Annual Report 2016

Chuan Holdings Limited
川控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1420

* For identification purposes only

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Lim Kui Teng *(Chairman)*
Mr. Quek Sze Whye
Mr. Bijay Joseph
Mr. Lau Yan Hong

Independent Non-executive Directors

Mr. Chow Wing Tung
Mr. Phang Yew Kiat
Mr. Lee Teck Leng

AUDIT COMMITTEE

Mr. Chow Wing Tung *(Chairman)*
Mr. Lee Teck Leng
Mr. Phang Yew Kiat

NOMINATION COMMITTEE

Mr. Lim Kui Teng *(Chairman)*
Mr. Phang Yew Kiat
Mr. Chow Wing Tung

REMUNERATION COMMITTEE

Mr. Phang Yew Kiat *(Chairman)*
Mr. Lim Kui Teng
Mr. Chow Wing Tung

COMPANY SECRETARY

Ms. Ngan Chui Wan Judy

AUTHORIZED REPRESENTATIVES

Mr. Lim Kui Teng
Ms. Ngan Chui Wan Judy

COMPLIANCE ADVISER

VBG Capital Limited

AUDITOR

BDO Limited
Certified Public Accountant
25th Floor, Wing On Centre
111 Connaught Road Central
Central
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

57/F, The Center
99 Queen's Road Central
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS

20 Senoko Drive
Singapore 758207

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Malayan Banking Berhad
Standard Chartered Bank (Singapore) Limited
DBS Bank Ltd (Singapore)

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Stock Code: 1420

COMPANY WEBSITE

www.chuanholdings.com

Four Years Financial Summary

A summary of the results and of the assets and liabilities of the Group for the current four financial years, is set out below:

Highlights of consolidated statements of comprehensive income

	Year ended 31 December			
	2016	2015	2014	2013
	S$'000	S$'000	S$'000	S$'000
Revenue	**111,479**	99,322	92,412	61,386
Gross profit	**14,979**	19,923	18,741	12,904
Profit before income tax	**9,741**	14,041	17,318	11,270
Profit for the year	**7,716**	11,536	14,261	10,176
Total comprehensive income for the year attributable to the owners of the Company	**9,382**	11,210	14,094	10,188
Earnings per share – basic and diluted (S cents)[1]	**0.81**	1.39	1.72	1.23

Highlights of consolidated statements of financial position

	As at 31 December			
	2016	2015	2014	2013
	S$'000	S$'000	S$'000	S$'000
Assets				
Non-current assets	**19,995**	11,859	12,933	12,057
Current assets	**93,804**	67,095	55,167	41,394
Total assets	**113,799**	78,954	68,100	53,451
Liabilities				
Non-current liabilities	**4,292**	1,935	2,703	2,820
Current liabilities	**22,388**	29,019	24,773	21,101
Total liabilities	**26,680**	30,954	27,476	23,921
Total equity	**87,119**	48,000	40,624	29,530
Net assets per share (S cents)[2]	**8.40**	5.78	4.89	3.56

Four Years Financial Summary

Key financial ratios

	As at 31 December			
	2016	2015	2014	2013
Current ratio (times)	**4.2**	2.3	2.2	2.0
Gearing ratio (times)	**0.1**	0.1	0.2	0.3
Gross profit margin (%)	**13.4%**	20.1%	20.3%	21.0%
Profit for the year margin (%)	**7.0%**	11.6%	15.4%	16.6%
Return on equity (%)	**8.9%**	24.0%	35.1%	34.5%

Notes:

(1) The calculation of basic earnings per share is based on the profit attributable to owners of the Company and the weighted average number of ordinary shares in issue. For the financial years ended 31 December 2013, 2014 and 2015, the weighted average number of ordinary shares is based on the assumption that 830,000,000 ordinary shares of the Company are in issue and issuable, comprising an aggregate of 100 ordinary shares in issue and 829,999,900 ordinary shares issuable upon capitalisation of shares, as if the Reorganisation was effective on 1 January 2013. For the financial year ended 31 December 2016, the weighted average number of ordinary shares is 947,356,557. Diluted earnings per share is the same as the basic earnings per share as there are no potential dilutive ordinary shares during the years.

(2) Net assets per share is calculated by dividing net assets by the number of ordinary shares in issue as at the respective year end. As at 31 December 2013, 2014 and 2015, the number of ordinary shares in issue is based on the assumption that 830,000,000 ordinary shares of the Company are in issue and issuable, comprising an aggregate of 100 ordinary shares in issue and 829,999,900 ordinary shares issuable upon capitalisation of shares, as if the Reorganisation was effective on 1 January 2013. As at 31 December 2016, the number of ordinary shares in issue is 1,037,500,000 ordinary shares.

Chairman's Statement

Dear Shareholders,

This year marked a major milestone for Chuan Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") when we were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 8 June 2016. On behalf of the board of directors ("**Board**"), I am pleased to present the first annual report of the Group for the year ended 31 December 2016.

For the year ended 31 December 2016, the Group recorded a 12.2% increase in revenue from S$99.3 million in 2015 to S$111.5 million in 2016. Gross profit and profit for the year of the Group were S$15.0 million (2015: S$19.9 million) and S$7.7 million (2015: S$11.5 million) respectively.

Both our earthworks and general construction works segments recorded an increase in revenue. The increase in earthworks and related services revenue was mainly due to higher percentage of completion for three public infrastructure projects (mass rapid transit system in Singapore) and recognition of a new private residential project and a new public infrastructure project. The increase in the revenue of our general construction works was mainly due to higher percentage of completion for two public residential projects. Despite the increase in our revenue, our gross profit and profit for the year decreased mainly due to more competitive pricing and generally lower gross profit margin for public projects which contributed to our revenue.

According to the press release by the Ministry of Trade and Industry, Singapore, the Singapore economy expanded by 2% for the year 2016. The construction sector expanded by 0.2% in 2016, moderating from 3.9% growth in 2015 due to weak demand in private sector construction works. Nonetheless, the Group remain optimistic despite the slower growth in the Singapore's economy as the Building and Construction Authority of Singapore projects the total value of construction contracts to be awarded in 2017 to reach between S$28.0 billion and S$35.0 billion, higher than the preliminary estimate of S$26.1 billion for 2016 due to an anticipated increase in public sector construction demand boosted by an increase in demand civil engineering works which include various mega public infrastructure projects such as the second phase of the deep tunnel sewerage system, north-south corridor and MRT circle line 6. In addition, the 2017 Singapore Budget announced an increased expenditure on the healthcare and infrastructure sectors. The government announced that public transport would be enhanced, with a doubling of the mass rapid transit network by 2030 as well as the development of a new terminal at Changi Airport. It was also announced that infrastructure would continue to be upgraded and renewed in the longer term. Given our experience and track record in public infrastructure projects, we intend to continuously tender in this market segment to maintain financial stability of the Group. As these public infrastructure projects are larger scale projects which will generally require more resources, we will continue to invest and expand our capacity by purchasing more excavation machines and tipper trucks and also expand and enhance our workforce with the proceeds raised from our global offering. This will also help strengthen our market position in this segment.

APPRECIATION

On behalf of the Board, I would like to express our gratitude to all our customers, management and staff of our Group, business partners and shareholders for their continuous support.

On behalf of the Board
Chuan Holdings Limited
Lim Kui Teng
Chairman

27 March 2017

Management Discussion and Analysis

The Board is pleased to present the annual results of the Group for the year ended 31 December 2016 together with its comparative figures for the previous year ended 31 December 2015.

BUSINESS REVIEW

Group strategies

The Group's corporate mission is to deliver its services on a timely and reliable basis, with integrity and good workmanship to meet customers, safety and regulatory requirements. The Group's corporate objective is to achieve a sustainable growth in its business and create long-term shareholders' value. The Group has continued to pursue its objective via expansion of its capacity through the purchase of excavation machines and tipper trucks that amounted to approximately S$12.0 million in capital expenditures for the year ended 31 December 2016.

Both of our earthworks and general construction works segments recorded an increase in revenue. The increase in earthworks and related services revenue was mainly due to higher percentage of completion for three public infrastructure projects (mass rapid transit system in Singapore) and recognition of a new private residential project and a new public infrastructure project. The increase in the revenue of our general construction works was mainly due to higher percentage of completion for two public residential projects. Despite the increase in our revenue, our gross profit and profit for the year decreased mainly due to more competitive pricing and generally lower gross profit margin for public projects which contributed to our revenue.

For the year ended 31 December 2016, approximately 51.1% (31 December 2015: approximately 49.0%) of our revenue were derived from earthworks segment while approximately 48.9% (31 December 2015: approximately 51.0%) of our revenue were derived from general construction works segment. The pipeline of our contracts remained an important driver for our revenue growth. Public infrastructure projects that require earthworks, such as that for the mass rapid transit system in Singapore, airport infrastructure and a private residential; are larger scale projects that contributed to the earthworks revenue while public residential projects contributed mainly to the general construction works revenue for the year ended 31 December 2016. Pricing for our contracts directly affects the Group's revenue and gross profits, and during the year ended 31 December 2016, amidst the lacklustre economic growth in Singapore, we were more competitive in our pricing strategy which then leads to lower gross profits and gross profit margin for the year ended 31 December 2016.

Group revenue sector

Earthworks

Our principal business activities are the provision of earthworks and related services. Earthworks include land clearing, demolition, rock breaking, mass excavation, deep basement excavation, foundation excavation, earth disposal, earth filling and shore protection. Certain earthworks projects may require civil engineering works such as road diversions, road reinstatements, overhead bridge, sewerage, drainage, pipe laying and cable trench works, which may be subcontracted to other parties. For the majority of our earthworks projects, we are the subcontractor of main contractors, whose contract is for the construction of the entire building/development and who subcontracts the earthworks portion to us. Our earthworks related services include rental of machinery, motor vehicles and labour where we rent from time to time and when there is available capacity, to other construction contractors.

Management Discussion and Analysis

Due to the scarcity of land and high urban density in Singapore where majority of the public infrastructure such as train system, electricity and gas networks, has to be located underground. A substantial proportion of civil engineering works especially in the public sector (which is the highest revenue contributor in this segment) requires extensive amounts of earthworks.

For the year ended 31 December 2016, the Group had 134 earthworks and related services projects which contributed to this segment revenue of approximately S$57.0 million. Public infrastructure projects are the highest revenue contributor to the earthworks segment during the year. Despite the increase in earthworks and related services revenue, gross profit and gross profit margin for this segment decreased due to competitive pricing in our new contracts, higher than proportionate increase in direct costs relating to this segment, namely higher earth disposal fee and transportation cost. We incurred higher earth disposal fee as we dumped the excavated earth to the staging ground. In addition, we allocated almost all of our own trucks to our major public infrastructure projects (mass rapid transit system) to better control the schedule of these projects, as such, we incurred higher transportation cost as we need to lease tipper trucks from third parties to service other earthworks and related services projects to ensure timely completion of our projects.

During the year, the Group was also awarded a public infrastructure project (airport infrastructure) with a contract value of approximately S$15.1 million, the highest contract value secured by the Group to-date in this segment. The Group has also secured 9 new earthworks and related services projects since 1 January 2017.

General construction

For general construction works, the scope of works varies depending on customers' requirements. For alteration and addition works ("**A&A**"), it is broadly classified into (i) interior works or (ii) works affecting building systems or components such as structural works, additions of lifts and reinforcement works. These include but are not limited to making good the defects to buildings, structural steel and reinforced concrete works, flooring, tiling, wall and partition, and electrical systems. We have also undertaken general construction works, such as the construction of a workers' dormitory and multi-storey car parks.

We generally serve as a main contractor in general construction works with responsibility for full scope of works based on customers' requirements. Our main responsibilities consist of (i) overall building construction including A&A works and project management; (ii) supply or procure the supply of materials and where necessary, engagement of subcontractors; (iii) ensure the works are in accordance with the contract specification and customers' requirements; and (iv) liaise with various professional parties to ensure the project is on schedule.

For the year ended 31 December 2016, the Group had 16 general construction works projects which contributed to the general construction works revenue of approximately S$54.5 million. The slight increase in the general construction works yearly revenue was principally due to higher percentage of completion for two public residential projects which was then partially offset by lower revenue recognition for a private industrial building project that was completed in mid of 2016. However, the gross profit and gross profit margin for general construction works decreased during the year as the public residential project tend to have a lower gross profit and gross profit margin.

Management Discussion and Analysis

Future Outlook and Prospects

The growth prospects for the Group remain optimistic despite the slower growth in the Singapore's economy. The Building and Construction Authority of Singapore projects the total value of construction contracts to be awarded in 2017 to reach between S$28.0 billion and S$35.0 billion due to an anticipated increase in public sector construction demand boosted by an increase in demand civil engineering works. Given our experience and track record in this area, we will be looking to pursue more opportunities in this market segment by continuously tendering in this segment to maintain our financial stability of the Group.

FINANCIAL REVIEW

Results for the Year

Revenue and segment results

	2016		2015	
	Revenue S$'000	**Segment results S$'000**	Revenue S$'000	Segment results S$'000
Earthworks	**56,967**	**10,517**	48,642	12,071
General construction works	**54,512**	**4,478**	50,680	8,085
Total	**111,479**	**14,995**	99,322	20,156

As detailed in the section headed "Business Review" above, the Group's revenue increase by approximately S$12.2 million or 12.2% from approximately S$99.3 million to approximately S$111.5 million.

(1) Earthworks

The revenue in the earthworks segment increased by approximately S$8.4 million or 17.1% from approximately S$48.6 million for the year ended 31 December 2015 to approximately S$57.0 million for the year ended 31 December 2016. The increase was mainly attributed to higher percentage of completion for three public infrastructure projects (mass rapid transit system) and recognition of a new private residential project and a new public infrastructure project (airport infrastructure), all of which contributed approximately S$15.1 million to our earthworks revenue. However, the segment results in the earthworks decreased to approximately S$10.5 million mainly due to higher than proportionate increase in direct costs in earth disposal fee and transportation cost. We incurred higher earth disposal fee as we dumped the excavated earth to the staging ground. In addition, we allocated almost all of our own trucks to our major public infrastructure projects (mass rapid transit system) to better control the schedule of these projects, as such, we incurred higher transportation cost as we need to lease tipper trucks from third parties to service other earthworks projects to ensure timely completion of our projects.

(2) General construction

The revenue in the general construction works segment increased by approximately S$3.8 million or 7.6% from approximately S$50.7 million for the year ended 31 December 2015 to approximately S$54.5 million for the year ended 31 December 2016. The slight increase in the general construction works revenue was principally due to higher percentage of completion for two public residential projects which was then partially offset by lower revenue recognition for a private industrial building project that was completed in 2016. However, the segment results decreased to approximately S$4.5 million as the public residential project tend to have a lower gross profit.

As a result of the above, the Group's revenue increased by approximately S$12.2 million or 12.2% from approximately S$99.3 million to approximately S$111.5 million.

As at 31 December 2016, the Group had 73 ongoing earthwork and related minor projects (31 December 2015: 54 projects), with an aggregate contract sum of approximately S$119.9 million (31 December 2015: approximately S$107.1 million). The Group had also secured 9 new earthworks projects since 1 January 2017.

Gross profit and gross profit margin

For the year ended 31 December 2016, gross profit of the Group decrease by approximately S$4.9 million or 24.8%, from approximately S$19.9 million to approximately S$15.0 million. The gross profit margin also decreased to approximately 13.4% for the year ended 31 December 2016 (31 December 2015: approximately 20.1%). Despite the increase in our revenue, our gross profit and gross profit margin decreased mainly due to higher than proportionate increase in direct costs in earth disposal fee and transportation costs, more competitive pricing amidst the lacklustre economic growth in Singapore and generally lower gross profit margin for public projects which contributed to our revenue.

Administrative and other operating expenses

For the year ended 31 December 2016, administrative and other operating expenses increased by approximately S$0.6 million or 13.0%, from approximately S$4.6 million for the year ended 31 December 2015 to approximately S$5.2 million. The increase was primarily due to higher directors' remuneration, audit fee and professional fee to comply with the requirements of a public listed company as well as higher utilities charges.

Other income and gains

For the year ended 31 December 2016, other income and gains decreased by approximately S$1.0 million or 40.8%, from approximately S$2.5 million for the year ended 31 December 2015 to approximately S$1.5 million. The decrease was primarily due to lower bad debts recovered amounting to approximately S$0.5 million as compared to the bad debts recovered in 2015 of approximately S$1.5 million.

Management Discussion and Analysis

Other expenses

For the year ended 31 December 2016, other expenses decreased by approximately S$2.2 million or 61.1%, from approximately S$3.6 million for the year ended 31 December 2015 to approximately S$1.4 million. The decrease was mainly due to lower initial listing expenses incurred as the Company was listed on 8 June 2016.

Finance costs

For the year ended 31 December 2016, finance costs increased slightly by approximately S$13,000 or 7.3%, from approximately S$179,000 for the year ended 31 December 2015 to approximately S$192,000. The increase was primarily due to higher interest on finance leases as we purchase more trucks and excavators during the year under the finance lease arrangements.

Income tax expense

For the year ended 31 December 2016, income tax expense decreased by approximately S$0.5 million or 20.0%, from approximately S$2.5 million to approximately S$2.0 million mainly due to decrease in our profit before income tax. Our effective tax rate however increased from approximately 17.8% to approximately 20.8%, which was higher than the statutory tax rate of 17% mainly due to higher non-deductible expenses incurred during the year.

Profit for the year and net profit margin

As a result of the above factors, the Group recorded a profit for the year of approximately S$7.7 million (31 December 2015: approximately S$11.5 million). Net profit margin was approximately 6.9% for the year (31 December 2015: approximately 11.6%). The decrease in profit for the year and net profit margin is in line with the decrease in gross profit and gross profit margin mentioned above.

Earnings per share

For the year ended 31 December 2016, the basic earnings per share is Singapore 0.81 cents, the calculation is based on the profit attributable to owners of the Company of approximately S$7.7 million and the weighted average number of 947,356,557 ordinary shares in issue during the year.

For the year ended 31 December 2015, the basic earnings per share is Singapore 1.39 cents, the calculation is based on profit attributable to owners of the Company of approximately S$11.5 million and the weighted average number of 830,000,000 ordinary shares of the Company, in which assuming that 830,000,000 ordinary shares are in issue and issuable, pursuant to the Reorganisation throughout the year ended 31 December 2015.

Dilutive earnings per share is the same as the basic earnings per share because the Group has no diluted potential shares during the years ended 31 December 2016 and 2015.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

Liquidity

The Group generally meet its working capital requirements from its internally generated funds, and maintained a healthy financial position. Upon listing on 8 June 2016, the source of funds of the Group had been a combination of internal generated funds and net proceeds from the global offering.

Cash flows analysis

The table below summaries the Group's cash flows for the years ended 31 December 2015 and 2016:

	2016 **S$'000**	2015 S$'000
Net cash generated from operating activities	**12,769**	9,278
Net cash used in investing activities	**(9,416)**	(2,115)
Net cash generated from/(used in) financing activities	**26,482**	(8,771)

Operating activities

For the year ended 31 December 2016, the Group generated net cash inflow from operating activities of approximately S$12.8 million (31 December 2015: approximately S$9.3 million), which was mainly attributable to our profit before income tax of approximately S$9.7 million, which was adjusted primarily for depreciation of property, plant and equipment of approximately S$4.8 million. The difference of approximately S$2.1 million between the operating profit before working capital changes and net cash generated from operating activities were mainly attributable to combined effect of (i) increase in amounts due from customers for contract works of approximately S$1.5 million; (ii) decrease in trade receivables of S$11.3 million; (iii) decrease in amounts due to customers for contract work of approximately S$3.8 million; (iv) decrease in trade payables of S$3.2 million; (v) decrease in other payables, accruals and deposits received of S$2.0 million; and (vi) income tax paid of approximately S$2.6 million.

Investing activities

For the year ended 31 December 2016, our net cash used in investing activities was approximately S$9.4 million, mainly attributable to (i) increase in time deposits with maturity over three months amounting to S$6.7 million (comprising of net proceeds from the listing that are not immediately utilised); and (ii) purchases of property, plant and equipment such as excavation machines and tipper trucks in relation to the expansion of the earthworks sector of approximately S$3.2 million (mainly funded from the proceeds from the listing).

Management Discussion and Analysis

Financing activities

For the year ended 31 December 2016, our net cash generated from financing activities was approximately S$26.5 million which was primarily attributable to (i) the net proceeds of approximately S$29.7 million from issuance of new shares from the initial public offering of the Company in June 2016; and (ii) the capital and interest element of the finance lease obligations of approximately S$3.8 million.

Use of proceeds

The net proceeds from the global offering was approximately S$26.5 million (after deducting underwriting fees, commissions and listing expenses), out of which approximately S$2.4 million has been utilised as at 31 December 2016.

Intended applications	**Net actual proceeds** S$'000	**Amount utilised as at 31 December 2016** S$'000	**Balance as at 31 December 2016** S$'000
Purchase of excavation machines and tipper trucks	11,129	2,227	8,902
Secure earth filling project	6,607	–	6,607
Expand workforce	4,414	–	4,414
Purchase of software	2,085	123	1,962
Working capital	2,247	–	2,247
	26,482	2,350	24,132

The balance of net proceeds is deposited in licenced financial institutions in Hong Kong.

Borrowings and gearing ratio

As at 31 December 2016, the Group had an aggregate of current and non-current bank borrowings and finance lease obligations of approximately S$9.0 million (31 December 2015: approximately S$6.5 million). The increase in our borrowings were mainly due to finance lease obligations to finance our purchase of our machinery and equipment. As at 31 December 2016, we had unutilised credit facilities of approximately S$15.4 million (31 December 2015: approximately S$18.0 million).

As at 31 December 2016, the Group's gearing ratio was approximately 0.1 times (31 December 2015: approximately 0.1 times). Gearing ratio is calculated by dividing total borrowings (bank borrowings and finance lease obligations) by total equity as at the end of the respective year.

Management Discussion and Analysis

Cash & cash equivalents

As at 31 December 2016, the Group had cash and cash equivalents of approximately S$48.8 million (31 December 2015: approximately S$10.6 million) out of which approximately 50.8% was denominated in Singapore Dollars and approximately 0.9% was denominated in United States Dollars which were placed with major banks in Singapore and approximately 48.3% was denominated in Hong Kong Dollars which were placed in a licenced financial institution in Hong Kong.

Foreign exchange exposure

The Group's principal place of business is in Singapore, hence transactions arising from its operations were generally settled in Singapore Dollars which is the functional currency of the Group. Apart from a portion of the cash and cash equivalents of the Group arising from the global offering is denominated in Hong Kong Dollars and a small portion denominated in United States Dollars, the Group was not exposed to any significant foreign currency risk nor had employed any financial instrument for hedging.

Charges on Group's assets and contingent liabilities

As at 31 December 2016, the Group's bank borrowings were secured by (i) the pledge of the Group's deposits of approximately S$3.3 million (31 December 2015: approximately S$4.3 million); and (ii) the investment property of the Group with net book amount of approximately S$1.4 million (31 December 2015: approximately S$1.4 million), while the Group's finance lease obligations were secured by the charge over the leased assets of net book value of approximately S$10.0 million (31 December 2015: approximately S$7.0 million).

As at 31 December 2016, the Group had contingent liabilities in respect of (a) performance bonds of construction contracts in our ordinary course of business with utilised amount of approximately S$7.6 million (31 December 2015: approximately S$6.4 million); and (b) guarantee provided and restricted to one of the major fuel suppliers for the commercial fuel supply agreement amounting to S$300,000 (2015: S$150,000), both of which are secured by the pledge of the Group's deposits of approximately S$3.3 million.

Capital expenditures and capital commitments

For the year ended 31 December 2016, the Group invested approximately S$13.2 million for the purchase of property, plant and equipment, which was mainly funded from finance lease obligations and proceeds from the listing.

As at 31 December 2016, the Group's capital commitments in respect of acquisition of property, plant and equipment was approximately S$3.4 million (31 December 2015: approximately S$2.5 million).

Significant investments held, material acquisitions and disposal of subsidiaries, associates and joint ventures

There were no significant investments held, material acquisitions and disposal of subsidiaries, associates and joint ventures for the year ended 31 December 2016.

Off-balance sheet transactions

As of 31 December 2016, the Group did not enter into any material off-balance sheet transactions.

Management Discussion and Analysis

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2016, the group had 435 (2015: 390) employees including foreign workers.

The employees of the Group are remunerated according to their job scope and responsibilities. All employees are also entitled to discretionary bonus depending on their respective performance. The foreign workers are typically employed on one year basis depending on the period of their work permits, and subject to renewal based on their performance and are remunerated according to their work skills.

Total staff costs, including Directors' emoluments amounted to approximately S$16.2 million for the year ended 31 December 2016 (31 December 2015: approximately S$16.1 million).

QUANTITATIVE & QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Interest rate risk

Our Group's exposure to changes in interest rates is mainly attributable to bank deposits, pledged deposits, bank borrowings and finance lease obligations. The cash flow interest rate risk is mainly concentrated on fluctuations associated with bank borrowings with floating rate which represent prime rate plus margin per annum and variable rate bank balances. Finance lease obligations and bank borrowings issued at fixed rates expose the Group to fair value interest-rate risk. For the year ended 31 December 2016, the effective interest rate on fixed-rate borrowings was approximately 1.8% to 5.2% per annum whereas interest rate on floating – rate borrowings was approximately 3.4% per annum.

Foreign currency risk

The Group's transactions are mainly denominated in S$ which is the functional currency of the principal subsidiary. The Group is mainly exposed to the foreign currency risk of HK$ and US$. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign currency exposure closely on an ongoing basis and will consider hedging significant foreign currency exposure should the need arise.

Credit risk

The exposure to our credit risk arises from the failure to discharge an obligation by the counterparties and the financial guarantees provided by the Group is primarily attributable to trade and other receivables, pledged deposits cash and cash equivalents and contingent liabilities in relation to financial guarantees.

Since our Group trade only with recognised and reputable third parties, there is no requirements for the Group to obtain collateral from customers. Before accepting any new contract, evaluations were considered on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The Group has a credit policy in place and exposures to these credit risks are monitored on an ongoing basis.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents assessed as adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on internally generated funding and borrowings as significant sources of liquidity. The Group also monitors the utilisation of borrowings and ensures compliance with loan covenants.

Shares Option Scheme

A share option scheme (the "**Share Option Scheme**") was adopted pursuant to the written resolutions of the Shareholders of the Company passed on 10 May 2016. The purpose of the Share Option Scheme is to enable the Company to grant options to the eligible participants, as incentives or rewards for their contribution to the Group. As at 31 December 2016, no options had been granted or agreed to be granted pursuant to the Share Option Scheme.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2016.

FUTURE PROSPECTS AND DEVELOPMENT

According to the press release by the Ministry of Trade and Industry, Singapore, the Singapore economy expanded by 2% for the year 2016. The construction sector expanded by 0.2% in 2016, moderating from 3.9% growth in 2015 due to weak demand in private sector construction works. Nonetheless, the Group remain optimistic despite the slower growth in the Singapore's economy as the Building and Construction Authority of Singapore projects the total value of construction contracts to be awarded in 2017 to reach between S$28.0 billion and S$35.0 billion, higher than the preliminary estimate of S$26.1 billion for 2016 due to an anticipated increase in public sector construction demand boosted by an increase in demand civil engineering works which include various mega public infrastructure projects such as the second phase of the deep tunnel sewerage system, north-south corridor and MRT circle line 6. In addition, the 2017 Singapore Budget announced an increased expenditure on the healthcare and infrastructure sectors. The government announced that public transport would be enhanced, with a doubling of the mass rapid transit network by 2030 as well as the development of a new terminal at Changi Airport. It was also announced that infrastructure would continue to be upgraded and renewed in the longer term. Given our experience and track record in public infrastructure projects, we intend to continuously tender in this market segment to maintain financial stability of the Group. As these public infrastructure projects are larger scale projects which will generally require more resources, we will continue to invest and expand our capacity by purchasing more excavation machines and tipper trucks and also expand and enhance our workforce with the proceeds raised from our global offering. This will also help strengthen our market position in this market segment.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Lim Kui Teng（林桂廷）, aged 48, founder of our Group, was appointed as the Director of the Company on 25 August 2015 and re-designated as an Executive Director and a Chairman of the Board of the Company on 5 October 2015. He is also a chairman of nomination committee and a member of remuneration committee of the Company. Mr. Lim is also the founder and director of our operating subsidiary, Chuan Lim Construction Pte Ltd since January 1996. Mr. Lim is responsible for our Group's overall management, strategic planning and business development. He has over 20 years of experience in the provision of earthworks for the construction industry in Singapore.

Mr. Lim started his career as a trainee operator and site supervisor at Cheng Yap Construction Pte Ltd in January 1985, and was promoted to a formal operator and site supervisor in January 1988. During the course of his work, he had managed various projects including earthworks for Central Expressway (CTE) tunnel and the apron for the aircraft at Changi Airport Terminal 2. Mr. Lim left Cheng Yap Construction Pte Ltd in May 1992.

Prior to establishing our Group in January 1996, Mr. Lim established Chuan Lim Construction & Engineering as a sole proprietorship in June 1992 which was engaged in the business of building construction and rental of machinery and equipment.

Mr. Quek Sze Whye（郭斯淮）, aged 61, was appointed as a Director of the Company on 25 August 2015 and re-designated as an Executive Director of the Company on 5 October 2015. Mr. Quek is also a director of our operating subsidiary, Chuan Lim Construction Pte Ltd since January 2014. Mr. Quek joined our Group in April 2009 and is currently responsible for overseeing the tendering, contracts administration, purchasing departments, and providing guidance and management experience in project management and contract negotiations. Mr. Quek obtained a diploma in construction from Singapore Institute of Building in July 1986. He is a member of the Chartered Institute of Building since September 1995 and is a professional member of The Royal Institution of Chartered Surveyors since October 2002. He has more than 20 years of experience in project management and contract negotiations in the earthwork industry. Prior to joining our Group, Mr. Quek held several senior professional positions as Quantity Surveyor, Acting Assistant Contracts Manager, Contract Manager, Contract Director in various construction companies, he has extensive professional experience in the construction business.

Biographical Details of Directors and Senior Management

Mr. Bijay Joseph, aged 48, was appointed as a Director of the Company on 25 August 2015 and re-designated as an Executive Director of the Company on 5 October 2015. Mr. Bijay Joseph is also a director of our operating subsidiary, Chuan Lim Construction Pte Ltd since October 2007. Mr. Bijay Joseph joined our Group in September 2000 and is currently responsible for planning, organising and managing the overall construction development projects. Mr. Bijay Joseph graduated from the Bangalore University, India, with a Bachelor of Engineering degree in Civil Engineering in June 1993. He also obtained the Master of Science (Project Management) degree from the National University of Singapore in January 2006. Mr. Bijay Joseph has over 20 years of working experience in the construction industry. Prior to joining our Group, Mr. Bijay Joseph worked at Asian Techs Limited as an assistant engineer from October 1991 to November 1992. Since June 1993 to June 1995, he was a site engineer at Gina Engineering Company (P) Ltd.

Mr. Lau Yan Hong,（劉仁康）, aged 51, was appointed as a Director of the Company on 25 August 2015 and re-designated as an Executive Director of the Company on 5 October 2015. Mr. Lau is also a director of our operating subsidiary, Chuan Lim Construction Pte Ltd since February 2003. Mr. Lau joined our Group in January 2000 and is currently responsible for overseeing the project team and managing, executing and coordinating the A&A projects. Prior to joining our Group, Mr. Lau has approximately 10 years of working experience in quality control and assurance in the retail industry. He also obtained a certificate in building construction safety supervisors from the BCA in November 2000 and is currently a registered personnel in structural works under CoreTrade scheme of BCA. Mr. Lau has over 15 years of working experience in the construction industry.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chow Wing Tung（周永東）, aged 43, was appointed as an Independent Non-Executive Director of the Company on 10 May 2016. He is also a chairman of audit committee, a member of nomination committee and remuneration committee of the Company, respectively. Mr. Chow is responsible for providing independent judgment to bear on issues of strategy, policy, performance, accountability, resources and standard conduct of our Company. Mr. Chow is currently the financial controller of Synear Food Holdings Limited ("**Synear**") since April 2005. Synear and its subsidiaries engage in the manufacture and sales of quick freeze food products in the PRC and whose shares were listed on the main board of Singapore Exchange Securities Trading Limited ("**SGX**") and has voluntarily delisted since December 2013. From January 2004 to January 2005, Mr. Chow was the financial controller of China Paper Holdings Limited, a company engaged in the manufacture and sales of paper and paper chemical products in the PRC and whose shares are listed on the main board of SGX. Mr. Chow graduated from the University of Toronto with a Bachelor of Commerce degree in November 1997. Mr. Chow is a certified public accountant certified by the Washington State Board of Accountancy since 2001, a member of the American Institute of Certified Public Accountants since October 2001, a certified public accountants certified by the Hong Kong Institute of Certified Public Accountants since July 2003 and a Chartered Global Management Accountant certified by the American Institute of Certified Public Accountants since July 2012.

Mr. Chow is currently an independent non-executive director of China Bio Cassava Holdings Limited and Jimei International Entertainment Group Limited, both companies are listed on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") with effect from June 2013 and November 2014, respectively.

Biographical Details of Directors and Senior Management

Mr. Phang Yew Kiat（彭耀傑）, aged 48, was appointed as an Independent Non-Executive Director of the Company on 10 May 2016. He is also a chairman of remuneration committee, a member of audit committee and nomination committee of the Company, respectively. Mr. Phang is responsible for providing independent judgment to bear on issues of strategy, policy, performance, accountability, resources and standard of conduct of our Company. Mr. Phang Yew Kiat is currently an executive director, the vice chairman and chief executive officer of Credit China FinTech Holdings Limited (Stock Code: 8207, a company listed on the Stock Exchange), a Fintech group in Asia, with a growing presence in China and Mekong region. Headquartered in Hong Kong, the company successfully established a fully-integrated Fintech ecosystem, providing 7X24 and one-stop efficient intelligent financial lifestyle services to over 30m registered Small Medium Enterprises and middle-class consumers via internet & mobile internet channels. Mr. Phang began his career with Standard Chartered Bank ("**SCB**") in 1994 and over his 17 years career in banking, he held various management roles across SCB's corporate and consumer banking businesses, including the appointment as chief financial officer for Indonesia & general manager for Small Medium Enterprises, Singapore & Malaysia. In 2005, Mr. Phang was seconded to China to build a brand new national joint-stock bank in Tianjin, China Bohai Bank, and he served as an executive director and a deputy chief executive officer with full responsibilities for the consumer banking business. He has also served as DBS's Group Head of Strategic Planning. Mr. Phang is a member to United Nation - Economic and Social Commission for Asia and the Pacific (ESCAP) Business Advisory Council. Since July 2012, Mr. Phang was the co-chairman of Deer Creek Advisors Pte. Ltd (formerly known as Deauville Private Office Pte. Ltd.). Mr. Phang graduated in July 1993 from the faculty of technology of University of Manchester with a Bachelor's degree of Engineering in Microelectronic Systems Engineering. He also received a Master's degree in Business and Administration in International Business in June 1995 from University of Bristol.

Mr. Lee Teck Leng（李迪能）, aged 50, was appointed as our Independent Non-Executive Director of the Company on 10 May 2016. He is also a member of audit committee of the Company. Mr. Lee is responsible for providing independent judgment to bear on issues of strategy, policy, performance, accountability, resources and standard of conduct of our Company. Mr. Lee is currently a lawyer at LEE chambers LLC. He has over 20 years of experience in legal services. Mr. Lee graduated from the National University of Singapore with a Second Class Honours (Upper Division) degree of Bachelor of Laws in July 1990 on a Public Service Commission Scholarship. Mr. Lee's professional experience including acted as Judicial Officer, Partner and Director in different law firms in Singapore. From 2003 to 2010, Mr. Lee was a partner of Lee Associates. Since July 2010 to April 2014, Mr. Lee was an independent director in Asiasons Capital Limited (now known as Attilan Group Limited), and from July 2011 to December 2015, he was an independent director in United Food Holdings Limited, with both companies listed on the main board of the SGX. With effect from March 2014, Mr. Lee is an independent director of Advanced Integrated Manufacturing Corp. Ltd., a company listed on the main board of SGX.

SENIOR MANAGEMENT

Mr. Tan Swee Hong（陳瑞豐）, aged 60, joined our Group as a project director on November 2011 and is responsible for the overall management of general construction works of our Group. Mr. Tan graduated from The National University of Singapore, with a degree of Bachelor of Engineering (Civil) in June 1982. He is also registered as a professional engineer in civil engineering by the Singapore Professional Engineers Board in October 1993. Mr. Tan has over 20 years of experience in the construction industry.

Ms. Ong Sok Hun, aged 43, joined our Group in October 2005 and is currently our financial controller. Ms. Ong is responsible for financial, accounting, taxation, secretarial affairs, treasury and banking matters of our Group. Ms. Ong graduated from Oxford Brookes University, with a Bachelor of Science (Honours) degree in Applied Accounting in 2003. She is also admitted as a Fellow of the Association of Chartered Certified Accountants in October 2008. Ms. Ong has over 10 years of experience in the accounting and finance aspects of the construction industry.

Corporate Governance Report

This corporate governance report (the "**Corporate Governance Report**") is based on the principles of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") .

CORPORATE GOVERNANCE PRACTICE

The board of directors (the "**Director(s)**" or the "**Board**") of Chuan Holdings Limited (the "**Company**") is committed to establish and maintain high standards of corporate governance – the process by which the Company is directed and managed, risks of the Company and its subsidiaries (the "**Group**") are identified and controlled, and accountability to all shareholders of the Company is assured. The Company is committed to ensure a quality board and transparency and accountability to shareholders. Shareholders of the Company are encouraged to make their views known to the Group if they have issues with the Company's corporate governance and to directly raise any matters of concern to the chairman of the Board (the "**Chairman**" or the "**Chairman of the Board**").

The Company has applied the principles and complied with all the code provision (the"**Code Provision**") of the CG Code throughout the year ended 31 December 2016 (the "**Year**"), except for the following Code Provisions:–

– The CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Lim Kui Teng ("**Mr. Lim**") serves as the chairman and also acts as chief executive of the Company, which constitutes a deviation from the code provision A.2.1.

– The CG Code provision A.1.8, a listed Company should arrange appropriate insurance cover in respect of legal action against its directors. The Company has not arranged appropriate insurance to its Directors during the Year.

The Board is of the view the roles of the Chairman and the chief executive officer (the "**Chief Executive Officer**") of the Company are served by Mr. Lim will allow for more effective planning and execution of business strategies and will involve a realignment of power and authority under the existing corporate structure and facilitate the ordinary business activities of the Company. As all major decisions are made in consultation with the members of the Board, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board believes that there are adequate safeguards in place to ensure sufficient balance of powers within the Board.

During the period from 8 June 2016, being the listing date of the Company to 9 April 2017, the Company had not arranged for appropriate insurance cover in respect of any legal action against its Directors. With regular and timely communications among the Directors and the senior management of the Group, the Board was of the opinion that sound and effective corporate governance within the Group would suffice in monitoring and mitigating legal and compliance risks. Nevertheless, in order to offer fuller protection to the Directors, the Company had arranged for appropriate insurance coverage for the Directors since 10 April 2017.

The Board has reserved for its decision and consideration issues in relation to (i) formulating the strategic objectives of the Group; (ii) considering and deciding the Group's significant operational and financial matters, including but not limited to substantial mergers and acquisitions and disposals; (iii) overseeing the Group's corporate governance practices; (iv) ensuring a risk management control system in place; (v) directing and monitoring senior management in pursuit of the Group's strategic objectives; and (vi) determining the remuneration packages of all Directors and the Group's senior management, including benefits in kind, pension rights and compensation payments for loss or termination of their office or appointment. Implementation and execution of Board policies and strategies and the daily administrative matters are delegated to the respective Board committees and the management team of the Company.

BOARD OF DIRECTORS

Board composition

As at 31 December 2016, the Board consisted of a total of seven members, including four executive Directors, and three independent non-executive Directors and up to date of this report, the Board and the Board committees of the Company comprises the following Directors:–

Executive Directors

Mr. Lim Kui Teng *(Chairman)*
Mr. Quek Sze Whye
Mr. Bijay Joseph
Mr. Lau Yan Hong

Independent Non-executive Directors

Mr. Chow Wing Tung
Mr. Phang Yew Kiat
Mr. Lee Teck Leng

Board Committees Composition

Audit Committee Members

Mr. Chow Wing Tung *(Chairman)*
Mr. Phang Yew Kiat
Mr. Lee Teck Leng

Nomination Committee Members

Mr. Lim Kui Teng *(Chairman)*
Mr. Phang Yew Kiat
Mr. Chow Wing Tung

Remuneration Committee Members

Mr. Phang Yew Kiat *(Chairman)*
Mr. Lim Kui Teng
Mr. Chow Wing Tung

The biographical details of each Director are set out on pages 16 to 18 of this annual report. The Directors are unrelated to each other in every aspect including financial, business and family or other material relevant relationship.

The Board composition is regularly reviewed to ensure that it has a balance of skills and experience appropriate for the requirement of the business of the Group. A balanced composition of executive Directors and independent non-executive Directors is maintained to ensure independence and effective management.

Corporate Governance Report

The appointment of Directors is recommended by the remuneration committee ("**Remuneration Committee**") and the nomination committee ("**Nomination Committee**") and approved by the Board based on a formal written procedure and policy for the appointment of new Directors. When selecting potential candidates for the Directors, their skills, experience, expertise, devotion of time and non-conflicts of interests are the key factors.

The daily operation and management of the business of the Group, among other matters, the implementation of strategies, are delegated to the executive Directors. They report periodically to the Board on their work and business decisions.

All Directors have been fully consulted about any matters proposed for inclusion in the agenda for regular meetings. The chairman of the Board has delegated the responsibility for drawing up the agenda for each Board meeting to the company secretary (the "**Company Secretary**").

With the assistance of the executive Directors and the Company Secretary, the chairman of the Board seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and have received adequate and reliable information in a timely manner.

The Board meets regular and board meetings ("**Board Meetings**") are held at least four times a year at approximately quarterly intervals. Regular Board Meetings are schedule in advance and at least 14 day's notice is given to Directors so as to give them an opportunity to attend. All Directors are given an opportunity to include matters in the agenda for Board Meetings. The Directors may attend a meeting in person or may participate by means of conference telephone or similar communication equipment by means of which all persons participating in the meeting are capable of hearing each other. The Company Secretary ensures that the procedures and all applicable rules and regulations are complied with.

Minutes of Board Meetings and meetings of Board committees are kept by the Company Secretary. Draft minutes are normally circulated to all Directors or committee members for comment within a reasonable time after each meeting. The final version are available for inspection at any time on reasonable notice by any Director.

Corporate Governance Report

The Company was listed on the Main Board of the Stock Exchange on 8 June 2016. Two Board meetings were held during the Year. The attendance record of each Director at the meetings of the Company during the Year is set out below:–

Name of Directors	Attendance/ Number of Board Meetings
Executive Directors	
Mr. Lim Kui Teng *(Chairman)*	2/2
Mr. Quek Sze Whye	2/2
Mr. Bijay Joseph	2/2
Mr. Lau Yan Hong	2/2
Independent Non-executive Directors	
Mr. Chow Wing Tung	2/2
Mr. Phang Yew Kiat	2/2
Mr. Lee Teck Leng	2/2

All the Directors have access to relevant and timely information. They also have access to the advice and services of the Company Secretary of the Company, who is responsible for providing the Directors with Board papers and related materials. Where queries are raised by the Directors, prompt and full responses will be given by the Company if possible.

Should a potential material conflict of interest involving a substantial shareholder of the Company or a Director arise, the matter will be discussed in a physical Board meeting, as opposed to being dealt with by a written resolution. Independent non-executive Directors with no conflict of interest will be present at meetings dealing with such conflict issues.

Independent non-executive Directors are identified in all corporate communications containing the names of the Directors. An updated list of the Directors identifying the independent non-executive Directors and the roles and functions of the Directors is maintained on the website of the Company at www.chuanholdings.com and the website of the Stock Exchange.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and the Chief Executive Officer of the Company are served by Mr. Lim and have not been segregated as required under Code Provision A.2.1 of the CG Code. However, the Company considers that the combination of the roles of the Chairman and the Chief Executive Officer will involve a realignment of power and authority under the existing corporate structure and facilitate the ordinary business activities of the Company. Although the responsibilities of the Chairman and the Chief Executive Officer are vested in one person, all major decisions are made in consultation with the Board and the senior management of the Company. There are three independent non-executive Directors on the Board. The Board considers that there is sufficient balance of power and that the current arrangement maintains a strong management position and also facilities the ordinary business activities of the Company. The Board will review the current structure from time to time and make any necessary arrangements as appropriate.

Roles and responsibilities

The Board, led by the Chairman, is responsible for achieving the corporate goals, formulating the development strategy, regularly reviewing the organizational structure, and monitoring the business activities and the performance of management so as to protect and maximize the interests of the Company and its shareholders. Matters relating to the daily operations of the Group are delegated to the management. The delegated functions, power and work tasks are periodically reviewed to ensure that they remain appropriate. The Board will give clear directions to the management team as to their powers of management, and circumstances where the management team should report back. Approval has to be obtained from the Board prior to any decision being made or any commitments being entered into on behalf of the Company that are outside the scope of the operational authority delegated by the Board. Matters reserved for the Board are the overall strategy of the Group, major acquisitions and disposals, major capital investments, dividend policy, significant changes in accounting policies, material contracts, appointment and retirement of Directors, remuneration policy and other major operational and financial matters. During the Year under review, the Board, among others, considered and approved the annual budget, management results and performance update against annual budget, together with business reports from the management, reviewed and approved the interim results for the six months ended 30 June 2016 and the final results for the year ended 31 December 2016, approved the Group's major acquisitions and other critical business operations, assessed the internal control and the financial matters of the Group.

The Board is collectively responsible for performing corporate governance duties including:

(a) to develop, review and implement the Company's policy and practices on corporate governance;

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

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

(d) to develop, review and monitor the code of conduct applicable to employees and Directors; and

(e) to review the Company's compliance with the CG Code which is amended from time to time, and its disclosure in the corporate governance report.

The Board has delegated the day-to-day responsibility in respect of management and administrative functions to management including, but not limited to, implementing and achieving the strategies and objectives set by the Board as well as overseeing the performance of different business units/or departments and monitoring and implementing proper risk management and internal controls systems.

No event or condition of material uncertainties was found that may cast significant doubt about the Company's ability to continue as a going concern during the Year. The Directors were responsible for the preparation and the true and fair presentation of the financial statements of the Company, in all material respects, in accordance with applicable regulatory requirements.

Board Diversity Policy

The Board has adopted a board diversity policy which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company.

The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

Selection of candidates will be based on a range of diversity perspectives as stated in the above. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

As at the date of this report, the Board comprises 7 Directors including 3 independent non-executive Directors and independent of management, thereby promoting critical review and control of the management process. The Board is also characterized by significant diversity, whether considered in terms of professional background and skills.

Division of responsibilities between the Board and management

While the Board is responsible for directing and approving the Group's overall strategies, the Group also has formed strong management teams in its business areas, with authority and responsibility for developing and exercising both operational and non-operational duties. The management team members of the Group have a wide range of skills, knowledge and experience necessary to govern the Group's operations. All management team members are required to report directly to the Chief Executive Officer on a regular basis to report business performance and operational and functional issues of the Group. This will allow the Group's management to allocate resources more efficiently for its decision-making and facilitate its daily operations.

The Board and the Group's management fully appreciate their respective roles and are committed to good corporate governance. The Board is responsible for overseeing the processes by which the management identifies business opportunities and risks. The Board's role is not to manage the day-to-day business operations of the Group. The Board delegates the authority and responsibility for implementing the day-to-day operations, business strategies and management of the Group's businesses to the executive Directors, senior management and certain specific responsibilities to the Board committees.

The Board is responsible for determining those matters that are to be retained for full Board including, but not limited to, overall strategy and long-term objectives, new business activities, annual budgets, business plans and financial statements, interim and final results announcements, material acquisitions and disposals of assets, investments, capital projects and commitments, annual internal control assessment, funding and risk management policies as well as connected transactions. Matters which the Board consider suitable for delegation to its committees are contained in the specific terms of reference.

Independent Non-executive Directors

There are currently three independent non-executive Directors. During the Year and up to the date of this report, the Board at all times met the requirements of the Rules 3.10(1) and 3.10(2) and 3.10A of the Listing Rules in appointment of a sufficient number of three independent non-executive Directors, at least one third of the Board, one of whom has appropriate professional qualifications, accounting and financial management expertise.

The Company has received from each of the independent non-executive Directors their annual confirmation of independence and considered that each of the independent non-executive Directors is independent in accordance with the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules. During the Year, none of independent non-executive Directors have served the Company for more than 9 years.

Corporate Governance Report

Directors' Continuous Professional Development

Each newly appointed Director, executive or non-executive, is required to undertake an induction program to ensure that he has a proper understanding of his duties and responsibilities.

Pursuant to the CG Code, all Directors acknowledge the need to continue to develop and refresh their knowledge and skills for making contributions to the Company. The participation by individual Directors in the continuous professional development programme with appropriate emphasis on the roles, functions and duties of a director of a listed company in 2016 is recorded in the table below.

Name of Directors	Reading regulatory updates	Attending development programmes
Mr. Lim Kui Teng *(Chairman)*	✓	✓
Mr. Quek Sze Whye	✓	✓
Mr. Bijay Joseph	✓	✓
Mr. Lau Yan Hong	✓	✓
Mr. Chow Wing Tung	✓	✓
Mr. Phang Yew Kiat	✓	✓
Mr. Lee Teck Leng	✓	✓

Directors' and officers' liability insurance and indemnity

During the period from 8 June 2016, being the listing date of the Company to 9 April 2017, the Company had not arranged for appropriate insurance cover in respect of any legal action against its Directors. With regular and timely communications among the Directors and the senior management of the Group, the Board was of the opinion that sound and effective corporate governance within the Group would suffice in monitoring and mitigating legal and compliance risks. Nevertheless, in order to offer fuller protection to the Directors, the Company had arranged for appropriate insurance coverage for the Directors since 10 April 2017.

Independent advice

The Board and its committees may seek advice from independent professional advisors whenever it considers appropriate. Each Director, with the consent of the Chairman of the Board and/or the chairman of the audit committee of the Company, may seek independent professional advice on matters connected with the Company to perform his responsibilities, at the Group's expense. No Director had exercised his right for independent professional advice during the Year.

Appointment, re-election and removal

Mr. Lim Kui Teng, a Chairman, executive Director and Chief Executive Officer of the Company, has entered into a written service agreement with the Company for an initial term of three year commencing from 1 June 2016 and may be terminated by either party by giving not less than three calendar months' notice in writing. He is entitled to a basic salary of S$1,041,600 per annum plus a discretionary bonus to be determined by the Board with reference to the performance of the Group.

Mr. Quek Sze Whye, an executive Director of the Company, has entered into a written service agreement with the Company for an initial term of three year commencing from 1 June 2016 and may be terminated by either party by giving not less than three calendar months' notice in writing. He is entitled to a basic salary of S$320,400 per annum plus a discretionary bonus to be determined by the Board with reference to the performance of the Group.

Mr. Bijay Joseph, an executive Director of the Company, has entered into a written service agreement with the Company for an initial term of three year commencing from 1 June 2016 and may be terminated by either party by giving not less than three calendar months' notice in writing. He is entitled to a basic salary of S$207,600 per annum plus a discretionary bonus to be determined by the Board with reference to the performance of the Group.

Mr. Lau Yau Hong, an executive Director of the Company, has entered into a written service agreement with the Company for an initial term of three year commencing from 1 June 2016 and may be terminated by either party by giving not less than three calendar months' notice in writing. He is entitled to a basic salary of S$230,400 per annum plus a discretionary bonus to be determined by the Board with reference to the performance of the Group.

Mr. Chow Wing Tung, an independent non-executive Director of the Company, has entered into a letter of appointment for a term of three years commencing from 8 June 2016 and may be terminated by either party by giving at least three months' notice in writing. Mr. Chow is currently entitled to receive a director's fees of S$26,400 per annum.

Mr. Phang Yew Kiat, an independent non-executive Director of the Company, has entered into a letter of appointment for a term of three years commencing from 8 June 2016 and may be terminated by either party by giving at least three months' notice in writing. Mr. Phang is currently entitled to receive a director's fees of S$27,600 per annum.

Mr. Lee Teck Leng, an independent non-executive Director of the Company, has entered into a letter of appointment for a term of three years commencing from 8 June 2016 and may be terminated by either party by giving at least three months' notice in writing. Mr. Lee is currently entitled to receive a director's fees of S$26,400 per annum.

All Directors (including executive Directors and independent non-executive Directors) were appointed for an initial term of 3 years and are subject to retirement by rotation and re-election at the annual general meeting at least once every three years in accordance with the articles of association of the Company (the "**Articles**").

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

Pursuant to Article 83(3) of the Company's Articles, the Board shall have 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 to the Board. Any Director so appointed shall hold office only until the next following general meeting the Company and shall then eligible for re-election at that forthcoming annual general meeting. Therefore, Mr. Lim Kui Teng, Mr. Quek Sze Whye, Mr. Bijay Joseph, Mr. Lau Yan Hong, Mr. Chow Wing Tung, Mr. Phang Yew Kiat, and Mr. Lee Teck Leng shall retire from the office at the conclusion of the forthcoming annual general meeting. In pursuant to Article 84(2) of the Company's Articles of Association. Mr. Lim Kui Teng, Mr. Quek Sze Whye, Mr. Bijay Joseph, Mr. Lau Yan Hong, Mr. Chow Wing Tung, Mr. Phang Yew Kiat, and Mr. Lee Teck Leng, shall also retired and, being eligible offer themselves for re-election at the forthcoming general meeting.

Delegation by the Board

The Board has established three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Specific responsibilities of each committees are described below. All committees have defined terms of reference which are no less exacting than those set out in the CG Code.

AUDIT COMMITTEE

The Audit Committee of the Company established on 10 May 2016 which comprised of three independent non executive directors namely, Mr. Chow Wing Tung (Chairman), Mr. Lee Teck Leng and Mr. Phang Yew Kiat.

Audit Committee is provided with sufficient resources to perform its duties. The Audit Committee meets formally at least 2 times a year. The external auditors, the executive Directors and the financial controller would be invited to attend the meetings. Latest terms of reference of the Audit Committee can be viewed on the website of the Company at www.chuanholdings.com and the website of the Stock Exchange.

The major roles of the Audit Committee include the following:

(a) to act as the key representative body for overseeing the relationship with the external auditors;

(b) to review the Company's annual and interim financial statements; and

(c) to evaluate the effectiveness of the Group's internal control and risk management systems.

During the Year, the Audit Committee had performed the following work (in summary):

- The Audit Committee assisted the Board in assuring the integrity of the Company's financial statements. It evaluated and made recommendations to the Board about the appropriateness of accounting policies and practices, areas of judgment, compliance with Hong Kong Financial Reporting Standards and other legal requirements, and the results of external audit. It reviewed annual financial statements and accounts and half-year report of the Company and reviewed any significant financial reporting judgement including but not limited the material financial, operational and compliance controls contained therein before submission to the Board. It reported its work and findings to the Board and made recommendations on specific actions or decision for the Board to consider after each Audit Committee's meeting. Minutes of the Audit Committee's meetings were kept by the Company Secretary and made available to all Directors.

- The Audit Committee also managed the relationship with the external auditors on behalf of the Board. It made recommendation to the Board on the appointment of the external auditors and the relevant terms of engagement, including remuneration. The Audit Committee was required to review the integrity, independence and objectivity of the external auditors. The Audit Committee also examine the co-ordination between the internal and external auditors and to ensure that the internal audit function is adequately resourced, has appropriate standing within the Company and to review and monitor its effectiveness. The external auditors had also expressed an opinion on their reporting responsibilities in the "Independent Auditor's Report" set out on pages 65 to 68 of this annual report.

- The Audit Committee was required to ensure that the system of risk management and internal control of the Group was in place for identifying and managing risks. The Audit Committee had reviewed the risk management and internal control systems (also covered the environmental, social and government risk management and internal control systems) of the Group and the effectiveness of internal audit controls for the Year. Such review covered financial, operational and compliance controls and risk assessment of the Group. The Board was satisfied that the effectiveness of the internal controls of the Group had been properly reviewed by the Audit Committee.

Corporate Governance Report

During the Year, the Audit Committee held 1 meeting and performed duties including reviewing the Group's half-year reports since the Company listed on 8 June 2016. The individual attendance record of each member at the meeting of Audit Committee during the Year is set out below:

Name of Directors	**Attendance/ Number of committee meeting**
Mr. Chow Wing Tung *(Chairman)*	1/1
Mr. Phang Yew Kiat	1/1
Mr. Lee Teck Leng	1/1

The Company has satisfied the relevant provision of the CG Code in having at least one of the independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise. Mr. Chow, has the appropriate professional accounting experience and served as a Chairman of the Audit Committee during the year.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 10 May 2016 and was chaired by Mr. Phang Yew Kiat, an independent non-executive Director, with Mr. Lim Kui Teng, an executive Director and Mr. Chow Wing Tung, an independent non-executive Director as members.

Updated terms of reference of the Remuneration Committee can be viewed on the website of the Company at www.chuanholdings.com and the website of the Stock Exchange which are aligned with the Code Provisions of the CG Code. The Remuneration Committee has adopted the model to make recommendations to the Board on the remuneration packages of individual executive Director(s) and senior officers including benefits in kind, pension rights and compensation payment comprising any compensation payable for loss or termination of their office or appointment. It also makes recommendations to the Board on the remuneration of non-executive Directors. Its principal role is to assist the Board to oversee the policy and structure of the remuneration of the executive Director(s) of the Company and senior officers of the Group. The main duties of the Remuneration Committee are as follows:–

(i) to recommend to the Board on the Company's policy and structure for all Directors' and senior management's remuneration;

(ii) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(iii) to recommend to the Board on the remuneration packages of individual executive Directors and senior management;

(iv) to recommend to the Board on the remuneration of non-executive Directors;

(v) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment;

(vi) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct;

(vii) to be sufficiently flexible taking into account future changes in the Company's business environment and remuneration practice;

(viii) to allow remuneration arrangement to be designed to support the business strategy of the Group and to align with the interests of the Group's shareholders;

(ix) to aim at setting appropriate reward levels to reflect the competitiveness in the market in which comparable companies and the Group had been operating during the Year so as to retain individuals with outstanding performance;

(x) to maintain performance-related remuneration basis for the executive Directors and senior officers of the Group; and

(xi) to require that performance-related remuneration be subject to satisfactory performance over short and long term targets, and the targets be set and assessed in the context of the Group's prospects, the prevailing economic environment in which it operates and the relative performance of comparable companies.

The Company was listed on 8 June 2016. One Remuneration Committee Meeting was held for this Year. The attendance record of each member at the Remuneration Committee Meeting during the Year is set out below:–

Name of Directors	Attendance/ Number of committee meeting
Mr. Phang Yew Kiat *(Chairman)*	1/1
Mr. Lim Kui Teng	1/1
Mr. Chow Wing Tung	1/1

The work performed by the Remuneration Committee for the year ended 31 December 2016 was in accordance with the terms of reference of the Remuneration Committee and is summarised below:–

(i) reviewing the existing remuneration policy (structure and procedure) for all Directors' and senior management's remuneration;

(ii) assessing individual performance of the Directors and senior officers of the Group;

(iii) reviewing specific remuneration packages of the Directors and senior officers of the Group with reference to the Board's corporate goals and objectives as well as individual performances; and

(iv) reviewing and making recommendations to the Board on compensation-related issues.

The amount of remuneration paid to each Director for the year ended 31 December 2016 is set out in Note 10 to the consolidated financial statements.

REMUNERATION STRUCTURE

Under the above remuneration policy, the remuneration package of each executive Director and senior officer of the Group during the Year was structured to include:

– an appropriate rate of base compensation for the job of each executive Director and senior officer of the Group;

– competitive benefit programs; and

– sets of performance measures and targets for performance-related annual and long-term incentive plans based on the appropriate independent advice and/or an assessment of the interests of shareholders of the Company and taking into account an appropriate balance of risk and reward for the Directors and other participants.

NOMINATION COMMITTEE

The Nomination Committee was established on 10 May 2016 and was chaired by Mr. Lim Kui Teng, an executive Director, and two independent non-executive Directors, Mr. Phang Yew Kiat and Mr. Chow Wing Tung as members.

Updated terms of reference of the Nomination Committee can be viewed on the website of the Company at www.chuanholdings.com and the website of the Stock Exchange which are aligned with the Code Provisions of the CG Code. The main duties according to the term of reference of the Nomination Committee are as follows:–

(i) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed change to the Board to complement the Company's corporate strategy;

(ii) to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorship;

(iii) to assess the independence of independent non-executive Directors;

(iv) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executive officer;

(v) to develop and recommend to the Board measurable objectives for achieving diversity on the Board and monitor the progress on achieving those objectives;

(vi) to identify and nominate candidates to fill casual vacancies of the directors for the Board's approval;

(vii) to ensure that each director should be nominated by means of a separate resolution in meetings of the Board and/or the general meetings of the Company, as appropriate;

(viii) to do any such things to enable the Nomination Committee to perform its functions conferred on it by the Board;

(ix) where the Chairman or in the absence of the Chairman, another member of the Committee or failing this his duly appointed delegate, should be available to answer questions at the annual general meeting; and

(x) where the Board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, the Nomination Committee should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why they believe he should be elected and the reasons why they consider him to be independent.

As the Company was listed on 8 June 2016, there was no any Nomination Committee meeting held during this Year.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the corporate governance duties as referred under the CG Code: –

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

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

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

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

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year, the Board considered the following corporate governance matters:

– review of the compliance with the CG Code; and

– review of the effectiveness of the internal control and risk management systems of the Group through the Audit Committee.

COMPANY SECRETARY

The present Company Secretary of the Company is an external service provider, and her primary corporate contact person is Mr. Lim, an executive Director and the Chairman of the Board, for the purpose of code provision F1.1 of the CG Code. The Company Secretary is to ensure a good information flow within the Board and between the Board and senior management of the Company, to provide advice to the Board in relation to the Directors' obligations under the Listing Rules and applicable laws and regulations and to assist the Board in implementing the corporate governance practices. Ms. Ngan Chui Wan, a Company Secretary of the Company, has provided her training records to the Company indicating her compliance with the 15-hour training requirement under Rule 3.29 of the Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for maintaining sound and effective internal controls to safeguard the shareholder's investment and the Group's assets. The Group's risk management and internal control systems are designed to provide reasonable assurance that material misstatement or losses can be avoided, and to manage and minimize risks of failure in operation systems.

Therefore, the main features of the risk management and internal control systems of the Group are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage its risks across business operation.

With the continuous efforts of the Board, the Company has established a more comprehensive and effective internal control system and established a risk management framework, which consists of the Board, the Audit Committee and the senior management of the Group, to safeguard the corporate operating management regulations, asset security, financial reporting and the fairness, accuracy and completeness of the relevant information in a rational manner.

The Board has overall responsibility for evaluating and determining the nature and extent of the risks taken by the Group to achieve its strategic business objectives. The Board, through the Audit Committee, regularly reviews the effectiveness of the risk management and internal control systems and monitors the corporate governance practice and compliance procedures on an ongoing basis at least annually, which covering all material controls including financial, operational and compliance control.

To assist the Audit Committee to fulfill its responsibilities, the management has formulated and adopted risk management policy in providing directions in identifying, evaluating and managing significant. Each half year, the management would follow the policy to identify, update and report the key risk areas which covered all aspects of corporate strategies, operation and finance to the Board.

The Group has conducted an annual review on whether there is a need for an internal audit department. Given the Group's relatively simple corporate and operation structure, as opposed to diverting resources to establish a separate internal audit department, the Board, supported by the audit committee, is directly responsible for risk management and internal control systems of the Group and for reviewing its effectiveness.

During the Year, the Company engaged an external independent consultant with professional staff in possession of relevant expertise to conduct an independent review of the risk management and internal control systems of the Group semi-annually in order to maintain high standards of corporate governance. The review plan has been approved by the Board and Audit Committee. The Board and Audit Committee have also reviewed the resources, staff qualifications and experience and training programs of the external independent consultant and considered they are adequate and sufficient.

Risk management report and internal control report are submitted to the Audit Committee and the Board at least once a year. The Board, through the Audit Committee, had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board considers the Group's risk management and internal control systems were effective during the Year. No significant areas of concern that might affect shareholders were identified.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with requirements of Securities and Futures Ordinance ("**SFO**") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- Confidentiality covenants will be in place when the Group enters into significant negotiations. In addition, all employees are required to strictly adhere to the rules and regulations regarding the management of inside information, including that all employees who, because of his/her office or employment, is likely to be in possession of inside information in relation to the Company, are required to comply with the securities transaction rules adopted by the Company which are on terms no less exacting than those required under the SFO and the Listing Rules.

Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements or circulars are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

SHAREHOLDERS' RIGHTS

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

PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

Shareholders may at any time send their written enquiries and concerns by post or by fax to the Board by addressing them to the Company Secretary of the Company at its Hong Kong Registered Office as follows:

Company Secretary
57th Floor,
The Center
99 Queen's Road Central, Hong Kong

CONSTITUTIONAL DOCUMENTS

During the Year, there had been no significant change to the Articles.

RESPONSIBILITY FOR PREPARATION AND REPORTING OF FINANCIAL STATEMENTS

Financial Reporting

The Board acknowledges its responsibilities for the preparation of the financial statements of the Company for each financial year, which should give a true and fair view of the state of affairs, results and cash flow of the Group for that year in compliance with relevant laws and disclosure provisions of the Listing Rules.

In preparing the financial statements for the Year, the Directors adopted appropriate and consistent accounting policies and made prudent and reasonable judgments and estimations.

The financial statements for the Year have been prepared by the Directors on a going concern basis. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. A statement by the external auditors of the Company regarding their reporting responsibilities on the accounts of the Group is set out in the "Independent Auditor's Report" on pages 67 to 68 in this annual report.

Auditor’s Remuneration

The Board, based on the recommendation of the Audit Committee, approved the appointment of BDO Limited (“**BDO**”) as the Group’s external auditor to perform audit services for the Group for the Year.

During the Year, total fees paid to BDO amounted to HK$2.2 million, of which HK$1.0 million, or approximately 45.5%, were fees for non-audit services.

CODES FOR SECURITIES TRANSACTION BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors, following specific enquiries made by the Company, have confirmed that they have complied with the required standard as set out in the Model Code during the Year.

The Company has also adopted a code of conduct regarding securities transactions by relevant employees on terms no less exacting than the required standard set out in the Model Code. All the relevant employees who, because of office or employment, are likely to be in possession of inside information in relation to the Company’s securities has been requested to follow such code when dealing in the securities of the Company.

INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public. The Company updates its shareholders on its latest business developments and financial performance through its annual and interim reports. The corporate website of the Company has provided an effective communication platform to the public and the shareholders.

INFORMATION DISCLOSURE

The Company discloses information in compliance with the Listing Rules, and publishes periodic reports and announcements to the public in accordance with the relevant laws and regulations. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and complete, thereby enabling shareholders, investors as well as the public to make rational and informed decisions.

Report of the Directors

It is the pleasure of the directors of the Company (the "**Directors**" or the "**Board**") to present to the shareholders their report (the "**Director Report**") together with the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**" or the "**Company**") for the year ended 31 December 2016 (the "**Year**").

GLOBAL OFFERING AND GROUP REORGANISATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 25 August 2015 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 22 October 2015. As a result of the reorganisation of the Group (the "**Reorganisation**") which took place for purpose of listing of the shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 25 May 2016 (the "**Prospectus**"). The Company's shares were listed on the Main Board of the Stock Exchange on 8 June 2016 (the "**Listing Date**").

PRINCIPAL ACTIVITIES

The principal business activities of the Company are the provision of earthworks and related services, and general construction works. Earthworks and related services include land clearing, demolition, rock breaking, mass excavation, deep basement excavation, foundation excavation, earth disposal, earth filling and shore protection. General construction works include (i) alteration and addition works which can be broadly classified into interior works or works affecting building systems or components such as structural works, additions of lifts and reinforcement works; and (ii) construction of new buildings.

An analysis of the Group's segment information for the Year by business is set out in Note 6 to the consolidated financial statements.

USE OF NET PROCEEDS FROM LISTING

The Shares were listed on the Main Board of the Stock Exchange on 8 June 2016. The net proceeds from Listing amounted to approximately S$26.5 million, out of which approximately S$2.4 million had been utilised as at 31 December 2016.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the Consolidated Statement of Comprehensive Income of the Group on page 69 of this annual report.

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

BUSINESS REVIEW

Details of the business review information are set out in the section headed "Management Discussion and Analysis" on pages 6 to 15 of this annual report.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in Note 27 to the consolidated financial statements in this report.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2016 are set out in the Consolidated Statement of Comprehensive Income on page 69. The financial position of the Group as at 31 December 2016 is set out in the Consolidated Statement of Financial Position of the Group on pages 70 to 71. The financial position of the Company as at 31 December 2016 is set out in Note 34 to the consolidated financial statements on pages 134 to 135. The cash flows of the Group for the year ended 31 December 2016 are set out in the Consolidated Statement of Cash Flows on pages 73 to 74.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group during the Year are set out in Note 14 to the consolidated financial statements of the Group.

INVESTMENT PROPERTY

Details of movements in the investment property of the Group during the year are set out in Note 15 to the consolidated financial statements in this report.

The investment property of the Group as at 31 December 2016 was valued by an independent valuer. The revaluation surplus of the investment property of approximately S$4.1 million had not been included in the Group's financial statements as of 31 December 2016. The Group's accounting policy is to state such investment property at cost less accumulated depreciation and any impairment loss rather than at fair value. Had all the property interests been stated at such valuations, the additional annual depreciation would be approximately S$15,000.

RESERVES

Details of the movement in the reserves of the Group and the Company during the Year are set out in Notes 27 and 34 to the consolidated financial statement of the Group, respectively.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution represent the aggregate of share premium and contributed surplus less accumulated losses. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. At 31 December 2016, the reserves available for distribution to shareholders is approximately S$73.3 million which represents the aggregate of share premium and contributed surplus of S$73.7 million net of accumulated losses S$0.4 million.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group, as a responsible citizen, followed the principle to behave ethically and responsibly in daily operation to fulfill its environmental and social responsibilities. The Group has an integrated management system to govern the environmental, social and governance related aspect of our operations.

We consider environmental protection is essential to the longterm development of the Group and will constantly improve a management practices so as to minimize waste, maximize efficiencies and reduce our negative environmental impact on the environment.

Detail information on the environmental, social and governance practices adopted by the Company is set out in the "Environment, Social and Governance Report" on pages 51 to 64 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements. The Group has been allocating system and staff resources to ensure ongoing compliance with rules and regulations.

The Group's operations are mainly carried out by the Company's subsidiary in Singapore while the Company itself was incorporated in Cayman Islands and listed on Maid Board of the Stock Exchange in Hong Kong. Our establishment and operations accordingly shall comply with relevant laws and regulations in Hong Kong, Cayman Islands and Singapore.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group ensures all staff are reasonable remunerated and we regularly review and improve our policies on remuneration and benefits, training, occupational health and safety.

The Group maintains a good relationship with its customers. A customer complaint handling mechanism is in place to receive, analyse and study complaints and make recommendations on remedies with the aim of improving service quality.

The Group is in good relationship with its suppliers and conducts a fair and strict appraisal of its suppliers.

DIRECTORS

The Directors of the Company during the Year and up to the date of this Directors' Report are:

Executive Directors

Mr. Lim Kui Teng *(Chairman)* (appointed on 5 October 2015)
Mr. Quek Sze Whye (appointed on 5 October 2015)
Mr. Bijay Joseph (appointed on 5 October 2015)
Mr. Lau Yan Hong (appointed on 5 October 2015)

Independent Non-Executive Directors

Mr. Chow Wing Tung (appointed on 10 May 2016)
Mr. Phang Yew Kiat (appointed on 10 May 2016)
Mr. Lee Teck Leng (appointed on 10 May 2016)

Pursuant to Article 83(3) of the Articles of Association of the Company (the "**Articles**"), the Board shall have 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 to the Board. Any Director so appointed shall hold office only until the next following general meeting the Company and shall then eligible for re-election at that forthcoming annual general meeting. Therefore, Mr. Lim Kui Teng, Mr. Quek Sze Whye, Mr. Bijay Joseph, Mr. Lau Yan Hong, Mr. Chow Wing Tung, Mr. Phang Yew Kiat, and Mr. Lee Teck Leng shall retire from the office at the conclusion of the forthcoming annual general meeting.

In pursuant to Article 84(2) of the Company's Articles, Mr. Lim Kui Teng, Mr. Quek Sze Whye, Mr. Bijay Joseph, Mr. Lau Yan Hong, Mr. Chow Wing Tung, Mr. Phang Yew Kiat, and Mr. Lee Teck Leng, shall also retired and, being eligible offer themselves for re-election at the forthcoming general meeting.

All Directors are subject to retirement by rotation and re-election at the annual general meeting at least once every three years pursuant to the Articles of the Company.

The biographical details of Directors and Senior Management of the Group are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 16 to 18 of this annual report.

Directors of Subsidiaries

During the Year, the details of directors who have served on the boards of the subsidiaries of the Company are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 16 to 18 of this annual report.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

All Directors (including executive Directors and independent non-executive Directors) were appointed for an initial term of three years and are subject to retirement by rotation at least once every three years in accordance with the Articles of the Company. No other Director (including any Director proposed for re-election at the forthcoming annual general meeting) has a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as disclosed in the section headed "Share Option Scheme" below, no equity-linked agreements entered into by the Company subsisted at the end of the year or at any time during the Year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN EQUITY OR DEBT SECURITIES

As at 31 December 2016, the interests of the Directors (the "**Directors**") and the chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance ("**SFO**"), or as otherwise notified to the Company and pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**"), The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") were as follows:

Aggregate long positions (L) in the shares and underlying shares of the Company

Name of Director/Chief Executive	Nature of interest and capacity	Number of shares of the Company	Approximate percentage of interest in the issued share capital of the Company as at 31 December 2016
Mr. Lim Kui Teng ("**Mr. Alan Lim**")	Interest of controlled corporation *(Notes 1)*	697,500,000 (L)	67.23%
Ms. Yee Say Lee ("**Ms. Yee**")	Interest of spouse *(Notes 1 and 2)*	697,500,000 (L)	67.23%

Notes:

(1) The entire issued share capital of Brewster Global Holdings Limited ("**Brewster Global**") is beneficially owned by Mr. Alan Lim who is deemed to be interested in all the shares of the Company held by Brewster Global by virtue of the SFO. Mr. Alan Lim is a substantial shareholder and Executive Director of the Company.

(2) Ms. Yee is the spouse of Mr. Alan Lim and deemed to be interested in the shares of the Company indirectly held by Mr. Alan Lim through Brewster Global.

Save as disclosed above, none of the Directors or chief executives or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2016.

SHARE OPTION SCHEME

Pursuant to the shareholders written resolutions passed on 10 May 2016, the Company have conditionally adopted a share option scheme (the "**Share Option Scheme**") by the shareholders of the Company. During the Year, the Company has not issued any option to any participant under the Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Equity or Debt Securities" and in the section headed "Share Option Scheme" above:

(a) at no time during the Year was the Company, any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and

(b) none of the Directors, or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the Year.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN THE SECURITIES OF THE COMPANY

As at 31 December 2016, so far as is known to any Director or chief executive of the Company, other than the interests and short positions of the Directors or chief executive of the Company as disclosed above, the following persons had interest, or short positions in the Shares or underlying Shares in respect of equity derivatives of the company as regarded in the register of substantial shareholders required to be kept under Section 336 of the SFO or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Aggregate long positions (L) in the shares and underlying shares of the Company

Name of shareholder(s)	Nature of interest and capacity	Number of shares of the Company	Approximate percentage of interest in the issued share capital of the Company as at 31 December 2016
Brewster Global	Beneficial owner *(Notes 1)*	697,500,000 (L)	67.23%
Mr. Alan Lim	Interest of controlled corporation *(Notes 1)*	697,500,000 (L)	67.23%
Ms. Yee	Interest of spouse *(Notes 1 and 2)*	697,500,000 (L)	67.23%
Victory Time Finance Limited	Beneficial owner *(Notes 3)*	52,500,000 (L)	5.06%
Mr. Cheung Ching Ping, Stephen	Interest of controlled corporation *(Notes 3)*	52,500,000 (L)	5.06%
Mr. Cheung Yick Chung	Interest of controlled corporation *(Notes 3)*	52,500,000 (L)	5.06%

Notes:

(1) The entire issued share capital of Brewster Global is beneficially owned by Mr. Alan Lim who is deemed to be interested in all the shares of the Company held by Brewster Global by virtue of the SFO. Mr. Alan Lim is a substantial shareholder and Executive Director of the Company.

(2) Ms. Yee is the spouse of Mr. Alan Lim and deemed to be interested in the shares of the Company indirectly held by Mr. Alan Lim through Brewster Global.

(3) These shares were held by Victory Time Finance Limited ("**Victory Time**"), which Mr. Cheung Ching Ping, Stephen and Mr. Cheung Yick Chung, each held 50% interests in Victory Time. Mr. Cheung Ching Ping, Stephen and Mr. Cheung Yick Chung are deemed to be interested in the shares of the Company held by Victory Time by virtue of the SFO.

Other than as disclosed above, the Company had not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company as at 31 December 2016.

HIGHEST PAID INDIVIDUALS AND THE REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT

Details of the Directors' remuneration and the five individuals with highest emoluments are set out in Note 10 of the consolidated financial statements in this annual report. The five highest paid individuals of the Group included 4 Directors and the remaining individual fell within the following band:

Remuneration Band	Number of individual
Nil – HK$1,000,000	1

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Year, none of Directors or the controlling shareholders of the Company nor their respective associates (as defined in the Listing Rules) had any interest in a business that competed or might compete with the business of the Group. In particular, Mr. Lim Kui Teng, being a Chairman, executive Director and the controlling shareholders of the Company, declared that he did not engage in business competed or might compete with the business of the Group during the Year and he has complied with the undertaking given under the Deed of Non-Competition as disclosed in the Prospectus of the Company dated 25 May 2016. The independent non-executive Directors did not notice any incident of non-compliance of such undertaking.

INTEREST OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser, VBG Capital Limited (the "**Compliance Adviser**") as at 31 December 2016, except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 8 October 2015, the Compliance Adviser nor its directors, employees or close associates had any interests in relation to the Company, which is required to be notified to the Company pursuant to the Listing Rules.

DIRECTORS' OR CONTROLLING SHAREHOLDER'S INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for the borrowings of the Group and the related party transactions of the Group as disclosed in Note 31 to the consolidated Financial Statement of the Group, no transactions, arrangements and contracts of significance to which the Company, or any of its subsidiaries, its holding companies or its fellow subsidiaries was party and in which a Director or a controlling shareholder of the Company had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the Year.

PERMITTED INDEMNITY PROVISION

The Articles provides that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities.

During the period from 8 June 2016, being the listing date of the Company to 9 April 2017, the Company had not arranged for appropriate insurance cover in respect of any legal action against its Directors. With regular and timely communications among the Directors and the senior management of the Group, the Board was of the opinion that sound and effective corporate governance within the Group would suffice in monitoring and mitigating legal and compliance risks. Nevertheless, in order to offer fuller protection to the Directors, the Company had arranged for appropriate insurance coverage for the Directors since 10 April 2017.

MAJOR CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

The five largest customers of the Group accounted for approximately 54.9% (2015: 53.0%) of the Group's total revenue and the largest customer of the Group accounted for 38.1% (2015: 23.3%) of the Group's total revenue.

The five largest suppliers of the Group accounted for approximately 76.9% (2015: 80.7%) of the Group's total purchases and the largest supplier of the Group accounted for 24.0% (2015: 27.1%) of the Group's total purchases.

The five largest subcontractors of the Group accounted for approximately 73.0% (2015: 56.5%) of the Group's total subcontractor fees and the largest subcontractor of the Group accounted for 34.3% (2015: 38.5%) of the Group's total subcontractor fees.

One of our five largest customer for the Year was Hulett Construction (S) Pte. Ltd., a company incorporated in Singapore with limited liability, for which Mr. Lim, our Chairman, Executive Director and substantial shareholder, and Ms. Yee Say Lee, the spouse of Mr. Lim each owned 65% and 35% respectively. Save for Hulett Construction (S) Pte. Ltd, none of the Directors, any of their associates or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had an interest in any of the Group's five largest customers, suppliers and subcontractors.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the Year.

CONTINUING CONNECTED TRANSACTIONS

During the Year, the Group has entered into the following continued connected transactions as stated in Note 31 to the consolidated financial statements, which are required to be disclosed in accordance with Chapter 14A of the Listing Rules:

(A) a framework construction material purchase agreement ("**Construction Material Purchase Agreement**") entered into between the Company and United E&P Pte. Ltd. ("**United E&P**") on 10 May 2016. In pursuant to Construction Material Purchase Agreement, United E&P has agreed to provide construction materials to our Group according to actual needs. The principal terms of the Construction Material Purchase Agreement include: (1) pricing policy of each type of material supplied having regards to the actual materials, quantity etc.; and (2) the Construction Material Purchase Agreement would be effective from 8 June 2016 (the Listing Date of the Company) until 31 December 2018 and may be renewed for a further term of three years upon its expiry with mutual consent after negotiation. United E&P is owned as to 40% by an independent third party ("**Independent Third Party**") and 60% by United E&P Holdings Pte. Ltd., which in turn is owned as to 33.33% by Mr. Lim Kui Teng ("**Mr. LIM**"), our Executive Director and 66.67% by an Independent Third Party. As such, United E&P is a connected person of our Company for the purpose of the Listing Rules.

(B) a rental services framework agreement ("**Rental Services Framework Agreement**") entered into between the Company and Golden Empire Civil Engineering Pte. Ltd. ("**Golden Empire**") on 10 May 2016. In pursuant to which, our Group has agreed to provide construction-related services such as rental of trucks and supply of labour to Golden Empire according to actual needs. The principal terms of the Rental Services Framework Agreement include: (1) pricing policy of rental fee for each truck and quantity of labour provided; (2) our Group and Golden Empire must enter into specific agreements to stipulate specific terms and conditions, including specific scope of service, form of service and payment method, in respect of the relevant services based on the principles as set out in the Rental Services Framework Agreement; and (3) the Rental Services Framework Agreement would be effective from 8 June 2016 (the Listing Date of the Company) until 31 December 2018 and may be renewed for a further term of three years upon its expiry with mutual consent after negotiation. Golden Empire is owned as to 50% by Mr. LIM and 50% by an Independent Third Party. As such, Golden Empire is a connected person of our Company for the purpose of the Listing Rules.

(C) a master lease agreement ("**Master Lease Agreement**") entered into between Chuan Lim Construction Pte. Ltd, a wholly-owned subsidiary of the Company. and Hulett Construction (S) Pte. Ltd. ("**Hulett Construction**"), (a connected person of the Company) on 27 April 2016, pursuant to which, Hulett Construction has agreed, with effect from 1 April 2016, to lease the followings to our Group, including: (a) offices with aggregate floor area of approximately 4,700 square feet and management services; and (b) workers dormitory (approximately 240 beds), workshops (approximately 19,000 square feet) and parking lots for heavy vehicles (approximately 80 lots). The term of the lease was from 1 April 2016 (or such other date as may be agreed between the parties) until 31 December 2018, which may be renewed for a further term of three years after its expiry with mutual consent after negotiation. Hulett Construction is owned as to 65% by Mr. LIM and 35% by Ms. Yee Say Lee, the spouse of Mr. LIM. As such, Hulett Construction is a connected person of our Company for the purpose of the Listing Rules.

Detail of Continuing Connected Transactions have disclosed and set out in the Prospectus of the Company dated 25 May 2016. Due to all of aforesaid transactions, for each of the three financial years ending 31 December 2016, 2017 and 2018, the highest applicable percentage ratio for the non-exempt continuing transactions is expected to exceed 0.1% but less than 5%. Accordingly, the non-exempt continuing connected transactions are subject to the announcement requirement under Rule 14A.35 and the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules.

The Company have applied for and the Stock Exchange has granted a waiver from strict compliance with the announcement requirement under the Listing Rules for the non-exempt continuing connected transactions, but subject to make disclose in annual report.

CONNECTED TRANSACTIONS

The transaction with parent and transactions with subsidiaries or fellow subsidiaries as disclosed in "Related Party Transactions" under Note 31 to the consolidated financial statements of the Group constituted connected transactions or continuing connected transactions but are exempt from shareholders' approval and disclosure and other requirements under Chapter 14A of the Listing Rules. Save for the aforesaid transactions, the other related party transactions shown in Note 31 to the consolidated financial statements of the Group do not constitute connected transactions or continuing connected transactions under the Listing Rules.

The Company's auditor were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

SUBSIDIARIES

Particulars regarding the subsidiaries of the Company are set out in Note 35 to the consolidated financial statements of the Group.

BANK BORROWINGS

The particulars of bank borrowings of the Group as at 31 December 2016 are set out in Note 25 to the consolidated financial statements.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities since the Listing Date until and up to 31 December 2016.

PRE-EMPTIVE RIGHTS

No provision for pre-emptive rights under the Company's Articles or under the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient amount of public float for its shares as required under the Listing Rules throughout the Year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as a code of conduct regarding directors' securities transactions. All the members of the board have confirmed, following specific enquiry by the Company that they have complied with the required standard as set out in the Model Code throughout the Year. The Model Code also applies to other specified senior management of the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, except below, the Company has complied with the code on Corporate Governance Practices ("**CG Code**") as set out in Appendix 14 of the Listing Rules throughout the year.

The roles of the chairman (the "**Chairman**") and the chief executive officer (the "**Chief Executive Officer**") of the Company are served by Mr. Lim Kui Teng and have not segregated as repaired under Code A.2.1 of the CG Code. However, the Company considers that the combination of the roles of the Chairman and the Chief Executive Officer will involve a realignment of power and authority under the existing corporate structure and facilitate the ordinary business activities of the Company.

The CG Code provision A.1.8. required a listed company should appropriate insurance and indemnity cover in respect of legal action against its directors. The Company has not arranged appropriate insurance to its Directors during this Year.

During the period from 8 June 2016, being the listing date of the Company to 9 April 2017, the Company had not arranged for appropriate insurance cover in respect of any legal action against its Directors. With regular and timely communications among the Directors and the senior management of the Group, the Board was of the opinion that sound and effective corporate governance within the Group would suffice in monitoring and mitigating legal and compliance risks. Nevertheless, in order to offer fuller protection to the Directors, the Company had arranged for appropriate insurance coverage for the Directors since 10 April 2017.

Report of the Directors

EMOLUMENT POLICY OF THE GROUP

The emolument policy of the senior employees of the Group is set and recommended by the remuneration committee of the Company (the "**Remuneration Committee**") to the Board on the basis of the employees' merit, qualifications and competence.

The emoluments of the Directors are formulated and recommended by the Remuneration Committee to the Board, having regards to the Company's operating results, individual performance of the Directors and comparable market statistics.

The Company has adopted the Share Option Scheme as an incentive to the Directors and eligible employees of the Group, details of which are set out in the section headed "Share Option Scheme" above.

CORPORATE GOVERNANCE REPORT

Details of the "Corporate Governance Report" are set out on pages 19 to 38 of this annual report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2016 have been audited by BDO Limited, who would retire at the conclusion of the forthcoming annual general meeting of the Company, and, being eligible, offer themselves for re-appointment. A resolution will be proposed to the shareholders at the forthcoming annual general meeting to re-appoint BDO Limited as the auditor of the Company.

EVENTS AFTER THE REPORTING PERIOD

The Directors confirm that there is no major subsequent event after reporting period.

On behalf of the Board

Mr. Lim Kui Teng
Chairman

27 March 2017

Environmental, Social and Governance Report

The Group is pleased to present this Environmental, Social and Governance ("**ESG**") Report, which describes the initiatives of the Group with regard to ESG issues for the year ended 31 December 2016.

Details by the ESG are set out on pages 51 to 64 of this annual report.

We have an Integrated Management System ("**IMS**") which comprise of (i) ISO 9001 (Quality Management System); (ii) OHSAS 18001 (Occupational Health & Safety Management System); and (iii) ISO 14001 (Environmental Management System) for the provision of general building and civil engineering works to govern ESG-related aspect of our operations.

In addition, we have a Green and Gracious Policy to protect the environment by:

Giving training to our staff to ensure adequate knowledge to ensure Green and Gracious Practices are in place
Reducing, reusing and recycling of our material and waste
Ensuring efficient usage of our electricity, diesel and water
Ensuring air and water pollution are managed
Neatness on site for good housekeeping

Giving a safe work environment to all staff and public
Reducing traffic obstruction to public
Access that are safe, clean and unobstructed
Communicating to neighbours on major project milestones
Initiating feedback from neighbours
Onboard training to new staff
Using technology and measures to reduce noise and vibration
System in place to manage manpower recruitment, welfare, performance, rewards and compensation

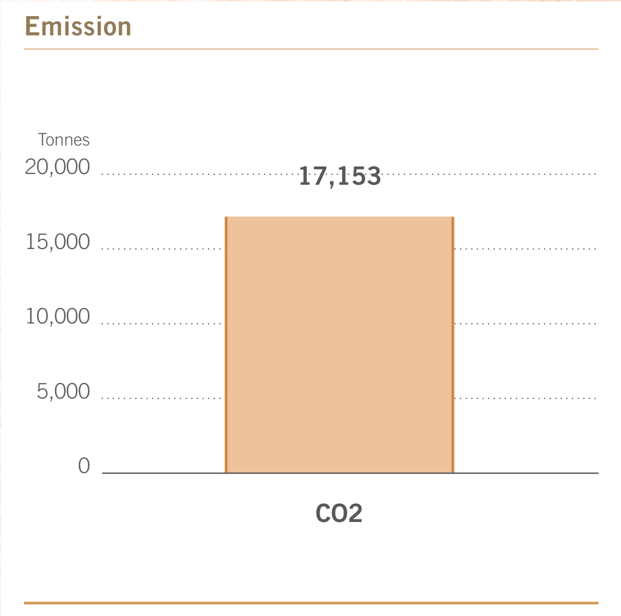
ENVIRONMENTAL

Aspect A1: Emissions

In the provision of general construction works, we do not generate significant amount of greenhouse gas emissions, discharges into water and land and generation of hazardous and non-hazardous waste.

In the provision of earthworks, we consumed diesel for our tipper trucks and excavators. The chart behind presents the total carbon dioxide emission for the year 2016 arising from our diesel consumption:

We are committed to monitor and manage our environmental footprint with our environmental control procedures which forms part of our IMS which are relevant to our operations. It includes procedures for air pollution control, construction waste management, and water pollution control.



Air pollution control

We have a procedure to control dust, fumes, smokes and obnoxious gas generated at the construction site to protect the environment from air pollution.

i) *Control of dark smoke*

All our fuel burning equipment such as air compressors and generators are serviced and maintained on a regular basis to prevent emission of dark smoke. Any defective fuel equipment identified shall be replaced. In addition, engines of stationary vehicles should be switched off promptly. Further, we restrict all illegal burning of debris at our construction sites.

ii) *Control of dust*

Our procedures include ensuring vehicles transporting sand, debris and other materials likely to generate dust, are covered adequately with canvas before leaving our construction site. We also ensure that stockpile of sand and aggregates are sheltered with canvas to prevent dust pollution. All construction debris should be properly stored and removed for disposal quickly and should not be left to accumulate at the construction site.

iii) *Control of fume and obnoxious gas*

We take measures such as disposing non-used air-conditioner and damaged refrigerators used by our workers to control possible sources of chlorofluorocarbon and hydrochlorofluorocarbons.

Water pollution control

We have a procedure to prevent pollution of surface water, public sewer and rain-water-drain.

i) *Silt control measure*

For every project, we plan the location of silt control measures such as temporary perimeter lined cut-off drains, silt fences and silt traps within the worksite before commencement of any earthworks or construction works to prevent the wash down of silt, earth, and debris from the worksite into the public drains and adjacent premises. Silt traps shall be maintained regularly.

ii) *Vehicle washing bay*

All types of vehicles are jet-washed, whenever possible, to remove all mud and silt before leaving the construction site. The washing bay shall be maintained regularly and the accumulation of silt shall be disposed periodically to the approved disposal sites.

iii) Control of oil, diesel or chemical spillage

All oil, diesel and chemicals shall be handled carefully to minimize unnecessary spillage. Diesel tank shall be placed away from the surface drain the amount of diesel used at construction site shall be monitored to reduce wastage.

iv) Sewerage system

For every construction site, we engage licensed sanitary plumber to design the temporary sanitary and water supply requirements, which includes site office, canteen and worker's quarter (if applicable). No washing water from cooking and laundry activities shall be discharged to open drain.

Construction waste management

We have a procedure to manage construction wastes so as to ensure proper disposal, maximize re-use and recycling.

i) Segregation of construction waste

We segregate the construction waste materials into four categories (a) general construction waste such as concrete waste, earth, clay and debris from excavation; (b) organic waste such as food waste; (c) recyclable waste such as steel scrap and timber; and (d) toxic industrial waste such as used oil and grease from machinery and equipment, used or leftover paints and chemical waste.

ii) Installation and removing of rubbish bin

We placed sufficient number of containers at our construction sites to segregate our construction wastes. We also appoint the general waste collector as well as the licensed waste-removing contractor to dispose of all the wastes at only authorised dumping ground or disposal facilities. Waste such as steel or wood shall be recycled if possible to minimise waste disposal.

Aspect A2: Use of Resources

Our environmental control procedures also include procedures to save resources such as paper, water, diesel and electricity at our construction sites and our head office. We are also committed to reduce construction material wastage. Depending on the types of our project, we will set specific wastage and consumption goals and key performance indicators as a benchmark to better control our usage of resources.

Environmental, Social and Governance Report

i) *Water, electricity and diesel consumption*

We monitor and review our water, electricity and diesel consumption at our construction sites on a monthly basis to ensure that the usage were relatively stable as compared to our similar projects or previous monthly statistics. We also designate a worker to be responsible to switch off all machines and equipment such as gensets, machines, lights, air-conditioner, fan, shut all open taps and repair all leakages or broken water pipes on a daily basis.

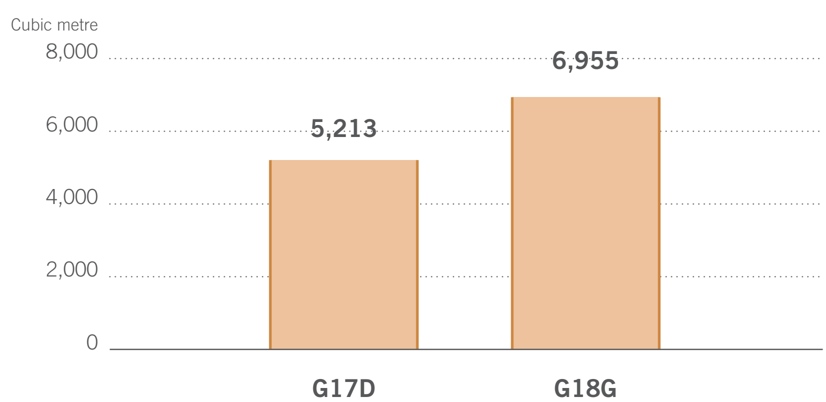
We also put in place procedures to reduce water, energy and paper consumption by 10% by 2016.

(a) Water conservation

We are committed to reduce water usage by placing reminders at places near our water taps to remind our employees to turn off the tap and not keep the water running while not in use. We also install water efficient fittings such as press tap and dual flush water cistern at our head office and construction site. In addition, we use recycled water to wash trucks' wheels.

We will monitor water consumption for major general construction works projects which we act as main contractor. Our water consumption for the year ended 31 December 2016 for two public residential projects are as follows:

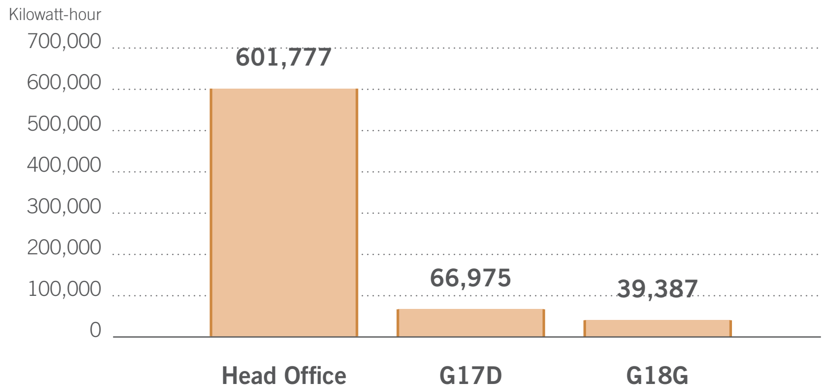
Water Consumption



(b) Energy conservation

We conserve electricity by placing reminders at places near all our switches to remind our employees to switch off all electricity when not in used. We also turn off all the lights during lunch hour. In addition, we purchase energy saving or green label appliances for both our construction sites and head office such as energy saver photocopier, air-conditioning, refrigerator, T5 lighting and install auto sensor switch. Further, we use solar power for our monitoring system such as noise and vibration system at our worksites. Our energy consumption for the year 2016 is as follows:

Energy Consumption

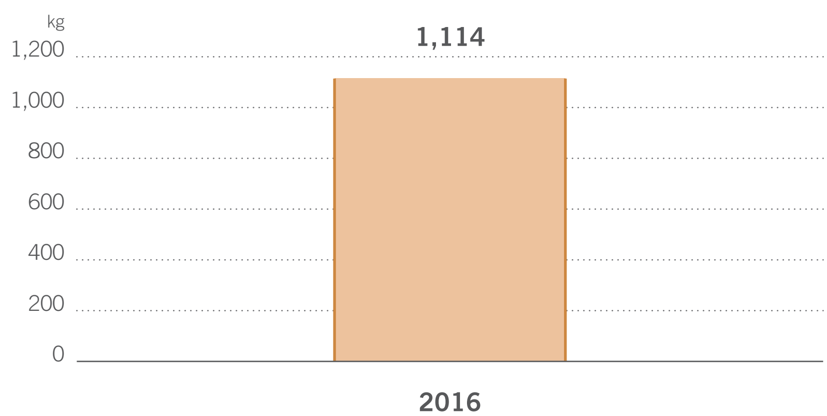


Note: The energy consumption data of our head office as presented above is tracked since March 2016 when we moved into the premise after renovation.

(c) Paper conservation

We aim to reduce paper usage by setting up recycle tray for used paper. We also encouraged our staff to print documents on both sides of the paper. Our paper consumption for the year 2016 is as follows:

Paper Consumption



ii) Material consumption

We shall place order based on the actual amount of material required for the site. Materials shall be handled and stored to prevent damages. We also segregate and monitor our materials wastage, and sold them as scrap or recycle concrete waste to be used for drain works, surface levelling and pavement construction. Further, we will use metal formwork and pre-cast concrete at our construction site to reduce materials wastage

Aspect A3: The Environment and Natural Resources

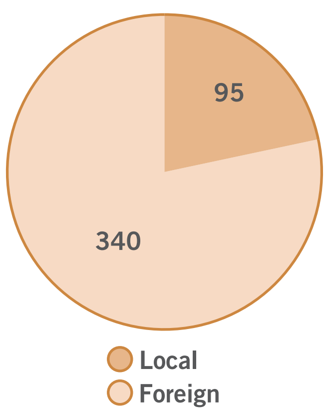
To help promote environmental awareness among our employees, we periodically conduct sharing sessions among our staff and in-house quizzes to raise awareness of the green and gracious practices relevant to our operations. We also communicate our green and gracious policies and requirements to our subcontractors and suppliers.

EMPLOYMENT AND LABOUR PRACTICES

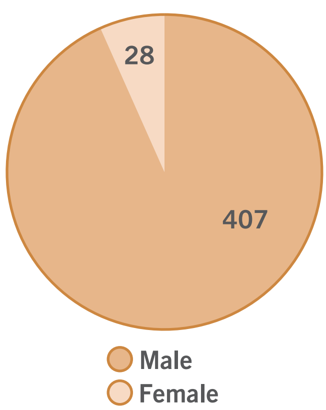
Aspect B1: Employment

As at 31 December 2016, our Group employs over 400 employees (local and foreign workers). Our employees are remunerated according to their job scope and responsibilities. All our employees are based in Singapore. For the year 31 December 2016, our employees' turnover rate is approximately 27%. Below are the detailed breakdown of our employee by local (Singaporean and Singapore permanent residents) and foreign employees, gender and age group as at 31 December 2016:

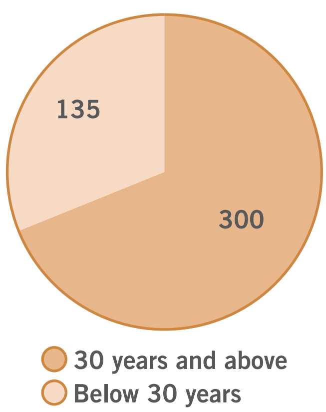
Number of local and foreign employees



Number of employees by gender



Number of employees by age group



Employees are informed of the general working hours, benefits and performance appraisals in our Employee's Handbook. Further, we have a recruitment policy in place in hiring construction foreign workers.

Employee's Handbook

Our employee's handbook detailed out the general terms and conditions of employment as well as certain employment procedures with our Group. It includes the general working hours for both office and site staff, probation period, overtime allowance, termination procedures, medical benefits, various types of leave and performance review. We have in place a transparent system for assessing staff performance based on knowledge and skills, quality of work, initiative, attitude and respect towards authority, safety awareness which includes workplace safety and environmental control, interpersonal relation and teamwork, punctuality, professional conduct, pace of work and self-development.

Human resources policy

Our human resources policy serves as a guideline to our human resources department as well as our employees in relation to matters on resource planning, interview, enrolment, probation, training, employee data maintenance, termination and resignation, performance, evaluation and feedback mechanism, compensation, payroll, and leave application.

Recruitment policy in hiring construction foreign workers

As an employer of foreign workers, we are required to comply with the rules and regulation as stipulated by the Ministry of Manpower of Singapore ("**MOM**"). Hence, we have a specific policy in place to ensure the recruitment process is in compliance with MOM's regulations and requirements, provide equal opportunity in employment practices without discrimination in race and religion, and fill the vacancies with suitable candidates.

For the year ended 31 December 2016, the Group had no material incidences of non-compliance with relevant laws and regulations regarding employment practices.

Employee welfare and working conditions

As part of providing an engaging working environment, we organises various occasions as an avenue for our employees to get together. The Group encourages communication and interaction of the staff with the management. Through these gatherings, management is alerted to issues raised by staffs and can carry out responsive measures to improve operations if appropriate.

Environmental, Social and Governance Report

February 2016 – Chinese New Year Gathering

This gathering enables us to align the management and staffs in the same pace and direction so as to support the Group's development in the coming year.

June 2016 – Company Trip to Hong Kong

Chuan Holdings Ltd (the "Company"), together with our subsidiaries, the "Group") was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 June 2016. We understand that this will not be possible without the hard work, dedication and professionalism of our employees. In conjunction with this, we invited staffs who have dedicated long service to the group to join our trip to witness the historical moment of the Company.

Environmental, Social and Governance Report

June 2016 – Company Trip to Hong Kong (Continued)

December 2016 – Christmas Lunch

Christmas lunch is a gathering with lucky draws and games which makes the afternoon full of energy and excitement.

December 2016 – Year End Dinner

Year-end dinner provides us a chance to appreciate staffs for their contribution and hard work to the Group during the year as well as to celebrate and usher the beginning of new year.

Aspect B2: Health and Safety

We are committed to ensuring the health and safety of our staff, who are valuable to our Group and to the successful execution of our projects. Due to the nature of the construction industry, incidents at worksites may have detrimental effects on the health and safety of our workers. In cases where we are the subcontractors, the main contractors will have established workplace safety and health procedures which all their subcontractors are required to comply with on-site. Nevertheless, we have our safe work procedures which form part of our IMS and adhere to OHSAS 18001 requirements. Our IMS objectives in relation to the health and safety aspects of our projects are as follows:

- Five or less incidents (ill-health or injury) which resulted in more than 3 days of medical leaves; and
- Zero fatal incident.

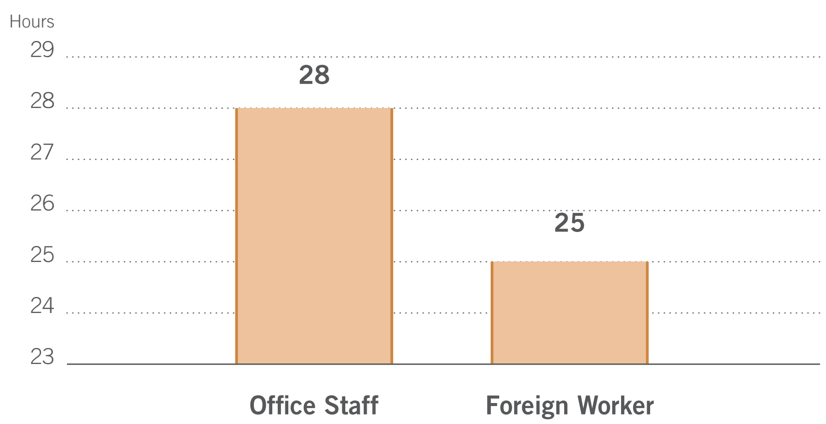
Our safe work procedures cover various aspects of our operations such as backfilling works, demolition works, earthworks, drain diversion, lifting operations and drivers. For each aspects identified, we will outline (i) the construction methodology which include the list of preparatory works required prior to the execution of the work and the general sequence of the work; (ii) the construction resources required for such work including the types of materials and list of plant and equipment; and (iii) health and safety procedures including procedures for personal safety, ways to handle plant and equipment safely, maintenance of site environment and security procedures.

For the year ended 31 December 2016, we recorded one non-compliance with applicable workplace health and safety regulations and all recertification work has been carried out to rectify the shortcomings identified.

Aspect B3: Development and Training

Development and training of our employees are key to improve productivity and ensure sustainable growth of our Group. We have in place a training procedure which forms part of our IMS to continuously identify the training needs for our employees. During the year 2016, our employees were sent to various types of training and courses such as coretrade for reinforced concrete works, basic traffic control course, work-at-height course, occupational first aid course, construction safety course, construction productivity course and build smart conference.

Average training hours per employee by employee category



ASPECT B4: LABOUR STANDARDS

We are committed to find practical, meaningful and culturally appropriate responses to support the elimination of child and forced labour practices. We do not employ any person below the age of eighteen years at our workplace. We also prohibit the use of child labour and forced or compulsory labour at our workplace. None of our employee shall be made to work against his/her will or work as bonded/forced labour, or subject to corporal punishment or coercion. The implementation of this policy is the responsibility of our human resource departments and our site foreman. There is zero tolerance policy towards the use of child and forced labour. Human resource department shall keep all employment contracts and relevant documentation on the details of our employees. The Board shall also undertake random check of the records annually.

OPERATING PRACTICES

Aspect B5: Supply Chain Management

The Group relies on suppliers and subcontractors to ensure the quality and execute our projects on a timely and reliable basis, consistent with the project requirements of our customers. All our suppliers and subcontractors are based in Singapore. For projects where we are the main contractor, our subcontractors are required to adhere to our IMS policy. In managing the environmental and social risks of our supply chain, we will perform assessments on all our suppliers and subcontractors prior to engaging them and include in our approved vendor list. We also monitor and assess our suppliers and subcontractors annually whereby those with poor performance will be removed from our approved vendor list. One of the criteria in our assessment relates to the existence and performance of the suppliers' and subcontractors' environmental, health and safety system.

New supplier and subcontractor assessment

Our new suppliers and subcontractors are initially assessed based on (i) market reputation; (ii) existence of an effective quality, environmental, health and safety system; (iii) response to our request for services; (iv) reliability of products or information procured; and (v) quality of samples of products or referral provided.

Monitoring of suppliers and subcontractors

On an annual basis or during the course of the contract with our suppliers and subcontractors, we will monitor their performance based on (i) ability to meet delivery schedules in accordance with contract/purchase order; (ii) response to repair calls under guarantee period; (iii) quality of goods and services received; and (iv) environmental, health and safety performance. Should the performance of the suppliers and subcontractors are not satisfactory, they will be removed from our approved vendors list.

Aspect B6: Product Responsibility

We are committed to deliver all projects with quality on a timely and reliable basis. Our IMS objectives in relation to the quality aspects of our projects are as follows:

- To achieve at least 90% passing rate for first inspections; and

- To achieve 100% timely delivery for all projects (i.e. no liquidated damages imposed).

Our customers typically come to know of us by word-of-mouth or are repeat customers. We also monitor the Singapore government's online public tender system (GeBIZ) for any relevant tenders. Hence, we do not carry out any advertising activities or labelling of our services.

Quality and timely services

Providing quality and timely services to our customers are our objectives and priority. In achieving our IMS objectives in terms of quality projects, we have in place procedures on quality control in our IMS which adhere to ISO 9001 standards for various stages of our operations. We also value feedback from our customers as a learning opportunity to improve our services.

Quality control procedures

Our quality control procedures detailed the inspection and testing required for incoming purchases, in-process inspection during the project and final inspection and testing prior to handover to customers.

For incoming purchases, our site supervisors will conduct visual inspections and sample test to ensure right quantity, type, grade or size of materials (as the case may be) and evidence of defects such as dent, grease, rush or coating defects. Non-conforming materials will be segregated in designated area to prevent inadvertent use and arrangements will be made to return such materials to the suppliers.

During the project, we will carry out in-process inspection to continuously ensure project specifications are met. Non-conformance to the specifications will require rework/repair and subsequently subjected to re-inspection before proceeding to the next stage of work.

At the completion of the project, we will conduct a final check before arranging for handover to our customers which include ensuring that all control levels are in accordance with project specifications for our earthworks projects and quality of the finishes (such as paint, plaster or tiling works) to ensure that there is no visual defect, for instance, misalignment, discolouration, stain or water mark for our general construction works. We will arrange for customer to conduct the final inspection and all inspection records will be properly filed and kept as quality records.

Customer feedback and complaints

We will request for a customer feedback at the end of our project. Our customers will evaluate us based on our ability to meet delivery schedules in accordance with the contract, our response to repair calls under guarantee period (if applicable) and quality of our goods and services.

We also have in place a policy to handle complaints from our customers and public as we seek to be responsive towards the needs and concerns of our customers and public. We have appointed one of our Executive Directors, Mr. Lau Yan Hong as the Complaints Officer to which all written complaints detailing the nature of complaint, name and contact details shall be addressed to. We strive to deal with all complaints expeditiously and provide a reply within 10 working days. For the year ended 31 December 2016, we did not receive any complaints from our customers or public.

Intellectual property rights

Our Group has registered "Chuan Holdings Limited" trademark in Hong Kong with the expiry date on 4 February 2026 and the logo of Chuan Lim Construction Pte Ltd in Singapore which will expire on 31 August 2025. In addition, Chuan Lim Construction Pte Ltd is also the registrant of the domain name www.chuanholdings.com which will expire on 27 January 2018. We will monitor and keep track of the validity of trademarks and domain name and shall take the necessary action to protect out intellectual property rights.

Aspect B7: Anti-corruption

We are committed to maintain the highest ethical standards and vigorously enforce the integrity of our business practices in all aspects of our operations. We have in place a policy to ensure our Groups and our employees comply with anti-bribery, anti-corruption and anti-money laundering laws and governmental guidance. Our Group and employees are (i) prohibited from paying or receiving a bribe of any kind; (ii) prohibited from giving or offering anything of value to a public official; (iii) required to comply with the Group's guidelines and authorisation levels in relation to the giving and receiving of gifts and hospitality; and (iv) fully comply with the applicable laws and regulations relating to anti-money laundering and terrorist financing.

We also have in place a whistleblower policy to encourage and enable our employees and other to report any violations or suspected violations and to raise serious concerns about possible impropriety in our Group. Any unethical or improper practices shall promptly report directly to our Chairman and Executive Director, Mr. Lim Kui Teng. Alternatively, the matter can be reported to our Executive Director, Mr. Quek Sze Whye or the chairman of the Audit Committee, Mr. Chow Wing Tung. An investigation will then be initiated and the details of the investigation will be reported to the chairman of the Audit Committee. Independent investigation may be conducted or external professional advisers may be appointed to assist in conducting the investigations. Corrective and disciplinary action shall be taken if applicable. A summary of all the complaints will be reported to the Audit Committee on a semi-annual basis.

For the year ended 31 December 2016, we complied with the relevant laws and regulation relating to bribery, extortion, fraud and money laundering. There were no legal cases regarding corrupt practices and no complaints reported during the year ended 31 December 2016.

Environmental, Social and Governance Report

COMPLIANCE WITH LAWS AND REGULATIONS

The Compliance Officer, as assisted by the Company Secretary, reviews and monitors the policies and practices relating to compliance with legal and regulatory requirements that have significant impact on the Group. The Group also works with our compliance adviser to ensure the Group is complied with the Listing Rules of Hong Kong in all material aspects. Updates on the applicable laws, rules and regulations are brought to the attention of relevant employees and departments from time to time. The management ensures that business is conducted in accordance with the applicable laws and regulations in Hong Kong, Cayman Islands and Singapore.

COMMUNITY

Aspect B8: Community Investment

Our Group recognises our obligations as a responsible member of the communities and have been continuously offer financial support and sponsorships to various charitable organisations, schools and competitions. We also supply and install smoking shelters at different locations in Singapore. For the year ended 31 December 2016, our Group had contributed S$152,950 for the causes as explained above.

Our founder, Executive Director and chairman, Mr. Alan Lim was awarded with the Public Service Medal during the Singapore's National Day Award in recognition of commendable public service in Singapore or for his achievement in the field of arts and letters, sports, the sciences, business, the professions and the labour movement.

Independent Auditor's Report

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To the Shareholders of Chuan Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Chuan Holdings Limited (the "Company") and its subsidiaries (herein referred to as the "Group") set out on pages 69 to 142, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Recognition of contract revenue

Refer to note 4.6, 5.2 and 7(a) to the consolidated financial statements.

The Group recognised revenue from provision of earthworks and general construction works (collectively the "Construction") of approximately S$111,479,000 for the year ended 31 December 2016. The revenue from Construction are recognised based on the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract. The recognition of revenue and the estimation of the outcome of construction contracts require significant management judgement, in particular with respect to estimating the cost to complete and the amounts of variations and claims to be recognised.

Our response:

Our procedures in relation to management's recognition of contract revenue included:

- Discussing the status of the construction projects with the Group's construction project team and recalculating the stage of completion based on actual costs incurred to date and estimated total contract costs;
- Testing material costs incurred to date and estimated cost to complete to underlying supporting evidence, and assessing the reasonableness of the budgeted costs;
- Testing material variations and claims both within contract revenue and contract costs to supporting documentation; and
- Identifying construction project overruns and corresponding provisions of loss making contracts, if any, and assessing whether the estimated foreseeable losses are fully recognised.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report but does not include the consolidated financial statements and our auditor's report thereon.

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

Independent Auditor's Report

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or 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 the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

BDO Limited
Certified Public Accountants

Cheung Or Ping
Practising Certificate Number P05412

Hong Kong, 27 March 2017

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 S$'000	2015 S$'000
Revenue	7	**111,479**	99,322
Direct costs		**(96,500)**	(79,399)
Gross profit		**14,979**	19,923
Other income and gains	7	**1,498**	2,530
Administrative and other operating expenses		**(5,180)**	(4,588)
Other expenses		**(1,364)**	(3,645)
Finance costs	8	**(192)**	(179)
Profit before income tax	9	**9,741**	14,041
Income tax expense	11(a)	**(2,025)**	(2,505)
Profit for the year		**7,716**	11,536
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Gains/(losses) in revaluation of available-for-sale financial assets		**60**	(329)
Release on disposals of available-for-sale financial assets		**–**	3
Exchange differences arising on translation		**1,606**	–
Other comprehensive income for the year, net of tax		**1,666**	(326)
Total comprehensive income for the year attributable to the owners of the Company		**9,382**	11,210
Earnings per share attributable to owners of the Company	13		
– Basic and diluted (S cents)		**0.81**	1.39

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 S$'000	2015 S$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*14*	**16,206**	8,035
Investment property	*15*	**1,358**	1,370
Other assets	*16*	**373**	373
Deposits and other receivables	*20*	**363**	209
Available-for-sale financial assets	*17*	**1,695**	1,635
Deferred tax assets	*11(b)*	**–**	237
		19,995	11,859
Current assets			
Due from customers for contract work	*18*	**16,658**	15,199
Trade receivables	*19*	**23,226**	34,950
Deposits, prepayments and other receivables	*20*	**1,815**	2,043
Pledged deposits	*22*	**3,297**	4,271
Cash and cash equivalents	*22*	**48,808**	10,632
		93,804	67,095
Current liabilities			
Due to customers for contract work	*18*	**2,999**	6,774
Trade payables	*23*	**7,131**	10,314
Other payables, accruals and deposits received	*24*	**5,801**	4,383
Due to directors	*21*	**–**	400
Bank borrowings	*25*	**252**	252
Finance lease obligations	*26*	**4,492**	4,298
Income tax payable		**1,713**	2,598
		22,388	29,019
Net current assets		**71,416**	38,076
Total assets less current liabilities		**91,411**	49,935

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 S$'000	2015 S$'000
Non-current liabilities			
Deposits received	*24*	–	15
Bank borrowings	*25*	**148**	398
Finance lease obligations	*26*	**4,109**	1,522
Deferred tax liabilities	*11(b)*	**35**	–
		4,292	1,935
Net assets		**87,119**	48,000
EQUITY			
Equity attributable to the owners of the Company			
Share capital	*27*	**1,808**	–
Reserves	*27*	**85,311**	48,000
Total equity		**87,119**	48,000

On behalf of the directors

Mr. Lim Kui Teng
Director

Mr. Quek Sze Whye
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Share capital S$'000 *(note 27)*	Share premium* S$'000 *(note 27)*	Merger reserve* S$'000 *(note 27)*	Translation reserve* S$'000 *(note 27)*	Investment revaluation reserve* S$'000	Retained profits* S$'000	Total S$'000
At 1 January 2015	–	–	3,000	–	(82)	37,706	40,624
Arising on Reorganisation	–	–	2,166	–	–	–	2,166
Dividends *(Note 12)*	–	–	–	–	–	(6,000)	(6,000)
Transactions with owners	–	–	2,166	–	–	(6,000)	(3,834)
Profit for the year	–	–	–	–	–	11,536	11,536
Other comprehensive income							
Losses in revaluation of available-for-sale financial assets	–	–	–	–	(329)	–	(329)
Release on disposals of available-for-sale financial assets	–	–	–	–	3	–	3
Total comprehensive income for the year	–	–	–	–	(326)	11,536	11,210
At 31 December 2015 and 1 January 2016	**–**	**–**	**5,166**	**–**	**(408)**	**43,242**	**48,000**
Issue of new shares *(Note 27)*	361	31,466	–	–	–	–	31,827
Share issues expenses	–	(2,090)	–	–	–	–	(2,090)
Share capitalisation	1,447	(1,447)	–	–	–	–	–
Transactions with owners	1,808	27,929	–	–	–	–	29,737
Profit for the year	–	–	–	–	–	7,716	7,716
Other comprehensive income							
Gains in revaluation of available-for-sale financial assets	–	–	–	–	60	–	60
Exchange differences arising on translation	–	–	–	1,606	–	–	1,606
Total comprehensive income for the year	–	–	–	1,606	60	7,716	9,382
At 31 December 2016	**1,808**	**27,929**	**5,166**	**1,606**	**(348)**	**50,958**	**87,119**

* *These reserve accounts comprise the consolidated reserves of approximately S$85,311,000 (2015: S$48,000,000) in the consolidated statement of financial position as at 31 December 2016.*

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 S$'000	2015 S$'000
Cash flows from operating activities			
Profit before income tax		**9,741**	14,041
Adjustments for:			
Interest income	*7*	**(112)**	(57)
Interest expense	*8*	**192**	179
Dividend income from available-for-sale financial assets	*7*	**(2)**	(28)
Depreciation of property, plant and equipment	*9*	**4,824**	4,162
Depreciation of investment property	*9*	**12**	12
Loss on disposals of available-for-sale financial assets	*9*	**–**	3
Gains on disposals of property, plant and equipment	*7*	**(163)**	(186)
Provision for impairment of trade receivables	*9*	**424**	1,326
Operating profit before working capital changes		**14,916**	19,452
Increase in amounts due from customers for contract work		**(1,459)**	(2,362)
Decrease/(increase) in trade receivables		**11,300**	(11,991)
Increase in deposits, prepayments and other receivables		**(349)**	(335)
Decrease in amounts due to customers for contract work		**(3,775)**	–
(Increase)/decrease in trade payables		**(3,183)**	5,564
(Increase)/decrease in other payables, accruals and deposits received		**(2,043)**	1,771
Cash generated from operations		**15,407**	12,099
Income tax paid, net		**(2,638)**	(2,821)
Net cash generated from operating activities		**12,769**	9,278

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 S$'000	2015 S$'000
Cash flows from investing activities			
Proceeds from disposals of available-for-sale financial assets		–	1
Increase in time deposits with maturity over three months		(6,735)	–
Proceeds from disposals of property, plant and equipment		401	186
Purchases of property, plant and equipment		(3,196)	(240)
Purchases of other assets		–	(334)
Purchase of available-for-sale financial assets		–	(1,813)
Interest received		112	57
Dividend received		2	28
Net cash used in investing activities		(9,416)	(2,115)
Cash flows from financing activities			
Net proceeds from issue of new shares by public offerings	*27*	29,737	–
Proceeds from issue of shares upon Reorganisation		–	2,166
(Decrease)/increase in amounts due to directors		(400)	235
Decrease in amounts due from a shareholder		247	–
Interest element on finance lease payments		(179)	(162)
Capital element of finance lease obligations		(3,634)	(3,979)
Repayment of bank borrowings		(250)	(412)
Decrease/(increase) in pledged deposits		974	(1)
Dividends paid		–	(6,601)
Interests paid		(13)	(17)
Net cash generated from/(used in) financing activities		26,482	(8,771)
Net increase/(decrease) in cash and cash equivalents		29,835	(1,608)
Cash and cash equivalents at beginning of the year		10,632	12,240
Effect of foreign exchange rate changes, net		1,606	–
Cash and cash equivalents at end of the year		42,073	10,632
Analysis of balances of cash and cash equivalents			
Cash and bank balances		30,143	10,632
Time deposits with maturity less than three months		11,930	–
		42,073	10,632

Notes to the Consolidated Financial Statements

31 DECEMBER 2016

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 25 August 2015. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business is located at 20 Senoko Drive, Singapore 758207.

With effect from 21 January 2016, the name of the Company was changed from CLC Holdings Limited to Chuan Holdings Limited. The principal activity of the Company is investment holding. In connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company underwent a reorganisation (the "Reorganisation") and the Company has become the holding company of its subsidiaries (together with the Company hereinafter collectively referred to as the "Group"). The Company has listed its shares on the Stock Exchange on 8 June 2016.

Details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" to the prospectus of the Company dated 25 May 2016.

The Reorganisation involved only inserting new holding companies on top of the existing operating company and has not resulted in any change of economic substance. The Company became the holding company of its subsidiaries now comprising the Group on 10 May 2016. The Group is regarded as a continuation of Longlands Holdings Limited ("Longlands"), the then holding company of the Group, resulting from the Reorganisation as there is no change in the economic substance of the Group. Accordingly, the consolidated financial statements were prepared using the merger accounting as if the Reorganisation had been completed on 1 January 2015 and the current group structure had always been in existence. The consolidated statement of comprehensive income and the consolidated statement of changes in equity for the year ended 31 December 2016 include the results and changes in equity of the companies now comprising the Group from the earliest date presented or since their respective dates of incorporation, whichever was shorter, as if the current group structure had been in existence. No adjustment is made to reflect fair values, or to recognise any new assets or liabilities as a result of the Reorganisation.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs

The Group has applied the amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are first effective and relevant for the Group's financial statements for the annual period beginning on 1 January 2016.

HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements

The adoption of these new HKFRSs had no material impact on how the financial performance and financial position for the current and prior periods have been prepared and presented.

(b) New/amended HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued but are not yet effective, and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[2]
HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarification to HKFRS 15)[2]
HKFRS 16	Leases[3]

[1] *Effective for annual periods beginning on or after 1 January 2017*
[2] *Effective for annual periods beginning on or after 1 January 2018*
[3] *Effective for annual periods beginning on or after 1 January 2019*

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New/amended HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit and loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New/amended HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

Step 1: Identify the contract with the customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations

Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) New/amended HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 " Leases " and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. BASIS OF PREPARATION

(a) Basis of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as the "HKFRS") issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of measurement

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

(c) Functional and presentation currency

The consolidated financial statements are presented in Singapore dollar ("S$") and all values are rounded to the nearest thousand except when otherwise indicated. S$ is also the functional currency of the principal subsidiary, Chuan Lim Construction Pte Ltd ("Chuan Lim Construction") while the functional currency of the Company is Hong Kong dollar ("HK$"). The choice of presentation currency is to better reflect the currency that mainly determines economic effects of transactions, events and conditions of the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

4.2 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Subsidiaries (Continued)

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

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

4.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the consolidated statement of comprehensive income during the period in which they are incurred.

Depreciation on property, plant and equipment is provided over their estimated useful lives, using the straight line method. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted, if appropriate, at each reporting date.

Assets acquired under hire purchase arrangements are depreciated over their estimated useful lives on the same basis as owned assets. The estimated useful lives are as follows:

Plant and machinery	5 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 Investment property

Investment property (comprising a building and freehold land that has an unlimited useful life) is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. The freehold land has an unlimited useful life and therefore is not depreciated. Other than freehold land, depreciation is charged so as to write off the cost of investment property net of expected residual value over the estimated useful life using straight-line method. The estimated useful life, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

4.5 Construction contracts

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

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

The outcome of a construction contract can be estimated reliably when: (i) the total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates. When the outcome of a construction cannot be estimated reliably, contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable.

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

Construction work-in-progress is valued at cost incurred plus an appropriate proportion of profits after deducting progress payments and allowances for foreseeable losses. When progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers. When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 Revenue recognition

(i) Construction contracts income

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

(ii) Interest income

Interest income is recognised using the effective interest method, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

(iii) Service income

Service income is recognised when services are rendered.

(iv) Dividend income

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

(v) Rental income

Rental income from investment property is recognised on a straight-line basis over the periods of the respective tenancy.

4.7 Leasing

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

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease 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 recognised as an expense on the straight-line basis over the lease term.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Leasing (Continued)

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

4.8 Cash and cash equivalents

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

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash and bank balances, including term deposits and assets similar in nature to cash, which are not restricted as to use.

4.9 Financial instruments

(i) Financial assets

The Group's financial assets are classified into one of the two categories, including loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.9 Financial instruments (Continued)

(i) Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade and receivables, pledged deposits and cash and cash equivalents in the statement of financial position. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as other categories of financial assets. Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

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

For all other financial assets, objective evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

Notes to the Consolidated Financial Statements

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.9 Financial instruments (Continued)

(i) Financial assets (Continued)

Impairment loss on financial assets (Continued)

For loans and receivables

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For available-for-sale financial assets

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

Impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in investment revaluation reserve.

(ii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, accruals, amounts due to directors, finance lease obligations, and bank borrowings, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.9 Financial instruments (Continued)

(iii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4.10 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, where appropriate, cumulative amortisation.

4.11 Fair value measurement

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

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

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

Notes to the Consolidated Financial Statements

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.

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

4.12 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the reporting period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

4.13 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.14 Foreign currency

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

Upon consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. S$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of longterm monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

4.15 Employee benefits – defined contribution

Payments made to Central Provident Fund ("CPF") in Singapore which is a defined contribution retirement plan are recognised as an expense when employees have rendered service entitling them to the contributions.

4.16 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- other assets; and
- investment property

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.16 Impairment of non-financial assets (Continued)

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

4.17 Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.18 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.19 Related parties

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(2) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (1).

(vii) A person identified in (1)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

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31 DECEMBER 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.20 Segment information

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors of the Company, being the chief operating decision-maker ("CODM") for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major construction works type.

Each of the operating segments is managed separately as each of the segments requires different resources as well as marketing approaches.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in this report prepared under HKFRS, except that:

(i) interest on bank loans;

(ii) income tax expense; and

(iii) corporate income and expenses which are not directly attributable to the business activities of any operating segment;

are not included in arriving at the segment results of the operating segment.

Segment assets included all assets but certain property, plant and equipment, investment property, available-for-sale financial assets, pledged deposits, cash and cash equivalents, deferred tax assets and corporate assets. Corporate assets which are not directly attributable to the business activities of any operating segment and are not allocated to a segment, which primarily applies to the Group's headquarter. Segment liabilities included all liabilities but tax liabilities, bank borrowings and corporate liabilities. Corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment, which primarily applies to the Group's headquarter.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are 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 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.

Key sources of estimation uncertainty

In addition to disclosed elsewhere in the financial statements, other key sources estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial period are as follows:

5.1 Impairment of trade and other receivables

The Group's management assesses the collectibility of trade and other receivables on a regular basis to determine if any provision for impairment is necessary. This estimate is based on, where appropriate, the evaluation of collectibility and ageing analysis of the receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these outstandings, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of the Group's debtors were to deteriorate, resulting in an impairment of their ability to make payments, provision for impairment may be required. Management reassesses the provision for impairment at the reporting date. The carrying amounts of trade and other receivables are disclosed in notes 19 and 20, respectively.

5.2 Construction contract revenue recognition

Revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts, with reference to the proportion that contract costs incurred for work performed to date to the estimated total costs for the contracts. The Group reviews and revises the estimates of contract revenue, contract costs, variations and provision for claims, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, the management conducts periodic reviews of the management budgets by comparing the budgeted amounts to the actual amounts incurred.

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

Key sources of estimation uncertainty (Continued)

5.2 Construction contract revenue recognition (Continued)

Significant judgement is required in estimating the contract revenue, contract costs, variations and provision for claims which may have an impact in terms of percentage of completion and profit taken. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved.

5.3 Estimate useful lives of property, plant and equipment

In determining the useful lives of property, plant and equipment, the Group has to consider various factors, such as expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is made based on the experience of the Group with similar assets that are used in a similar way. Depreciation charge is revised if the estimated useful lives of items of property, plant and equipment are different from the previous estimation. Estimated useful lives are reviewed, at the end of each of the reporting period, based on changes in circumstances. The carrying amount of property, plant and equipment is disclosed in note 14.

5.4 Impairment of non-financial assets

The Group assesses at the end of each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of the asset. This requires an estimation of the value-in-use of the cash-generating unit to which the asset is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

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

Key sources of estimation uncertainty (Continued)

5.5 Income tax

Determining income tax provisions requires the Group to make judgement on the tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered. The carrying amount of provision for taxation is amounted to approximately S$1,713,000 (2015: S$2,598,000) as at 31 December 2016.

5.6 Financial guarantee

The Group had provided corporate guarantees to certain banks (the "Holders") on the term loans/banking facilities given to the parties during the year as set out in note 28. Judgement is required in estimating the fair value upon issuing financial guarantee contract to the Holders at the inception date of the offerings.

The directors have assessed whether the financial guarantees offered to the Holders, required for recognising as financial liability in accordance with HKAS 39 "Financial Instruments: Recognition and Measurement". Given that the term loans/banking facilities provided by the Holders are pledged with development of construction project and certain properties, and with reference to valuation reports from an independent professional qualified valuer, the directors are in the opinion that the fair value of the financial guarantees is insignificant at the inception date of the financial guarantees offered.

The Group assesses the financial guarantee at the end of each reporting date by best estimating the expenditure required to settle the corresponding obligation under the financial guarantee, based on changes in circumstances.

6. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the Group determines its operating segments based on the reports reviewed by CODM that are used to make strategic decisions. Financial statements reported to the CODM, based on the following segments:

(i) Provision of earthworks and related services, mainly include excavation, earth disposal, demolition and various ancillary services (collectively referred as "Earthworks"); and

(ii) Provision of general construction works, mainly include construction of new buildings, alternation and addition works (collectively referred as "General Construction Works").

6. SEGMENT INFORMATION (CONTINUED)

(a) Segment revenue and results

Segment revenue below represents revenue from external customers. There were no inter-segment revenue during the years ended 31 December 2016 and 2015. Operating revenue, direct costs, gains on disposals of property, plant and equipment (including plant and machinery and motor vehicles), interest expenses on finance leases, provision for impairment of trade receivables and bad debts recovered, are allocated to different segments to assess corresponding performance.

The segment revenue and results, and the totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements are as follows:

	Earthworks S$'000	General Construction Works S$'000	Total S$'000
Year ended 31 December 2016			
Revenue from external customers	56,967	54,512	111,479
Reportable segment results	10,517	4,478	14,995
Unallocated other income and gains			879
Corporate and other unallocated expenses			(6,120)
Interest on bank loans			(13)
Profit before income tax			9,741

6. SEGMENT INFORMATION (CONTINUED)

(a) Segment revenue and results (Continued)

	Earthworks S$'000	General Construction Works S$'000	Total S$'000
Year ended 31 December 2015			
Revenue from external customers	48,642	50,680	99,322
Reportable segment results	12,071	8,085	20,156
Unallocated other income and gains			809
Corporate and other unallocated expenses			(6,907)
Interest on bank loans			(17)
Profit before income tax			14,041

During the years ended 31 December 2016 and 2015, the corporate and other unallocated expenses mainly included directors' emoluments, employee benefits expenses, depreciation of office equipments, operating lease expenses and other centralised administrative cost for the Group's headquarter and listing expenses.

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6. SEGMENT INFORMATION (CONTINUED)

(b) Segment assets and liabilities

The following is an analysis of the Group's segment assets by reportable and operating segment:

Reportable segment assets

	As at 31 December	
	2016	2015
	S$'000	S$'000
Earthworks	**45,634**	24,207
General Construction Works	**10,428**	33,928
Total	**56,062**	58,135
Additions to non-current segment assets		
Earthworks	**12,758**	1,304
General Construction Works	**120**	88
Total	**12,878**	1,392

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6. SEGMENT INFORMATION (CONTINUED)

(b) Segment assets and liabilities (Continued)

Reportable segment assets (Continued)

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	As at 31 December	
	2016	2015
	S$'000	S$'000
Reportable segment assets	**56,062**	58,135
Unallocated property, plant and equipment	**360**	225
Available-for-sale financial assets	**1,695**	1,635
Investment property	**1,358**	1,370
Other assets	**373**	373
Deferred tax assets	**–**	237
Pledged deposits	**3,297**	4,271
Cash and cash equivalents	**48,808**	10,632
Corporate and other unallocated assets	**1,846**	2,076
Group assets	**113,799**	78,954

Corporate and other unallocated assets mainly included deposits, prepayments paid for operating leases and office expenses, and other receivables due from related parties.

6. SEGMENT INFORMATION (CONTINUED)

(b) Segment assets and liabilities (Continued)

The following is an analysis of the Group's segment liabilities by reportable and operating segment:

Reportable segment liabilities

	As at 31 December	
	2016	2015
	S$'000	S$'000
Earthworks	**16,193**	14,471
General Construction Works	**2,538**	8,437
Total	**18,731**	22,908

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	As at 31 December	
	2016	2015
	S$'000	S$'000
Reportable segment liabilities	**18,731**	22,908
Bank borrowings	**400**	650
Corporate and other unallocated liabilities	**7,549**	7,396
Group liabilities	**26,680**	30,954

Corporate and other unallocated liabilities mainly included accruals for employee benefit expenses, listing expenses and payable of office operating expenses, utilities, and amounts due to directors.

6. SEGMENT INFORMATION (CONTINUED)

(c) Other segment information

	Earthworks S$'000	General Construction Works S$'000	Unallocated S$'000	Total S$'000
Year ended 31 December 2016				
Gains on disposals of property, plant and equipment	**160**	**3**	**–**	**163**
Depreciation of property, plant and equipment	**4,643**	**33**	**148**	**4,824**
Bad debts recovered	**456**	**–**	**–**	**456**
Provision for impairment of trade receivables	**424**	**–**	**–**	**424**
Finance costs	**174**	**5**	**13**	**192**

	Earthworks S$'000	General Construction Works S$'000	Unallocated S$'000	Total S$'000
Year ended 31 December 2015				
Gains on disposals of property, plant and equipment	186	–	–	186
Depreciation of property, plant and equipment	3,996	50	116	4,162
Bad debts recovered	1,535	–	–	1,535
Provision for impairment of trade receivables	1,326	–	–	1,326
Finance costs	160	2	17	179

(d) Geographical information

The Group's non-current assets are all based in Singapore. No geographical information is presented for the Group's business segment as the Group is principally engaged projects in Singapore.

6. SEGMENT INFORMATION (CONTINUED)

(e) Revenue from customers for the year over 10% of the Group's total revenue is as follows:

	Year ended 31 December	
	2016	2015
	S$'000	S$'000
Customer A – attributable to General Construction Works	**42,522**	17,257
Customer B – attributable to General Construction Works	**n/a**	23,124

n/a: Transactions during the year did not exceed 10% of the Group's revenue.

7. REVENUE, OTHER INCOME AND GAINS

(a) Revenue, which is also the Group's turnover, represents revenue from Earthworks and General Construction Works. Revenue recognised from the principal activities during the year is as follows:

	Revenue from external customers Year ended 31 December	
	2016	2015
	S$'000	S$'000
Earthworks	**56,967**	48,642
General Construction Works	**54,512**	50,680
	111,479	99,322

7. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

(b) An analysis of the Group's other income and gains during the year is as follows:

	2016 S$'000	2015 S$'000
Other income		
Management service income	323	236
Interest income on financial assets carried at amortised cost	112	57
Bad debts recovered	456	1,535
Rental income from investment property	133	126
Dividend income from available-for-sale financial assets	2	28
Sales of scrap materials and consumables	148	195
Others	161	167
	1,335	2,344
Gains		
Gains on disposals of property, plant and equipment	163	186
	1,498	2,530

8. FINANCE COSTS

	2016 S$'000	2015 S$'000
Interest expenses for financial liabilities carried at amortised cost:		
– Interest on finance leases	179	162
– Interest on bank loans wholly repayable within five years	13	17
	192	179

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9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2016 S$'000	2015 S$'000
Auditor's remuneration	**224**	48
Depreciation of property, plant and equipment *	**4,824**	4,162
Depreciation of investment property **	**12**	12
Direct operating expenses arising from investment property that generated rental income	**14**	19
Net foreign exchange loss	**21**	42
Operating lease rental expenses in respect of:		
– Office equipment and machineries	**7,993**	4,836
– Warehouses, premises, dormitories and workshops	**1,349**	1,055
	9,342	5,891
Employee benefit expenses (including directors' remuneration *(note 10)*)		
– Salaries, wages and bonuses	**13,612**	13,549
– Defined contribution	**612**	612
– Other short-term benefits	**1,994**	1,914
	16,218	16,075
Listing expenses	**940**	2,316
Provision for impairment of trade receivables	**424**	1,326
Loss on disposals of available-for-sale financial assets	**–**	3

* Depreciation of property, plant and equipment amounted to approximately S$4,676,000 (2015: S$4,046,000) has been included in direct costs and approximately S$148,000 (2015: S$116,000) in administrative and other operating expenses during the year.

** Depreciation of investment property has been included in administrative and other operating expenses.

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' remuneration

The remuneration paid or payable to the directors is as follows:

	Fees S$'000	Salaries, allowances and benefits in kind S$'000	Discretionary bonuses S$'000	Defined contribution S$'000	Total S$'000
Year ended 31 December 2016					
Executive directors: (note(i))					
Mr. Lim Kui Teng ("Mr. Alan Lim")	–	758	–	12	770
Mr. Lau Yan Hong ("Mr. Dicky Lau")	–	193	–	12	205
Mr. Quek Sze Whye ("Mr. Albert Quek")	–	262	–	6	268
Mr. Bijay Joseph	–	135	–	10	145
	–	1,348	–	40	1,388
Independent non-executive directors: (note(ii))					
Mr. Chow Wing Tung ("Mr. Chow")	15	–	–	–	15
Mr. Phang Yew Kiat ("Mr. Phang")	16	–	–	–	16
Mr. Lee Teck Leng ("Mr. Lee")	15	–	–	–	15
	46	–	–	–	46
Total	46	1,348	–	40	1,434
Year ended 31 December 2015					
Executive directors: (note(i))					
Mr. Alan Lim	280	360	197	15	852
Mr. Dicky Lau	100	142	64	15	321
Mr. Albert Quek	70	180	60	10	320
Mr. Bijay Joseph	10	36	12	8	66
	460	718	333	48	1,559
Independent non-executive directors: (note(ii))					
Mr. Chow	–	–	–	–	–
Mr. Phang	–	–	–	–	–
Mr. Lee	–	–	–	–	–
	–	–	–	–	–
Total	460	718	333	48	1,559

Notes:

(i) Mr. Alan Lim, Mr. Dicky Lau, Mr. Albert Quek and Mr. Bijay Joseph were appointed as the executive directors of the Company on 25 August 2015.

(ii) Mr. Chow, Mr. Phang and Mr. Lee were appointed as the independent non-executive directors of the Company with effect from 10 May 2016.

10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

(b) Five highest paid individuals

The five highest paid individuals of the Group included 4 (2015: 3) directors for the year, whose emoluments are reflected in note (a).

The analysis of the emolument of the remaining 1 (2015: 2) highest paid individuals for the year, are set out below:

	2016 **S$'000**	2015 S$'000
Salaries, allowances and benefits in kind	**146**	256
Discretionary bonuses	**18**	51
Defined contribution	**12**	29
	176	336

The remuneration of the remaining individuals fell within the following bands:

	Number of individuals	
	2016	2015
Nil – HK$1,000,000	**1**	1
HK$1,000,001 – HK$1,500,000	**–**	1
	1	2

(c) During the year, no director or any of the highest paid individuals waived or agreed to waive any emoluments (2015: Nil). No emoluments were paid by the Group to the directors or any of the highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

11. INCOME TAX EXPENSE

(a) Income tax

	2016 S$'000	2015 S$'000
Current tax – Singapore income tax		
Tax for the year	1,713	2,599
Under/(over) provision for prior year	40	(125)
	1,753	2,474
Deferred tax		
Charged to profit or loss	272	31
Income tax expense	2,025	2,505

Singapore income tax has been provided at the rate of 17% on the estimated assessable profits.

Tax has not been provided by the Company as the Company did not derive any assessable profits during the year (2015: Nil).

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

	2016 S$'000	2015 S$'000
Profit before income tax	9,741	14,041
Tax at statutory tax rate of 17%	1,656	2,387
Enhanced tax allowances, exemptions and rebates	(105)	(259)
Effect of non-deductible expenses	315	463
Effect of non-taxable income	(1)	(5)
Under/(over) provision for prior years	40	(125)
Effect of temporary differences	120	44
Income tax expense	2,025	2,505

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11. INCOME TAX EXPENSE (CONTINUED)

(b) Deferred tax

Details of the deferred tax assets/(liabilities) recognised and movements are set out below:

	Accelerated tax depreciation	
	2016	2015
	S$'000	S$'000
At beginning of the year	**237**	268
Charged to profit or loss for the year	**(272)**	(31)
At end of the year	**(35)**	237

12. DIVIDENDS

	2016	2015
	S$'000	S$'000
Interim dividends	–	6,000

No dividend has been declared or paid by the Company since its date of incorporation.

During the year ended 31 December 2015, interim dividends of approximately S$6,000,000, represented dividends declared and paid by Chuan Lim Construction to its then equity owners before the Reorganisation. The rates of dividend and the number of shares ranking for dividends are not presented as such information are not meaningful.

13. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2016 is based on the profit attributable to owners of the Company of approximately S$7,716,000 (2015: approximately S$11,536,000) and on the weighted average number of 947,356,557 (2015: 830,000,000) ordinary shares in issue during the year.

The weighted average number of 830,000,000 ordinary shares derived for calculation of basic earning per share for the year ended 31 December 2015 represented the number of ordinary shares of the Company are in issue and issuable, in which assuming that 830,000,000 ordinary shares were in issue pursuant to the Reorganisation throughout the year ended 31 December 2015.

Dilutive earnings per share is the same as the basic earnings per share because the Group has no diluted potential shares during the years ended 31 December 2016 and 2015.

14. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery S$'000	Furniture, fixtures and office equipment S$'000	Motor vehicles S$'000	Total S$'000
At 1 January 2015				
Cost	16,126	537	17,458	34,121
Accumulated depreciation	(11,288)	(291)	(11,832)	(23,411)
Net book amount	4,838	246	5,626	10,710
Year ended 31 December 2015				
Opening net book amount	4,838	246	5,626	10,710
Additions	544	95	848	1,487
Depreciation	(1,725)	(116)	(2,321)	(4,162)
Closing net book amount	3,657	225	4,153	8,035
At 31 December 2015 and 1 January 2016				
Cost	16,390	581	17,698	34,669
Accumulated depreciation	(12,733)	(356)	(13,545)	(26,634)
Net book amount	3,657	225	4,153	8,035

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14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Plant and machinery S$'000	Furniture, fixtures and office equipment S$'000	Motor vehicles S$'000	Total S$'000
Year ended 31 December 2016				
Opening net book amount	3,657	225	4,153	8,035
Additions	6,967	355	5,911	13,233
Depreciation	(2,254)	(148)	(2,422)	(4,824)
Written-off	–	–	(238)	(238)
Closing net book amount	8,370	432	7,404	16,206
At 31 December 2016				
Cost	22,526	846	21,860	45,232
Accumulated depreciation	(14,156)	(414)	(14,456)	(29,026)
Net book amount	8,370	432	7,404	16,206

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

	2016 S$'000	2015 S$'000
Cost	**24,778**	30,751
Accumulated depreciation	**(14,773)**	(23,780)
Net book value	**10,005**	6,971

15. INVESTMENT PROPERTY

	S$'000
At 1 January 2015	
Cost	1,546
Accumulated depreciation	(164)
Net book amount	1,382
Year ended 31 December 2015	
Opening net book amount	1,382
Depreciation	(12)
Closing net book amount	1,370
At 31 December 2015 and 1 January 2016	
Cost	1,546
Accumulated depreciation	(176)
Net book amount	1,370
Year ended 31 December 2016	
Opening net book amount	1,370
Depreciation	(12)
Closing net book amount	1,358
At 31 December 2016	
Cost	1,546
Accumulated depreciation	(188)
Net book amount	1,358
Fair value	
At 31 December 2016	5,500
At 31 December 2015	5,300

15. INVESTMENT PROPERTY (CONTINUED)

The investment property of the Group consists of a four-storey industrial building used for rental income generation purpose. It was located at 1015 Upper Serangoon Road, Singapore 534753 on a freehold land. The estimated useful life of the investment property is 50 years.

Fair value is determined by a market comparison method by taking into account the movement of the industrial property market index in Singapore. The fair value of the investment property has been carried out by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The fair value disclosed is categorised as Level 3 valuation. The key unobservable input used in valuing the investment property under the direct comparison approach was the prices per square meter, which ranged from S$11,000 to S$18,600. Significant increases/(decreases) in the unobservable input would result in a significant higher/(lower) fair value measurement. The highest and best use of the investment property of the Group does not differ from its current use.

The investment property was secured for the Group's mortgage loan (Note 25(a)).

16. OTHER ASSETS

The Group's other assets represented the golf club membership. The golf club membership is tested for impairment annually.

As at the reporting dates, the directors have performed impairment review and are in the opinion that no impairment is recognised.

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 S$'000	2015 S$'000
Investment in life insurance policy at fair value *(note)*	**1,479**	1,439
Listed equity securities at fair value		
– Inside Hong Kong	**41**	47
– Outside Hong Kong	**175**	149
	1,695	1,635

Note: The Group entered into contract with an insurance company which contains life insurance policy to insure against the death of a key member of management of the Group, with insured sum of approximately US$5,000,000 (equivalent to approximately S$7,179,000). Under these contracts, the beneficiary and policy holder is Chuan Lim Construction, a wholly-owned subsidiary of the company. The Group was required to pay a one-off premium payment of S$1,813,000 during the year ended 31 December 2015. The Group can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal, which is determined by the premium payment plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge. The insurer will declare interest (including the guaranteed interest) to the Group on a quarterly basis, based on the amount of account value, at a rate to be determined at insurer's own discretion.

Included in available-for-sale financial assets are the following amounts denominated in currencies other than the functional currency:

	2016 S$'000	2015 S$'000
HK$	**41**	47
United States dollar ("US$")	**1,608**	1,549
	1,649	1,596

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18. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	2016 S$'000	2015 S$'000
Contract costs incurred plus recognised profits less recognised losses	**155,704**	142,300
Less: Progress billings	**(142,045)**	(133,875)
	13,659	8,425
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**16,658**	15,199
Amounts due to customers for contract work	**(2,999)**	(6,774)
	13,659	8,425

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

18. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK (CONTINUED)

Included in the Group's amounts due from/(to) customers are balances with related parties whom are Mr. Alan Lim's spouse ("Mrs. Lim") and a related company wholly owned by Mr. Alan Lim and Mrs. Lim. Mr. Alan Lim is the shareholder/director of the Company. The amounts with the related parties included in the above balances were unsecured, interest free and repayable on demand, and illustrated as followings:

	2016 **S$'000**	2015 S$'000
Contract costs incurred plus recognised profits less recognised losses	**4,578**	35,637
Less: Progress billings received and receivable	**(845)**	(26,903)
	3,733	8,734
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**3,733**	8,734

19. TRADE RECEIVABLES

	Notes	2016 S$'000	2015 S$'000
Trade receivables		**17,881**	33,990
Retention sum receivables	*(a)*	**7,361**	3,008
		25,242	36,998
Less: Provision for impairment of trade receivables		**(2,016)**	(2,048)
		23,226	34,950
Total trade receivables, net			
– Third parties		**18,027**	15,370
– Related parties	*(d)*	**5,199**	19,580
		23,226	34,950

(a) Retention sum receivables refer to retention sum which will be partially billed upon the practical completion, and the balance shall be billed upon the final completion. Retention sum receivables are non-interest-bearing and on terms based on the respective contract's retention period.

(b) During the year, credit period granted to the Group's customers generally within 30 (2015: 30) days from invoice date of the relevant contract revenue. The terms of some construction contracts stipulate that the customers withhold a portion of total contract sum (usually 5%) until a specified period (usually 1 year) after completion of the contract.

19. TRADE RECEIVABLES (CONTINUED)

(c) Based on invoices date, ageing analysis of the Group's trade receivables is as follows:

	2016 S$'000	2015 S$'000
0 to 30 days	12,569	11,355
31 to 90 days	6,672	7,349
91 to 180 days	1,944	7,249
181 to 365 days	1,496	8,027
1 year to less than 2 years	545	970
	23,226	34,950

Ageing analysis of the Group's trade receivables that are not impaired is as follows:

	2016 S$'000	2015 S$'000
Neither past due nor impaired	12,348	12,371
1 to 30 days past due	2,642	5,652
31 to 90 days past due	4,879	6,555
91 to 180 days past due	1,438	8,513
181 to 365 days past due	1,374	1,181
1 year to less than 2 years past due	545	678
	23,226	34,950

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

19. TRADE RECEIVABLES (CONTINUED)

(c) (Continued)

Movement in the provision for impairment of trade receivables:

	2016 S$'000	2015 S$'000
Balance at beginning of the year	**2,048**	2,257
Impairment losses	**424**	1,326
Bad debts recovered	**(456)**	(1,535)
	2,016	2,048

At the reporting dates, the Group's trade receivables are individually determined for impairment testing. Included in the provision for impairment of receivables are individually impaired trade receivables with a balance of approximately S$2,016,000 (2015: S$2,048,000) as at 31 December 2016. The impairment losses recognised on trade receivables are expensed immediately for the amount by which the trade receivables' carrying amount exceeds their recoverable amount.

(d) The receivables from these related parties were unsecured, interest free and repayable on demand. The trading transactions with these related parties and corresponding relationship with the Group are detailed in Note 31.

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2016 S$'000	2015 S$'000
Deposits		**804**	*494*
Prepayments		**680**	*1,102*
Other receivables		**694**	*656*
	(a)	**2,178**	*2,252*
Classified as:			
Non-current assets		**363**	*209*
Current assets		**1,815**	*2,043*
		2,178	*2,252*

Notes:

(a) Total deposits, prepayments and other receivables are analysed as follows:

	Notes	2016 S$'000	2015 S$'000
– Third parties		**1,859**	*2,225*
– Related parties	*(c)*	**319**	*27*
		2,178	*2,252*

(b) The Group considers that other receivables that were neither past due nor impaired under review are of good credit quality. The Group does not hold any collateral over these balances.

(c) The deposits, prepayments and other receivables from these related parties were unsecured, interest free and repayable on demand. The transactions with these related parties and corresponding relationship with the Group are detailed in Note 31.

21. DUE TO DIRECTORS

The balances were unsecured, interest-free and had been fully repaid during the year.

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22. CASH AND CASH EQUIVALENTS

	2016 S$'000	2015 S$'000
Cash and bank balances	33,440	14,903
Time deposits with an original maturity of more than three months	6,735	–
Time deposits with an original maturity of less than three months	11,930	–
	52,105	14,903
Less: Pledged deposits *(note)*	(3,297)	(4,271)
Cash and cash equivalents	48,808	10,632

The bank balances bear interest at floating rates based on daily bank deposits rates. Short term time deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates.

Note:

As at 31 December 2016 and 2015, pledged deposits are restricted bank balances to secure:

(i) the guarantee arrangement and the issuance of performance bonds (Note 32); and

(ii) the banking facilities including letter of credit, overdraft and bank guarantee amounting to approximately S$18,500,000 and S$14,500,000, respectively (Note 25(e)).

Included in cash and cash equivalents are the following amounts denominated in currencies other than the functional currency:

	2016 S$'000	2015 S$'000
HK$	23,561	–
US$	423	48

23. TRADE PAYABLES

	Notes	2016 S$'000	2015 S$'000
Trade payables		**5,874**	9,443
Retention payables		**1,257**	871
	(b)	**7,131**	10,314
Total trade payables			
– Third parties		**6,904**	*9,806*
– Related parties	*(c)*	**227**	*508*
		7,131	10,314

Notes:

(a) The Group's trade payables are non-interest bearing and generally have payment terms of 30 days.

(b) Ageing analysis of trade payables is as follows:

	2016 S$'000	2015 S$'000
0 to 30 days	**4,489**	8,023
31 to 90 days	**1,629**	1,100
91 to 180 days	**232**	172
Over 180 days	**781**	1,019
	7,131	10,314

(c) The trading transactions with these related parties and corresponding relationship with the Group are detailed in Note 31.

24. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2016 S$'000	2015 S$'000
Current liabilities:		
Other payables	**3,825**	914
Accruals	**1,942**	3,453
Deposits received	**34**	16
	5,801	4,383
Non-current liabilities:		
Deposits received	**–**	15

25. BANK BORROWINGS

	Notes	2016 S$'000	2015 S$'000
Current liabilities			
Amounts payable within one year			
– Secured mortgage loan	*(a)*	**62**	65
– Secured term loans	*(b)*	**190**	187
		252	252
Non-current liabilities			
Amounts payable in second to fifth year			
– Secured mortgage loan	*(a)*	**132**	192
– Secured term loans	*(b)*	**16**	206
		148	398
Total balance of bank borrowings		**400**	650

25. BANK BORROWINGS (CONTINUED)

Notes:

(a) At 31 December 2016 and 2015, the mortgage loan was and pledged by the Group's investment property (Note 15). The following table details the interest rate of the mortgage loan during the year:

	2016	2015
Range of interest rate of the mortgage loan per annum	2.5%-3.7%	2.3%-5.3%

(b) The Group has obtained term loans (the "Secured Term Loans") to finance purchase of the Group's property, plant and equipment.

	2016	2015
Range of interest rate of the Secured Term Loans per annum	1.8%	0.9%-1.8%

(c) Based on the schedule repayment dates set out in the loan agreements as mentioned in (a) and (b), the bank borrowings are repayable as follows:

	2016 S$'000	2015 S$'000
Within one year	252	252
In the second year	80	256
In the third to fifth year	68	142
	400	650

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25. BANK BORROWINGS (CONTINUED)

Notes: (Continued)

(d) As at the reporting dates, the summary of pledged assets and pledged deposits to bank borrowings are as follows:

	2016 **S$'000**	2015 S$'000
Investment property *(Note 15)*	**1,358**	1,370
Pledged deposits *(Note 22)*	**3,297**	4,271

(e) The Group's aggregate banking facilities were amounting to S$42,625,000 (2015: S$42,477,000), of which S$26,059,000 (2015: S$24,454,000) have been utilised as at 31 December 2016. The banking facilities of the Group were and pledged by the Group's investment property and bank deposits as set out in Notes 15 and 22. The summary of banking facilities are as follows:

	2016 **S$'000**	2015 S$'000
Banking facilities for:		
– Term/bank loans	**–**	2,000
– Mortgage loan	**827**	827
– Letter of credit, bank overdraft and bank guarantee	**18,500**	16,500
– Hire purchase	**23,298**	23,150
	42,625	42,477

26. FINANCE LEASE OBLIGATIONS

At 31 December 2016, the total future minimum lease payments under finance leases and their present values were as follows:

	2016		2015	
	Minimum lease payments S$'000	Present values of minimum lease payments S$'000	Minimum lease payments S$'000	Present values of minimum lease payments S$'000
Within one year	3,537	3,353	2,804	2,701
In the second to fifth years, inclusive	5,404	5,228	3,190	3,119
After five years	21	20	–	–
	8,962	8,601	5,994	5,820
Less: future finance charges	(361)	n/a	(174)	n/a
Present value of lease obligations	8,601	8,601	5,820	5,820
Less: Amounts due for settlement within 12 months (shown under current liabilities)		(3,353)		(2,701)
Amounts due for settlement after 12 months but contain a repayment on demand clause (shown under current liabilities)		(1,139)		(1,597)
		(4,492)		(4,298)
Amounts due for settlement after 12 months		4,109		1,522

The Group leases certain property, plant and equipment under finance leases (Note 14). The lease term is ranging from 4 to 7 years, with effective interest rate ranging from approximately 2.1% to 5.2% (2015: 2.1% to 4.3%) per annum during the year. All the leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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27. SHARE CAPITAL AND RESERVES

Share capital

	Notes	Number of shares	Amount S$'000
Authorised:			
Ordinary shares			
At 25 August 2015, 31 December 2015 and 1 January 2016	*(a)*	38,000,000	66
Increase in authorised share capital upon Reorganisation	*(b)*	9,962,000,000	17,364
At 31 December 2016		10,000,000,000	17,430
Issued and fully paid:			
At 25 August 2015	*(a)*	1	–
Issue of shares upon Reorganisation	*(c)*	99	–
At 31 December 2015 and 1 January 2016		100	–
Share capitalisation	*(d)*	829,999,900	1,447
Issue of shares by way of public offerings	*(e)*	207,500,000	361
At 31 December 2016		1,037,500,000	1,808

(a) The Company was incorporated in the Cayman Islands on 25 August 2015 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On the same day, 1 nil-paid share in the share capital of the Company was allotted and issued to Codan Trust Company (Cayman) Limited, the initial subscriber, and transferred to Brewster Global Holdings Limited ("Brewster Global"), which is wholly and beneficially owned by Mr. Alan Lim.

(b) Pursuant to the written resolutions passed on 10 May 2016, the authorised share capital of the Company was also increased from HK$380,000 divided into 38,000,000 shares of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 shares of HK$0.01 each by the creation of additional 9,962,000,000 shares.

27. SHARE CAPITAL AND RESERVES (CONTINUED)

Share capital (Continued)

(c) A sale and purchase agreement between Mr. Alan Lim, the Company and the Pre-Initial Public Offer Investor ("Pre-IPO Investor") dated 10 May 2016 pursuant to which Mr. Alan Lim and the Pre-IPO Investor transferred their entire shareholding interest in Longlands to the Company in consideration of (i) the initial share held by Brewster Global being credited as fully-paid and the Company allotting and issuing 92 shares to Brewster Global credited as fully-paid; and (ii) the Company allotting and issuing 7 shares to the Pre-IPO Investor credited as fully-paid.

(d) Pursuant to written resolutions of the Company's shareholders passed 10 May 2016, 829,999,900 ordinary shares of HK$0.01 each were issued at par value by way of capitalisation of HK$8,299,999 (equivalent to approximately S$1,447,000) from the Company's share premium account.

(e) The shares of the Company were listed on the Stock Exchange on 8 June 2016, among which 207,500,000 shares were issued on the same day.

Share premium

Share premium account of the Group represents the excess of the proceeds received over the nominal value of the Company's shares issued.

Merger reserve

Merger reserve of the Group arose as a result of the Reorganisation and represented the difference between the nominal value of the Company's shares issued pursuant to the Reorganisation and the nominal value of the aggregate share capital and the share premium of subsidiaries.

Translation reserve

Translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations.

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28. FINANCIAL GUARANTEE CONTRACTS

At 31 December 2015, the Group had provided corporate guarantee to a bank for banking facilities offered to a related company, amounting to S$38,240,000. Such corporate guarantee has been released on 30 September 2016.

At 31 December 2015, the Group had provided joint corporate guarantee to a bank for banking facilities of Australian dollar $9,100,000 (equivalent to approximately S$9,394,000) offered to an independent third party, with the maximum credit amounting to S$4,697,000. Such corporate guarantee has been released on 12 May 2016.

The directors considered that no provision has been made for the Group's obligation under the guarantee contracts as it was considered that it was not probable that the settlement/repayment of the facilities would be in default.

29. OPERATING LEASE ARRANGEMENT

(a) As lessor

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

	2016 **S$'000**	2015 S$'000
Within one year	**35**	133
Within second to fifth year	**–**	35
	35	168

The Group leases its investment property under operating lease. The leases run for an initial period of 1 to 2 years. None of these leases includes any contingent rentals.

29. OPERATING LEASE ARRANGEMENT (CONTINUED)

(b) As lessee

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

	2016	2015
	S$'000	S$'000
Within one year	**1,529**	113
Within second to fifth year	**1,529**	–
	3,058	113

The Group leases office premises, office equipments, workshops and warehouses and a dormitory under operating leases. The leases run for an initial period of 1 to 3 years, with options to renew the lease terms upon expiry when all terms are re-negotiated. None of these leases includes any contingent rentals.

30. COMMITMENTS

The Group has the following commitments as at the reporting dates in respect of:

	2016	2015
	S$'000	S$'000
– Contracted but not provided for, in respect of acquisition of property, plant and equipment	**3,361**	2,533

31. RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

31. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The directors of the Company are of the view that the followings companies are related parties that had transactions or balances with the Group during the year:

Name of the related party	Relationship with the Group
Mrs. Lim	Mr. Alan Lim's spouse
Autoworld Care Pte. Ltd. ("Autoworld Care")	A related company beneficially partially owned by Mr. Alan Lim
Autoworld Hub Pte. Ltd. ("Autoworld Hub")	A related company partially owned by Mr. Alan Lim
Cheng Yap Construction Pte. Ltd. ("Cheng Yap")	A related company wholly owned by Mr. Alan Lim's brother
Chuan Lim Engineering Pte. Ltd. ("Chuan Lim Engineering")*	A related company wholly owned by certain directors of the Group
Chuan Marine SNK Engineering & Trading Pte. Ltd. ("Chuan Marine SNK")	A related company beneficially partially owned by Mr. Alan Lim
CM Marine Pte. Ltd. ("CM Marine")	A related company substantially owned by certain directors of the Group
Golden Empire Civil Engineering Pte. Ltd. ("Golden Empire")	A related company partially owned by Mr. Alan Lim
Golden Empire-Huationg Pte. Ltd. ("Golden Empire-Huationg")	A related company partially owned by Mr. Alan Lim
Hulett Construction (S) Pte. Ltd. ("Hulett Construction")	A related company wholly owned by Mr. Alan Lim and his spouse
United E&P Pte. Ltd. ("United E&P")	A related company beneficially partially owned by Mr. Alan Lim
We Lim Builders Pte. Ltd. ("We Lim Builders")	A related company wholly owned by Mr. Alan Lim and his spouse

* All of the shares in Chuan Lim Engineering held by the directors of the Group were disposed to independent third parties in October 2015.

31. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Save as disclosed elsewhere in the financial statements, the Group had the following material related party transactions during the year:

	2016 S$'000	2015 S$'000
Construction contract work and ancillary services income received from related parties		
– Mrs. Lim	838	2,021
– Chuan Lim Engineering	–	181
– Chuan Marine SNK	277	–
– Golden Empire#	2,927	4,580
– Golden Empire-Huationg	76	–
– Hulett Construction	7,808	23,124
– United E&P	841	39
	12,767	29,945
Sales of scrap materials and consumables to related parties		
– Golden Empire	2	–
– United E&P	7	–
	9	–
Purchase of property, plant and equipment from a related party		
– We Lim Builders	108	–
Sales of property, plant and equipment from a related party		
– Chuan Marine SNK	50	–
– United E&P	39	–
	89	–

31. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) (Continued)

	2016 S$'000	2015 S$'000
Construction costs and related supporting service fees charged by related parties		
– Autoworld Care	**2**	8
– Autoworld Hub	**45**	311
– Cheng Yap	**334**	137
– Chuan Lim Engineering	**–**	1,219
– CM Marine	**99**	15
– Hulett Construction#	**1,276**	–
– United E&P#	**96**	19
– We Lim Builders	**77**	358
	1,929	2,067
Rental expenses charged by a related party		
– Hulett Construction#	**72**	–

The transactions with the related parties constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

All the transactions with the related parties were negotiated and carried in the ordinary course of business and at terms agreed between the parties.

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2016 S$'000	2015 S$'000
Short-term employee benefits	**1,990**	1,988

31. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Details of amounts due from related parties during the year are as follows:

	Maximum amount outstanding during the year ended 31 December	
	2016	2015
	S$'000	S$'000
Mrs. Lim	**3,733**	2,896
Autoworld Hub	**25**	25
Cheng Yap	**319**	154
Chuan Marine SNK	**350**	–
Golden Empire	**2,861**	4,506
Golden Empire-Huationg	**72**	–
Hulett Construction	**33,707**	23,254
United E&P	**967**	43

32. CONTINGENT LIABILITIES

Performance bonds and guarantees provided for ordinary course of business

(a) At 31 December 2016, the Group had contingent liabilities in respect of performance bonds of construction contracts in its ordinary course of business of S$7,616,000 (2015: S$6,431,000). The guarantees in respect of performance bonds issued by banks, which are secured by pledged deposits (Note 22).

(b) At 31 December 2016, the Group had contingent liabilities on providing guarantee of an agreement amounting to S$300,000 (2015: S$150,000) to a fuel supplier contractually for commercial fuel supply offering to the Group, which was arranged via a bank under mutual agreement between parties, the Group has pledged its bank deposits (Note 22).

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33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

(a) During the year, deposits of approximately S$176,000 (2015: Nil) were utilised for the acquisition of property, plant and equipment and capitalised as property, plant and equipment, upon completion of acquisition.

(b) During the year, the Group entered into finance lease arrangements in respect of certain property, plant and equipment with a total capital value of approximately S$6,415,000 (2015: S$1,247,000) at the inception of the finance leases.

(c) During the year, amounts of approximately S$3,446,000 (2015: Nil) in relation to the acquisition of property, plant and equipment were not yet settled and included in other payables.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 **S$'000**	2015 S$'000
ASSETS AND LIABILITIES		
Non-current assets		
Investment in a subsidiary	**45,790**	–
Current assets		
Deposits, prepayments and other receivables	**786**	–
Cash and cash equivalents	**30,417**	–
	31,203	–
Current liabilities		
Other payables and accruals	**294**	–
Net current assets	**30,909**	–
Net assets	**76,699**	–
EQUITY		
Equity attributable to the owners of the Company		
Share capital	**1,808**	–
Reserves *(note)*	**74,891**	–
Total equity	**76,699**	–

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

Reserves

	Share premium S$'000	Contributed surplus* S$'000	Translation reserve S$'000	Accumulated losses S$'000	Total S$'000
At 25 August 2015, 31 December 2015 and 1 January 2016	–	–	–	–	–
Issue of shares upon Reorganisation	–	45,790	–	–	45,790
Issue of shares by way of public offerings	31,466	–	–	–	31,466
Share issues expenses	(2,090)	–	–	–	(2,090)
Share capitalisation	(1,447)	–	–	–	(1,447)
Transactions with owners	27,929	45,790	–	–	73,719
Loss for the year	–	–	–	(434)	(434)
Other comprehensive income:					
Exchange differences arising on translation	–	–	1,606	–	1,606
Total comprehensive income for the year	–	–	1,606	(434)	1,172
At 31 December 2016	**27,929**	**45,790**	**1,606**	**(434)**	**74,891**

* The contributed surplus of the Company represented the difference between the net asset value of the subsidiary acquired and the nominal value of the share capital of the Company issued in exchange thereof pursuant to the Reorganisation.

35. PARTICULARS OF SUBSIDIARIES

The following list contains the particulars of subsidiaries, of which the Company has direct or indirect interests in the following subsidiaries, all of which are private companies with limited liability.

Company name	Place and date of incorporation	Particulars of issued and fully paid up share capital	Effective interest held by the Company	Principal Activities
Interest held directly				
Longlands	British Virgin Islands 9 June 2015	US$100	100%	Investment holding
Interest held indirectly				
Chuan Lim Construction	Singapore 27 January 1996	S$3,000,000	100%	Provision of earthworks and related services and general construction works

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The board of directors meets periodically to analyse and formulate measures to manage and monitor the Group's exposure to market risk including principally changes in interest rates and currency exchange rates, credit risk and liquidity risk. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risks is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The directors review and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to bank deposits, pledged deposits, bank borrowings and finance lease obligations. The cash flow interest rate risk is mainly concentrated on fluctuations associated with bank borrowings with floating rate which represent prime rate plus margin per annum and variable rate bank balances. Finance lease obligations and bank borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

The following tables detail the interest rate profile of the Group at the reporting dates:

	Effective interest rate per annum			
	2016	2015	**2016**	2015
	S$'000	S$'000	**S$'000**	S$'000
Fixed-rate time deposits	**0.4%-1.2%**	N/A	**18,665**	–
Fixed-rate pledged deposits	**0.3%-0.8%**	0.4%–0.9%	**3,297**	4,271
			21,962	4,271
Fixed-rate borrowings	**1.8%-5.2%**	1.8%-4.3%	**8,807**	6,213
Floating-rate borrowings	**3.4%**	2.5%	**194**	257
			9,001	6,470

At the respective reporting dates, if interest rate had been increased/decreased by 100 basis points and all other variables were held constant, the Group's profit after income tax expense would decrease/increase by approximately S$4,000 (2015: S$5,000) for the year.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Equity price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk profiles and the Group has a team to monitor the price risk and will consider hedging the risk exposure should the need arise. The Group's equity price risk is concentrated on equity securities listed in Hong Kong, Singapore and United States, and these investments are diversified into several different industries.

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of each reporting date. If the prices of the listed equity securities classified as available-for-sale financial assets had been 10% higher/lower, the investment revaluation reserve for the year would increase/decrease by approximately S$22,000 (2015: S$20,000) as a result of the changes in fair value of available-for-sale investments.

Foreign currency risk

The Group's transactions are mainly denominated in S$ which is the functional currency of the principal subsidiary. As at 31 December 2016, the Group's assets and liabilities denominated in other currencies other than S$ are disclosed in Notes 17 and 22. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group is mainly exposed to the foreign currency risk of HK$ and US$. The following table details the Group's sensitivity of the Group's results for the year in regards to a 5% appreciation in S$ against the relevant foreign currencies. 5% is the sensitivity rate used which represents management's best assessment of the reasonably possible change in foreign exchange rates. A 5% depreciation in S$ against the relevant foreign currencies would have the same magnitude on the Group's results for the year.

	2016 **S$'000**	2015 S$'000
HK$ to S$	**1,122**	2
US$ to S$	**102**	80

Exposures to foreign exchange rates vary during the year depending on the volume of transactions. Nevertheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

As at 31 December 2016, 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 and the financial guarantees provided by the Group is primarily attributable to trade and other receivables, pledged deposits cash and cash equivalents and the contingent liabilities in relation to guarantee issued by the Group as disclosed in Note 32. The Group has a credit policy in place and exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions and counterparties will fail to meet their obligations.

The Group enters into trading transaction with the recognised and reputable third parties. Before accepting any new contract, evaluations were considered on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

At the end of the reporting period, the Group has significant concentration of credit risk from various customers. In view of their good payment record and long established relationships with the Group, management does not consider the Group's credit risk to be significant. At 31 December 2016, 17% (2015: 50%) of the total trade debtors was due from the Group's largest customer and 47% (2015: 74%) of the total trade debtors was due from the Group's five largest customers.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair value measurements recognised in the statement of financial position

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial asset and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

– Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

– Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Some of the Group's financial assets are measured at fair value at the reporting dates. The following table gives information about how the fair values of these financial assets are determined.

Financial assets

	Fair value		
	2016 S$'000	2015 S$'000	**Fair value hierarchy**
Available-for-sale investments			
Investment in life insurance policy	**1,480**	1,439	Level 2
Listed equity securities	**215**	196	Level 1

Notes:

(a) The fair value of investment in life insurance policy is determined based on account value as stated in cash surrender value statement issued by insurer.

(b) Fair value of the listed equity securities has been determined directly reference to published price quotation in active market.

There were no transfers between different levels during the year.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents assessed as adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on internally generated funding and borrowings as significant sources of liquidity. The Group also monitors the utilisation of borrowings and ensures compliance with loan covenants.

The maturity profile of the Group's financial liabilities as at the reporting dates, based on the contractual undiscounted payments, are as follows:

	Carrying amount	Total contractual undiscounted cash flow	On demand	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	After 5 years
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
At 31 December 2016							
Trade payables	**7,131**	**7,131**	**7,131**	**–**	**–**	**–**	**–**
Other payables and accruals	**5,767**	**5,767**	**5,767**	**–**	**–**	**–**	**–**
Bank borrowings	**400**	**418**	**–**	**262**	**86**	**70**	**–**
Finance lease obligations	**8,601**	**8,962**	**2,463**	**2,238**	**1,800**	**2,440**	**21**
	21,899	**22,278**	**15,361**	**2,500**	**1,886**	**2,510**	**21**
At 31 December 2015							
Trade payables	10,314	10,314	10,314	–	–	–	–
Other payables and accruals	4,367	4,367	4,367	–	–	–	–
Due to directors	400	400	400	–	–	–	–
Bank borrowings	650	669	–	262	262	145	–
Finance lease obligations	5,820	5,994	3,146	1,284	880	684	–
	21,551	21,744	18,227	1,546	1,142	829	–
Financial guarantee issued *(note)* (maximum amount guaranteed)	–	42,937	42,937	–	–	–	–

Note:

Based on expectations at the reporting dates, the Group considers that it is more likely that no amount will be payable under the arrangement. However, the estimate is subject to change depending on the probability of the counterparty which suffers credit losses on the financial receivables and claims under the guarantee.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the reporting dates are as follows:

Financial assets

	2016 S$'000	2015 S$'000
Available-for-sale financial assets	**1,695**	1,635
Loans and receivables		
Trade receivables	**23,226**	34,950
Other receivables	**673**	656
Pledged deposits	**3,297**	4,271
Cash and cash equivalents	**48,808**	10,632
	77,699	52,144

Financial liabilities

	2016 S$'000	2015 S$'000
At amortised costs		
Trade payables	**7,131**	10,314
Other payables and accruals	**5,767**	4,367
Due to directors	–	400
Bank borrowings	**400**	650
Finance lease obligations	**8,601**	5,820
	21,899	21,551

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38. CAPITAL MANAGEMENT

The Group's capital management objectives include:

(i) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for owners and benefits for other stakeholders;

(ii) to support the Group's stability and growth; and

(iii) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder's returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

Management regards total equity as capital. The amount of capital as at 31 December 2016 amounted to approximately S$87,119,000 (2015: S$48,000,000), which the management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.