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

Classification and measurement of financial assets at amortised cost

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

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

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

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

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

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

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/ initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other revenue and other income" line item.

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade receivables, other receivables, loan receivables, pledged bank deposit and cash and bank balances). The amount of ECL is updated at each reporting period 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, 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 period. 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 period as well as the forecast of future conditions.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (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 period 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Significant increase in credit risk (continued)

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.

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.

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;

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

(e) the disappearance of an active market for that financial asset because of financial difficulties.

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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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, finance lease receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for ECL 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Classification as financial liabilities or equity

Financial liabilities 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 Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a 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 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.

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities (including bank loan, trade payables, accruals and other payables) are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (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 recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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 the profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Key sources of estimation uncertainty

Useful lives and impairment assessment of property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss in the statement of financial position. The estimation of their useful lives is the key element for the annual depreciation expense. Whenever there is any indication that the assets are impaired, plant and equipment are evaluated for any possible impairment on a specific asset basis or group of similar assets basis, as applicable. This process requires the management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the appropriate asset's carrying value would be written down to the recoverable amount and the impairment loss recognised would be charged to profit or loss. As at 31 December 2019 and 2018, the carrying amount of property, plant and equipment amounted to S$3,118,705 and S$971,399 respectively.

Estimated Impairment of trade receivables

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 30.

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

The Group makes allowance for inventories based on assessments of the net realisable values of existing inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value of certain items is lower than the cost of those items. The identification of obsolete inventories requires the use of estimation of the net realisable value of items of inventory and estimates on the conditions and usefulness of items of inventories. Where the estimated net realisable value is lower than the cost of the inventory items, an impairment may arise. As at 31 December 2019 and 2018, the carrying amount of inventories amounted to S$200,169 (net of inventory allowance of S$8,400) and S$300,509 (net of inventory allowance of S$8,400) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE AND SEGMENT INFORMATION

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

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

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

	2019 **S$**	2018 S$
Revenue from contracts with customers recognised at a point in time		
Public	**7,471,558**	9,389,929
Private	**1,029,142**	1,084,967
	8,500,700	10,474,896

Entity-wide disclosures

Major customers

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

	Year ended 31 December	
	2019 **S$**	2018 S$
Customer A	**–** Note	1,215,789

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

Geographical information

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. OTHER INCOME

	2019 S$	2018 S$
Interest income	**151,267**	41,814
Government grants	**20,167**	27,547
Unclaimed payables	**–**	7,209
Others	**17,199**	50,338
	188,633	126,908

7. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2019 **S$**	2018 S$
Net allowance for expected credit losses (Note 19)	**(533,183)**	(22,656)
Bad debt recovered (Note 19)	**–**	89,673
Loss on disposal of plant and equipment	**(1,414)**	–
Foreign exchange (loss)/gain, net	**(83,061)**	69,173
Plant and equipment written off	**–**	(2,142)
	(617,658)	134,048

8. SELLING AND ADMINISTRATIVE EXPENSES

	Year ended 31 December	
	2019 **S$**	2018 S$
Staff costs	**1,778,294**	2,008,917
Audit, legal and professional fees	**634,760**	348,149
Advertisement expenses	**145,731**	223,805
Depreciation and amortisation expenses	**149,142**	94,617
Short-term leases/rental expenses	**11,937**	108,681
Upkeep of equipment and vehicles	**78,939**	84,347
Others	**362,309**	290,289
	3,161,112	3,158,805

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. FINANCE COSTS

	Year ended 31 December	
	2019	2018
	S$	S$
Interest expense on lease liabilities	**24,436**	17,343
Others	**–**	15
	24,436	17,358

10. INCOME TAX (CREDIT)/EXPENSE

	Year ended 31 December	
	2019	2018
	S$	S$
Current tax – Singapore Corporate Income Tax ("CIT")	**–**	302,500
Under provision in prior years	**13,654**	16,939
Deferred tax (Note 26)	**(54,000)**	–
Income tax (credit)/expense	**(40,346)**	319,439

Singapore CIT is calculated at 17% of the estimated assessable profit eligible for CIT rebate 20%, capped at S$10,000 for Year of Assessment 2019. Singapore incorporated companies can also enjoy 75% tax exemption on the first S$10,000 of normal chargeable income and a further 50% tax exemption on the next S$290,000 and S$190,000 of normal chargeable income for Year of Assessment 2019 and 2020 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. INCOME TAX (CREDIT)/EXPENSE (continued)

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

	Year ended 31 December	
	2019	2018
	S$	S$
(Loss)/Profit before income tax	**(1,627,175)**	1,203,835
Tax at Singapore CIT of 17%	**(276,620)**	204,652
Tax effect of income and expenses not deductible for tax purpose	**234,995**	156,312
Tax effect of income under tax exemption and rebate	**–**	(35,925)
Tax effect of enhanced allowance (Note)	**(13,855)**	(13,855)
Under provision in prior years	**13,654**	16,939
Others	**1,480**	(8,684)
Income tax (credit)/expense for the year	**(40,346)**	319,439

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

11. (LOSS)/PROFIT FOR THE YEAR

	Year ended 31 December	
	2019	2018
	S$	S$
(Loss)/Profit for the year has been arrived at after charging:		
Audit fees paid to auditor of the Company:		
– current year	**85,000**	85,000
Depreciation and amortisation expenses	**574,677**	349,466
Cost of inventories recognised as expenses	**4,223,331**	4,362,930
Directors' fee (note 12)	**88,506**	84,902
Directors' and chief executive's remuneration (note 12)	**317,102**	343,528
Other staff costs		
– salaries and other staff costs	**2,628,590**	2,563,233
– contributions to defined contribution plans	**108,136**	94,488
Minimum lease payment under operating lease in respect staff dormitory, office and working premises	**–**	390,305

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

	Fee S$	Salaries and other benefits S$	Bonus S$	Contributions to defined contribution plan S$	Total S$
For the year ended 31 December 2019					
Executive directors:					
Mr. Tan Thiam Kiat Kelvin	–	127,200	–	12,240	139,440
Mr. Tan Kwang Hwee Peter (Resigned on 9 November 2019)	–	124,020	–	11,934	135,954
Ms. Kong Weishan	–	41,708	–	–	41,708
	–	292,928	–	24,174	317,102
Independent non-executive directors					
Mr. Lock Kiu Yin	37,586	–	–	–	37,586
Mr. Tan Kiang Hua (Resigned on 9 November 2019)	22,411	–	–	–	22,411
Mr. Lau Muk Kan	26,100	–	–	–	26,100
Mr. Xiao Laiwen (Appointed on 9 November 2019)	2,409	–	–	–	2,409
	88,506	–	–	–	88,506
	88,506	292,928	–	24,174	405,608
For the year ended 31 December 2018					
Executive directors:					
Mr. Tan Thiam Kiat Kelvin	–	127,200	10,000	13,940	151,140
Mr. Tan Kwang Hwee Peter	–	127,200	10,000	13,940	151,140
Ms. Kong Weishan	–	41,248	–	–	41,248
	–	295,648	20,000	27,880	343,528
Independent non-executive directors					
Mr. Tan Kiang Hua	25,780	–	–	–	25,780
Mdm. Kow Yuen-Ting (Gao Yun Ting) (Retired on 8 May 2018)	8,979	–	–	–	8,979
Mr. Oh Eng Bin (Hu Rongming) (Resigned on 13 June 2018)	11,467	–	–	–	11,467
Mr. Lock Kiu Yin (Appointed on 8 May 2018)	24,293	–	–	–	24,293
Mr. Lau Muk Kan (Appointed on 13 June 2018)	14,383	–	–	–	14,383
	84,902	–	–	–	84,902
	84,902	295,648	20,000	27,880	428,430

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Neither the chief executive nor any of the directors of the Company waived any emoluments during the years ended 31 December 2019 and 2018.

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, 2 (2018: 2) were directors of the Company during the year ended 31 December 2019 whose emoluments are included in the disclosures above. The emoluments of the remaining 3 (2018: 3) individuals were as follows:

	Year ended 31 December	
	2019	2018
	S$	S$
Salaries and other staff costs	**385,043**	334,188
Contributions to defined contribution plan	**36,662**	30,378
	421,705	364,566

Their emoluments were within the following band:

	Year ended 31 December	
	2019	2018
	No. of employees	No. of employees
Nil to HK$1,000,000	**3**	3

During both reporting periods, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. (LOSS)/EARNINGS PER SHARE

	Year ended 31 December	
	2019	2018
(Loss)/Profit attributable to the owners of the Company (S$)	**(1,586,829)**	884,396
Weighted average number of ordinary shares in issue	**3,200,000,000**	3,200,000,000
Basic and diluted (loss)/earnings per share (S$ cents)	**(0.05)**	0.028

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

14. RETIREMENT BENEFITS CONTRIBUTION

The total cost charged to profit or loss of S$132,310 and S$122,368 for the years ended 31 December 2019 and 2018 respectively, represents contributions paid to the retirement benefits scheme by the Group.

As at 31 December 2019 and 2018, contributions of S$17,191 and S$41,592 respectively, were due in respective years had not been paid to the plans. The amounts were paid subsequent to the end of the respective year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT

	Building S$	Computers S$	Furniture and fittings S$	Office equipment and machinery S$	Renovation S$	Motor vehicles S$	Total S$
COST							
At 1 January 2018	–	100,272	2,372	543,104	130,276	1,010,601	1,786,625
Additions	–	11,385	–	–	–	532,676	544,061
Written off	–	(7,200)	–	–	–	(48,509)	(55,709)
Exchange realignment	–	–	–	–	448	–	448
At 31 December 2018 and 1 January 2019	–	104,457	2,372	543,104	130,724	1,494,768	2,275,425
Adjustment upon application of IFRS 16 (note 2)	–	–	–	–	–	(883,650)	(883,650)
At 1 January 2019 (restated)	–	104,457	2,372	543,104	130,724	611,118	1,391,775
Additions	**2,836,109**	**4,387**	**–**	**–**	**6,551**	**48,791**	**2,895,838**
Disposal/written off	**–**	**–**	**–**	**(54,070)**	**–**	**–**	**(54,070)**
Exchange realignment	**–**	**–**	**–**	**–**	**(8)**	**–**	**(8)**
At 31 December 2019	**2,836,109**	**108,844**	**2,372**	**489,034**	**137,267**	**659,909**	**4,233,535**
ACCUMULATED DEPRECIATION							
At 1 January 2018	–	97,451	1,896	247,782	78,870	601,607	1,027,606
Provided for the year	–	4,466	476	92,552	26,085	206,321	329,900
Written off	–	(7,200)	–	–	–	(46,367)	(53,567)
Exchange realignment	–	–	–	–	87	–	87
At 31 December 2018 and 1 January 2019	–	94,717	2,372	340,334	105,042	761,561	1,304,026
Adjustment upon application of IFRS 16 (note 2)	–	–	–	–	–	(274,669)	(274,669)
At 1 January 2019 (restated)	–	94,717	2,372	340,334	105,042	486,892	1,029,357
Provided for the year	**–**	**4,838**	**–**	**57,319**	**9,964**	**32,049**	**104,170**
Disposal/written off	**–**	**–**	**–**	**(18,787)**	**–**	**–**	**(18,787)**
Exchange realignment	**–**	**–**	**–**	**–**	**90**	**–**	**90**
At 31 December 2019	**–**	**99,555**	**2,372**	**378,866**	**115,096**	**518,941**	**1,114,830**
CARRYING AMOUNTS							
At 31 December 2018	–	9,740	–	202,770	25,682	733,207	971,399
At 31 December 2019	**2,836,109**	**9,289**	**–**	**110,168**	**22,171**	**140,968**	**3,118,705**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Building	14 years
Computers	3 years
Furniture and fittings	5 years
Office equipment and machinery	5 years
Renovation	5 years
Motor vehicles	5 to 10 years

No depreciation was provided for building for the year ended 31 December 2019 as the purchase transaction was completed in December 2019 and it was not ready to use as owner occupied property until January 2020.

Additions to property, plant and equipment are analysed as follows:

	2019	2018
	S$	S$
Additions of property, plant and equipment	**2,895,838**	544,061
Acquired under bank loan and finance lease agreements	**(1,859,701)**	(218,898)
Cash payments to acquire property, plant and equipment	**1,036,137**	325,163

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

	2019	2018
	S$	S$
Cost of sales	**51,448**	254,849
Selling and administrative expenses	**52,722**	75,051
	104,170	329,900

Building with a carrying amount of S$2,836,109 is pledged to bank for Group's loan, the details as set out in note 24.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. RIGHT-OF-USE ASSETS

	Leasehold Land S$	Motor vehicle S$	Leased Properties S$	Total S$
Cost				
At 1 January 2019 *(Note 2)*	–	608,981	324,564	933,545
Additions	1,400,000	67,499	38,379	1,505,878
Disposals	–	(61,382)	–	(61,382)
Exchange realignment	–	–	(823)	(823)
At 31 December 2019	1,400,000	615,098	362,120	2,377,218
Accumulated depreciation				
At 1 January 2019	–	–	–	–
Provided for the year	–	166,116	287,691	453,807
Disposals	–	(4,498)	–	(4,498)
Exchange realignment	–	–	(101)	(101)
At 31 December 2019	–	161,618	287,590	449,208
Carrying amounts				
At 31 December 2019	1,400,000	453,480	74,530	1,928,010
At 1 January 2019 (restated)	–	608,981	324,564	933,545

Details of total cash outflow of leases is set out in the consolidated cash flow statements.

During the current year, the Group leases properties for own use. Lease contracts are entered into for fixed term of two to three years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

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

	2019 S$
Cost of sales	**374,087**
Selling and administrative expenses	**79,720**
	453,807

Leasehold land with a carrying amount of S$1,400,000 is pledged to bank for Group's loan, the details are set out in note 24.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. INTANGIBLE ASSETS

	Software
	S$
COST	
At 1 January 2018, 31 December 2018 and 1 January 2019	58,700
Write off	(58,700)
At 31 December 2019	–
ACCUMULATED AMORTISATION	
At 1 January 2018	22,434
Amortisation for the year	19,566
At 31 December 2018 and 1 January 2019	42,000
Amortisation for the year	16,700
Write off	(58,700)
At 31 December 2019	–
CARRYING AMOUNT	
At 31 December 2018	16,700
At 31 December 2019	–

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

	2019	2018
	S$	S$
Selling and administrative expenses	**16,700**	19,566

18. INVENTORIES

	At 31 December	
	2019	2018
	S$	S$
Raw material, net of allowance	**173,249**	258,583
Finished goods	**26,920**	41,926
	200,169	300,509

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. TRADE AND OTHER RECEIVABLES

	At 31 December 2019 S$	2018 S$
Trade receivables	**2,533,433**	1,941,685
Less: allowance for expected credit losses	**(554,005)**	(22,656)
	1,979,428	1,919,029
Retention receivables	**626,547**	648,151
Purchase advances paid to suppliers	**111,178**	181,354
Receivables from disposals of freehold property	**–**	200,000
Interest receivables	**3,951**	2,517
Rental and other deposits	**143,171**	127,723
Prepayments	**124,720**	110,365
Loan receivables	**1,265,361**	–
Less: Allowance for expected credit losses	**(1,321)**	–
Goods and services tax receivable	**232,254**	–
Other receivables	**483,423**	–
Less: Allowance for expected credit losses	**(513)**	–
	4,968,199	3,189,139

An aged analysis of the loan receivables as at the end of the reporting period, based on advance date, is as follow:

	2019 S$	2018 S$
0-30 days	**2,864**	–
31-60 days	**2,863**	–
61-90 days	**2,863**	–
91-180 days	**8,590**	–
181-365 days	**1,248,181**	–
	1,265,361	–

The loans are granted to independent third parties for a term of 1 year with effective interest of 10% per annum. The loans are secured by individual guarantee of independent third parties. The loan receivables outstanding as at 31 December 2019 are denominated in Hong Kong Dollars.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. TRADE AND OTHER RECEIVABLES (continued)

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

	At 31 December	
	2019	2018
	S$	S$
1-30 days	**934,866**	689,794
31-60 days	**437,781**	302,558
61-90 days	**305,344**	287,033
91-180 days	**193,505**	283,303
181-365 days	**92,572**	345,136
Over 365 days	**15,360**	11,205
	1,979,428	1,919,029

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

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

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

Movement in the allowance of expected credit losses

Movement in lifetime expected credit losses that has been recognised for trade and other receivables in accordance with simplified approach set out in IFRS 9 for the year ended:

	2019	2018
	S$	S$
Balance as at 1 January	**22,656**	89,673
Expected credit losses ("ECL")	**533,183**	22,656
Reverse of ECL (note)	**–**	(89,673)
Balance as at 31 December	**555,839**	22,656

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

Bank deposits carry prevailing market interest rate ranging from 1.40% to 1.60% and 0.20% to 1.42% per annum as at 31 December 2019 and 2018, respectively.

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

Bank balances are non-interest bearing.

21. TRADE PAYABLES

	At 31 December	
	2019	2018
	S$	S$
Trade payables	**1,381,559**	557,675

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

	At 31 December	
	2019	2018
	S$	S$
0–30 days	**618,538**	319,873
31–90 days	**459,236**	200,354
Over 90 days	**303,785**	37,448
	1,381,559	557,675

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. OTHER PAYABLES AND ACCRUALS

	At 31 December	
	2019	2018
	S$	S$
Retention payable to suppliers	**83,861**	103,394
Accrued operating expenses	**169,420**	357,362
Accrued staff commission	**24,742**	30,183
Goods and services tax payable	**–**	93,441
	278,023	584,380

23. CONTRACT LIABILITIES

	At 31 December	
	2019	2018
	S$	S$
Customer deposits received (note)	**36,239**	56,480

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

Movement in contract liabilities

	2019	2018
	S$	S$
Balance as at 1 January	**56,480**	90,709
Amount recognised as revenue	**(37,779)**	(86,869)
Amount received in advance of performance and not recognised as revenue	**17,538**	52,640
Balance as at 31 December	**36,239**	56,480

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. BANK LOAN

	2019 S$	2018 S$
Secured bank loan (note)	3,280,000	–
Amount due within one year shown under current liabilities	(332,235)	–
Amount shown under non-current liabilities	2,947,765	–

Note: The bank loan is secured by legal charge on the Group's building and leasehold land, which is set out in note 15 and 16, and personal guarantees from certain directors. The interest shall be computed based on 0.5% and 1.0% per annum over the 3-months Singapore Interbank Offered Rate for first two years and remainder of seven years respectively. The bank loan is repayable by monthly installments commencing January 2020.

25. LEASE LIABILITIES/OBLIGATION UNDER FINANCE LEASE

	Minimum lease payments As at 31 December		Present value of minimum lease payments As at 31 December	
	2019 S$	2018 S$	2019 S$	2018 S$
Amounts payable:				
Not later than one year	181,849	139,047	173,032	124,058
Later than one year and not later than five years	121,627	246,219	114,578	230,233
Later than five years	3,675	11,956	3,636	11,738
	307,151	397,222	291,246	366,029
Less: future finance charges	(15,905)	(31,193)	–	–
Present value of lease obligations	291,246	366,029	291,246	366,029
Less: Amount due for settlement within 12 months (shown under current liabilities)			(173,032)	(124,058)
Amount due for settlement after 12 months (shown under non-current liabilities)			118,214	241,971

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. LEASE LIABILITIES/OBLIGATION UNDER FINANCE LEASE (continued)

The Group entered into lease arrangements with independent third parties in relation to certain properties, motor vehicles and office equipment. The lease terms ranged from 2-7 years (2018: 4-7 years). Interest rates of underlying lease liabilities at the date of inception is 3.6% to 5.7% and 3.6% to 6.0% per annum as at 31 December 2019 and 2018, respectively. Obligation under fince lease were reclassified to lease liabilities on 1 January 2019 upon the adoption of IFRS 16 as set out in note 2.

The net carrying value of leased assets used to secure the lease obligations was S$453,480 (2018: S$651,473).

The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Comparative information as at 31 December 2018 has not been restated. Further details on the impact of the transition to IFRS 16 are set out in note 2.

26. DEFERRED TAX ASSET/(LIABILITIES)

The movements in deferred tax assets/(liabilities) during the year are as follow:

	Over-book depreciation of plant and equipment	Unutilised tax losses	Capital allowances	Donations	Total
Deferred tax liabilities at 1 January 2018, 31 December 2018 and 1 January 2019	(28,000)	–	–	–	(28,000)
Charged to profit or loss during the year	–	24,000	29,000	1,000	54,000
Deferred tax assets at 31 December 2019	(28,000)	24,000	29,000	1,000	26,000

Subject to the agreement by relevant tax authority(ies), at 31 December 2019, the Group had unutilised tax losses of S$141,234, capital allowances of S$175,951 and donations of S$2,500 available for offset against future profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. SHARE CAPITAL

	Number of shares	Par value HK$	Share capital HK$
Authorised:			
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	40,000,000,000	0.00125	50,000,000

	Number of shares	Share capital S$
Issued and fully paid:		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	3,200,000,000	689,655

28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease liabilities/ Obligation under finance lease S$	Bank Loan S$	Total S$
At 1 January 2018	267,483	–	267,483
Accrued interest	17,343	–	17,343
Interest paid	(17,343)	–	(17,343)
Financing cash inflow	218,898	–	218,898
Financing cash outflow	(120,352)	–	(120,352)
At 31 December 2018	366,029	–	366,029
Adoption of IFRS 16	324,564	–	324,564
At 1 January 2019	690,593	–	690,593
Accrued interest	24,436	–	24,436
Interest paid	(24,436)	–	(24,436)
Financing cash inflow	85,579	3,280,000	3,365,579
Financing cash outflow	(484,926)	–	(484,926)
At 31 December 2019	291,246	3,280,000	3,571,246

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. CAPITAL MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the reporting period.

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

The management of the Group reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares and new debts.

30. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	At 31 December	
	2019	2018
	S$	S$
Financial assets		
Loans and receivables (including cash and cash equivalents)	**12,645,583**	15,010,152
Financial liabilities		
Amortised cost	**5,230,828**	1,471,123

b. Financial risk management objectives and policies

The major financial instruments include trade and other receivables, pledged bank deposits, bank and cash balances, trade payables, other payables and accruals, lease liabilities and bank loan. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (foreign exchange risk and interest rate risk), liquidity risk and credit risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

(i) Foreign currency risk

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risks (continued)

(i) Foreign currency risk (continued)

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

	Assets		Liabilities	
	2019	2018	**2019**	2018
	S$	S$	**S$**	S$
Hong Kong Dollars	**8,189,112**	5,728,052	**347,313**	216,507

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

If the Hong Kong Dollars to change by 5% against the Singapore Dollars, profit will increase/decrease by S$392,182 (2018: S$275,577).

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk mainly in relation to bank loan. The bank loan interest rate and terms of repayment are disclosed note 24 to the financial statements.

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

No sensitivity analysis of bank loan is presented as the loan was obtained in December 2019 and no interest charges were incurred for this loan in 2019.

Lease liabilities issued at fixed rates expose the Group to fair value interest rate risk. During the reporting period, the Group did not hedge its fair value interest rate risk.

Liquidity risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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

	Effective interest rate	Within 1 year S$	1-5 years S$	Over 5 years S$	Total undiscounted cash flows S$	Carrying amount S$
At 31 December 2019						
Non-interest bearing Instruments						
Trade and other payables		1,659,582	–	–	1,659,582	1,659,582
Interest bearing instruments						
Bank loan	2.27%	403,326	1,613,307	1,613,307	3,629,940	3,280,000
Lease liabilities	3.6% to 5.7%	181,849	121,627	3,675	307,151	291,246
		2,244,757	1,734,934	1,616,982	5,596,673	5,230,828
At 31 December 2018						
Non-interest bearing Instruments						
Trade and other payables		1,105,094	–	–	1,105,094	1,105,094
Interest bearing instruments						
Obligation under finance lease	3.6% to 6.0%	139,047	246,219	11,956	397,222	366,029
		1,244,141	246,219	11,956	1,502,316	1,471,123

Credit risk

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for approximately 65% (2018: 38%) of the total financial assets as at 31 December 2019 and 2018 respectively.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk (continued)

Approximately 50% and 47% of total trade receivables outstanding at 31 December 2019 and 2018 were due from top 5 trade receivables which exposed the Group to concentration of credit risk.

	Current	Within 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
As at 31 December, 2019						
Expected credit loss rate	0.1%	0.2%	33.1%	48.9%	96.0%	21.9%
Gross carrying amount (S$)	935,143	744,836	289,142	181,053	383,259	2,533,433
Lifetime ECL	(278)	(1,710)	(95,637)	(88,481)	(367,899)	(554,005)
	934,866	743,125	193,505	92,572	15,360	1,979,428
As at 31 December, 2018						
Expected credit loss rate	0%	0%	0.38%	5.34%	15.9%	1.17%
Gross carrying amount (S$)	689,794	589,591	284,373	364,603	13,324	1,941,685
Lifetime ECL	–	–	(1,070)	(19,467)	(2,119)	(22,656)
	689,794	589,591	283,303	345,136	11,205	1,919,029

As at 31 December 2019 and 2018, trade receivables that are individually significant have been separately assessed for impairment. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience.

Other receivables relating to accounts that are long overdue with significant amounts, known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. The Group recognised the provision for expected credit losses by assessing the credit risk characteristics of debtor, discount rate and the likelihood of recovery and considering the prevailing economic conditions.

	S$
Balance as at 1 January 2018, 31 December 2018 and 1 January 2019	–
Expected credit losses	513
Balance as at 31 December 2019	513

Loan receivables are categorised into the following stages by the Group:

Stage 1

Loan receivables have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12 months ECL (12-month ECLs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk (continued)

Stage 2

Loan receivables to customers have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime ECL (Lifetime ECLs non credit-impaired).

Stage 3

Loan receivables that are in default and considered credit impaired (Lifetime ECLs credit impaired).

In assessing whether the credit risk of loan receivables has increased significantly since initial recognition, the Group compares the risk of default occurring on the loan receivables assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is past due for more than 90 days. 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 since initial recognition:– an actual or expected significant deterioration in a loan receivables's external or internal credit rating (if available);– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group; and– the financial asset is past due.

As at 31 December 2019, the provision for impairment of loan receivables was S$1,834 (2018:Nil) based on expected loss rates up to 100% applied to different stages.

The analysis of changes in the gross carrying amount and the corresponding provision for impairment of loan receivables in relation to loan receivables are as follows:

	As at 31 December 2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	S$	S$	S$	S$
Loan receivables, gross	1,265,361	–	–	1,265,361
Less: Provision for impairment of loan receivables	(1,321)	–	–	(1,321)
Loan receivables, net	1,264,040	–	–	1,264,040

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk (continued)

Stage 3 (continued)

Movements for provision for impairment of loan receivables are as follows:

	Stage 1 S$	Stage 2 S$	Stage 3 S$	Total S$
At 1 January 2019	–	–	–	–
Addition	1,321	–	–	1,321
At 31 December 2019	1,321	–	–	1,321

Other than concentration of credit risk on bank deposits and balances placed in 5 banks (2018: 5 banks) in which the counterparties are financially sound and on trade receivables from top 5 customers, the Group has no other significant concentration of credit risk on other receivables, with exposure spread over a number of counterparties.

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

c. Fair value measurements of financial instruments

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

The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing model based on discounted cash flow analysis.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. LEASES COMMITMENTS

As lessee

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

	At 31 December 2018 S$
Within one year	287,448
In the second to fifth year inclusive	46,000
	333,448

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

32. PLEDGED OF ASSETS

At the respective end of the reporting periods, the following assets were pledged to banks.

	2019 S$	2018 S$
Pledged bank deposit	516,202	966,056
Building	2,836,109	–
Leasehold land	1,400,000	–
	4,752,311	966,056

33. RELATED PARTY DISCLOSURES

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

	Year ended 31 December	
	2019 S$	2018 S$
Purchase of motor vehicle from a director	–	120,000

Key management personnel remuneration

Remuneration for key management personnel of the Group is the amounts paid to the Group's directors as disclosed in note 12.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. CONTINGENT LIABILITIES

The Group has following contingent liabilities:

	At 31 December	
	2019	2018
	S$	S$
Banker guarantee	**21,200**	35,381

Legal and Potential Proceedings

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

35. PARTICULARS OF SUBSIDIARIES

Particular of the subsidiaries of the Company are as follows:

Name	Place of incorporation/ operation	Paid up issued capital	Group's effective interest		Held by the Company		Principal activities
			2019	2018	2019	2018	
Sino Promise Investment Limited	British Virgin Islands	US$1	100%	100%	100%	100%	Investment holding
Joyful Passion Limited	British Virgin Islands	US$1	100%	100%	100%	100%	Investment holding
Signmechanic Pte Ltd	Singapore	S$2,000,000	100%	100%	100%	100%	Design, fabrication, installation and maintenance of signage products

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

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

	At 31 December	
	2019	2018
	S$	S$
Non-current assets		
Investment in subsidiary	**6,570,096**	6,570,096
Plant and equipment	**–**	285
Total non-current assets	**6,570,096**	6,570,381
Current assets		
Prepayment	**48,343**	36,568
Amount due from subsidiaries	**436,777**	1,618,018
Bank and cash balances	**6,381,547**	5,609,036
Total current assets	**6,866,667**	7,263,622
Current liabilities		
Trade payables	**185,211**	10,981
Accruals	**132,000**	198,526
Total current liabilities	**317,211**	209,507
Net current assets	**6,549,456**	7,054,115
NET ASSETS	**13,119,552**	13,624,496
Capital and reserves		
Share capital	**689,655**	689,655
Share premium	**12,126,905**	12,126,905
Retained earnings	**302,992**	807,936
TOTAL EQUITY	**13,119,552**	13,624,496

Tan Thiam Kiat Kelvin
Chairman and Executive Director

Kong Weishan
Executive Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

	Share premium S$	(Accumulated losses)/ Retained earnings S$	Total S$
At 1 January 2018	12,126,905	(315,742)	11,811,163
Profit for the year, representing total comprehensive income for the year	–	1,123,678	1,123,678
At 31 December 2018 and 1 January 2019	12,126,905	807,936	12,934,841
Loss for the year, representing total comprehensive loss for the year	**–**	**(504,944)**	**(504,944)**
At 31 December 2019	**12,126,905**	**302,992**	**13,119,552**

SUMMARY OF FINANCIAL INFORMATION

31 December 2019

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

	Year ended 31 December				
	2019	2018	2017	2016	2015
	S$	S$	S$	S$	S$
RESULTS					
Revenue	**8,500,700**	10,474,896	12,847,395	9,549,724	11,384,339
Cost of sales	**(6,513,302)**	(6,355,854)	(7,282,418)	(5,294,555)	(6,144,909)
Gross profit	**1,987,398**	4,119,042	5,564,977	4,255,169	5,239,430
Other income	**188,633**	126,908	189,363	246,315	300,953
Other gains and losses	**(617,658)**	134,048	(1,959,625)	188,853	337,895
Selling and administrative expenses	**(3,161,112)**	(3,158,805)	(3,608,239)	(3,212,731)	(2,667,288)
Other expenses	**–**	–	(14,000)	(121,800)	(2,634,874)
Finance costs	**(24,436)**	(17,358)	(13,981)	(13,550)	(58,192)
(Loss)/Profit before tax	**(1,627,175)**	1,203,835	158,495	1,342,256	517,924
Income tax	**40,346**	(319,439)	(358,605)	(268,216)	(347,560)
(Loss)/Profit for the year	**(1,586,829)**	884,396	(200,110)	1,074,040	170,364
ASSETS AND LIABILITIES					
Non-current assets	**5,072,715**	988,099	795,285	877,224	583,745
Current assets	**13,313,904**	15,602,381	15,310,890	15,956,992	15,081,431
Current liabilities	**(2,201,088)**	(1,625,093)	(2,054,776)	(2,573,795)	(2,572,627)
Net current assets	**11,112,816**	13,977,288	13,256,114	13,383,197	12,508,804
Non-current liabilities	**(3,065,979)**	(269,971)	(211,595)	(255,685)	(161,853)
Net assets	**13,119,552**	14,695,416	13,839,804	14,004,736	12,930,696