Chuan Holdings Limited
川控股有限公司*

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1420

Annual Report 2017

* 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
Mr. Wong Kee Chung (appointed on 10 July 2017)

Independent Non-executive Directors

Mr. Chow Wing Tung
(resigned on 16 November 2017)
Mr. Lee Cheung Yuet Horace
(appointed on 16 November 2017)
Mr. Phang Yew Kiat
Mr. Lee Teck Leng
(resigned on 8 February 2018)
Mr. Ng Ka Lok
(appointed on 8 February 2018)

AUDIT COMMITTEE

Mr. Lee Cheung Yuet Horace *(Chairman)*
Mr. Phang Yew Kiat
Mr. Ng Ka Lok

NOMINATION COMMITTEE

Mr. Lim Kui Teng *(Chairman)*
Mr. Phang Yew Kiat
Mr. Lee Cheung Yuet Horace

REMUNERATION COMMITTEE

Mr. Phang Yew Kiat *(Chairman)*
Mr. Lim Kui Teng
Mr. Lee Cheung Yuet Horace

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
P.O. 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			
	2017	2016	2015	2014
	S$'000	S$'000	S$'000	S$'000
Revenue	**87,281**	111,479	99,322	92,412
Gross profit	**11,160**	14,979	19,923	18,741
Profit before income tax	**5,727**	9,741	14,041	17,318
Profit for the year	**5,557**	7,716	11,536	14,261
Total comprehensive income for the year attributable to the owners of the Company	**2,975**	9,382	11,210	14,094
Earnings per share – basic and diluted (S cents)[1]	**0.54**	0.81	1.39	1.72

Highlights of consolidated statements of financial position

	As at 31 December			
	2017	2016	2015	2014
	S$'000	S$'000	S$'000	S$'000
Assets				
Non-current assets	**25,388**	19,995	11,859	12,933
Current assets	**97,137**	93,804	67,095	55,167
Total assets	**122,525**	113,799	78,954	68,100
Liabilities				
Non-current liabilities	**7,330**	4,292	1,935	2,703
Current liabilities	**25,171**	22,388	29,019	24,773
Total liabilities	**32,501**	26,680	30,954	27,476
Total equity	**90,024**	87,119	48,000	40,624
Net assets per share (S cents)[2]	**8.68**	8.40	5.78	4.89

Four Years Financial Summary

Key financial ratios

	As at 31 December			
	2017	2016	2015	2014
Current ratio (times)	**3.9**	4.2	2.3	2.2
Gearing ratio (times)	**0.1**	0.1	0.1	0.2
Gross profit margin (%)	**12.8%**	13.4%	20.1%	20.3%
Profit for the year margin (%)	**6.4%**	7.0%	11.6%	15.4%
Return on equity (%)	**6.2%**	8.9%	24.0%	35.1%

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 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 Reorganisation was effective on 1 January 2013. For the financial year ended 31 December 2016 and 2017, the weighted average number of ordinary shares is 947,356,557 and 1,037,282,619 respectively. 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 2014 and 2015, the number of ordinary shares in issues 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 Reorganisation was effective on 1 January 2013. AS at 31 December 2016 and 2017, the number of ordinary shares in issue is 1,037,500,000 ordinary shares.

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors ("**Board**"), I am pleased to present the annual report of the Group for the year ended 31 December 2017.

The year 2017 was a challenging year to the Group as the construction industry of Singapore remained bleak given the continuous weakness of construction demand from the private sector; which led to the contraction of the construction sector according to the Ministry of Trade and Industry. The Group maintained firm determination to stride through the arduous situation. With our reallocation of more resources to enhance ability and capability of securing more earthworks projects with higher profit margins, our earthworks segment has recorded an increase in revenue. The overall gross profit margin remained stable despite the unfavourable market conditions.

On the other hand, our revenue in general construction segment was underwhelming as a result of the reduction in private sector projects and the relatively lower profit margins of public projects completed this year. As a strategic measure, the Group had actively expanded its workforce and acquired more equipment. These efforts will enable us to tender more projects and projects with higher profit margins.

In order to embrace more prominent opportunities, the Group had decided to go beyond the country and the industry. As part of our plan to geographically and operationally diversify our business, the Group entered into an acquisition agreement on 11 December 2017 to purchase an investment holding company which focuses on real estate investment in a shopping complex located at Yangjiang City, Guangdong Province of China. With the strong momentum of China's economic growth, the Group anticipates tremendous growth potential in the value of properties in China. In the meantime we believe this acquisition will make stable income contribution in the future, thus helping us achieve our corporate objective of sustainable growth.

"One Belt, One Road" initiative has sparked off demand for infrastructure development and unlocked tremendous market potential of Asia-Pacific Region. The Group believes the number of construction projects, large infrastructure projects in particular, will increase significantly all across Asia. The Group, as a leading earthworks contractor in Singapore, will optimise its business layout and resource allocation to seize the opportunities within and beyond Singapore and actively engage in those which are beneficial to the long term development of the Group. Utilising the proceeds acquired through our listing, the Group has more resources to grasp various opportunities and further develop its business operations. The Group will adhere to its strategy to reinforce its existing business, while exploring synergistic opportunities in other areas to grow our businesses to new heights and bring greater profit to our shareholders.

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

28 March 2018

Management Discussion and Analysis

The Board is pleased to present the annual results of the Group for the year ended 31 December 2017 together with its comparative figures for the previous year ended 31 December 2016.

BUSINESS REVIEW

The Group is a leading earthworks contractor in Singapore, our two major business segments are the provision of earthworks and related services and general construction works. Our earthworks and related services comprise a wide range of services including land clearing, demolition, rock breaking, mass excavation, deep basement excavation, foundation excavation and backfilling and earth disposal. With more than two decades of experience in the construction industry in Singapore, we continue to strive for delivering timely and reliable services with integrity and good workmanship that fulfill the needs of our customers while adhering to the safety and regulatory requirements.

Industry Review

In 2017, the construction industry in Singapore remained challenging and volatile. According to the newest data from the Ministry, the construction industry contracted by 8.4% year-on-year in 2017, due to the sluggish demand in the private sector construction works. Severe competition imposed further challenges to the industry. Nevertheless, the Building and Construction Authority predicted the private sector demand would improve in the medium term due to the strengthened overall economic outlook and the recovery in property market sentiment. Despite the gradual improvement of the industry, the Group remains cautiously optimistic.

For the year ended 31 December 2017, the Group strived to seek development opportunities, particularly in the earthworks and related services projects. During the year ended 31 December 2017, the Group continued to expand its capacity through the purchase of excavation machines and tipper trucks that amounted to approximately S$4.8 million. Such investments enabled us to secure 92 earthworks and related services projects during the year ended 31 December 2017, which made the segment our major revenue contributor, accounting for approximately 82% of the Group's total revenue.

Overall Performance

During the year ended 31 December 2017, the Group recorded a revenue of approximately S$87.3 million (2016 Annual: S$111.5 million), representing a year-on-year decrease of approximately 21.7%. Profit for the Year was approximately S$5.6 million (2016 Annual: S$7.7 million).

In view of the poor market environment, the Group adopted several measures to safeguard profitability, including implementing stringent costs and risks control measures and strategically reallocating more resources to secure projects of earthworks and related services with relatively higher gross profit margin. As a result, the Group's gross profit margin remained stable at approximately 12.8% for the year ended 31 December 2017 (31 December 2016: approximately 13.4%) despite the decrease in revenue and profit.

Earthworks and related services

As the Group is determined to seize all available opportunities to enhance our earthworks and related services business, the Group managed to secure 32 new projects with a total contract value of approximately S$78.6 million during the year ended 31 December 2017. As at 31 December 2017, the Group had a total of 92 ongoing earthworks and related services projects. The segmental revenue was approximately S$71.6 million, representing a year-on-year growth of 25.7%. Yet, the segmental gross profit slightly decreased by approximately 1.1% to approximately S$10.4 million and its gross profit margin decreased from approximately 18.4% to 14.5%, mainly due to the increase in diesel price in 2017.

The Group has secured 2 new earthworks and related services projects and an additional variation order to existing public infrastructure project since 1 January 2018, with a total contract value of approximately S$18.5 million.

General construction

While the Group continued to place more focus on improving our performance within the earthworks and related services segment, the Group had also tendered several minor general construction projects. During the year ended 31 December 2017, the Group secured 9 new general construction works project with a total contract value of approximately S$20.3 million and had 13 ongoing general construction works projects as at 31 December 2017. The reduction in contract amount of the newly awarded projects in 2017, together with the revenue recognition of most of the large general construction projects in previous year, and the Group's aggressive pricing strategy in response to the keen market competition, exerted a downward pressure on the segment performance. The revenue in the general construction works segment was compromised to S$15.7 million for the year ended 31 December 2017 from approximately S$54.5 million for the same period last year. The segmental gross profit and gross profit margin dropped by S$3.7 million and 3.3 percentage points respectively compared with the same period last year to approximately S$776,000 and 4.9% respectively.

PROSPECTS

Clouded by the uncertainties in global economy, Ministry of Trade and Industry anticipated that the pace of growth in the Singapore economy is expected to moderate in 2018 as compared to 2017, but remain firm. According to the Building and Construction Authority of Singapore, construction demand of the private sector is expected to improve from S$9.0 billion in 2017 to S$10.0-12.0 billion in 2018 due to the stabilising overall economic outlook and the upturn in property market sentiment. The authority also projects the total value of construction contracts to be awarded in 2018 to reach between S$26.0 billion and S$31.0 billion due to an anticipated increase in public sector construction demand boosted by the demand for institutional and other buildings such as healthcare facilities, civil engineering works and a series of small government projects. This is further enhanced by the new Rail Infrastructure Fund of S$5 billion stated in the 2018 Singapore Budget for supporting the development of major rail lines. In view of that, the growth prospects for the Group remain optimistic despite the lukewarm growth in the Singapore's economy.

The Group is determined to focus on developing its two core businesses, namely earthworks and related services and general construction works. In response to the current market conditions, the Group will continue to increase the capital commitments in the acquisition of tipper trucks and excavators to enhance our ability to conduct more earthworks and related services projects. Meanwhile, the Group is also determined to recover our revenue in general constructions works by seeking an upgrade of the Group's general contractor grade from level B1 to A2 to raise our tendering limit from S$40 million to S$85 million.

In addition, the Group entered into an Acquisition Agreement for the entire share capital of an investment holding company – Cosmic Achiever on 11 December 2017. Through this acquisition, the Group is expected to receive stable rental income from the property owned by Cosmic Achiever, a shopping complex located at the south side of Jinshan Road, Jiangcheng District, Yangjiang City, Guangdong Province, China. As the property is the only shopping complex in that area, we are confident in its growth potential. The Group believes this acquisition would provide a stable and bigger cash inflow to us while the Group's core business of earthworks and general construction will remain intact; thus aiding us in achieving sustainable growth in the long run. The Group will keep on seeking new acquisition opportunities that are beneficial to the long term development of the Group.

FINANCIAL REVIEW

Results for the Year

Revenue and segment results

	2017		2016	
	Revenue S$'000	**Segment results S$'000**	Revenue S$'000	Segment results S$'000
Earthworks and related services	**71,601**	**9,578**	56,967	10,517
General construction works	**15,680**	**753**	54,512	4,478
Total	**87,281**	**10,331**	111,479	14,995

Impacted by poor market sentiment and the weak construction demand in Singapore, revenue of S$87.3 million was recorded, a decline of 21.7% from S$111.5 million for the same period last year.

Earthworks and related services

The Group put in great efforts in growing the business operation of earthworks and related services in order to safeguard profitability since this segment generally yields better margin. Hence, the revenue in the earthworks and related services segment increased by approximately S$14.6 million or 25.7% from approximately S$57.0 million for the year ended 31 December 2016 to approximately S$71.6 million for the year ended 31 December 2017. As a result, revenue contribution from this segment to the Group's total revenue grew from 51% to 82%.

In spite of the increase in diesel price in 2017 as compared to 2016, we managed to maintain the segmental profit of S$9.6 million, a slight decrease compared to the same period last year (31 December 2016: S$10.5 million).

As at 31 December 2017, the Group had 92 ongoing earthworks and related minor projects (31 December 2016: 73 projects), with an aggregate contract sum of approximately S$193.3 million (31 December 2016: approximately S$119.9 million). The Group has also secured 2 new earthworks projects and an additional variation order to existing public infrastructure project since 1 January 2018.

General construction

As the Group placed more focus on developing business in earthworks and related services, the general construction works segment was compromised, with revenue from the segment dropping to S$15.7 million for the year ended 31 December 2017 from approximately S$54.5 million for the same period last year. Such results were attributable to the reduction in contract amount of new projects in 2017 in comparison to 2016 and that most of the revenue of large general construction projects had been recognized in 2016; whilst the Group lowered bid price to secure new general construction projects due to keen market competition.

As a result, the segmental profit of general construction works recorded for the year ended 31 December 2017 was approximately S$753,000 (31 December 2016: S$4.5 million), which accounted for 18% of total revenue of the Group.

The Group secured 9 new general construction works projects with a total contract value of approximately S$20.3 million during the year ended 31 December 2017 and had 13 ongoing general construction works projects as at 31 December 2017.

Gross profit and gross profit margin

The gross profit, which was in line with the trend of revenue change, amounted to approximately S$11.2 million for the year ended 31 December 2017; a drop of 25.5% from approximately S$15.0 million for the year ended 31 December 2016. Meanwhile, with our efforts in cost control, the gross profit margin maintained at 12.8% for the year ended 31 December 2017, a similar level to the same period last year (31 December 2016: approximately 13.4%) due to the higher contribution from earthworks and related services to the Group's revenue.

Administrative and other operating expenses

For the year ended 31 December 2017, administrative and other operating expenses increased by approximately S$813,000 or 15.7%, from approximately S$5.2 million for the year ended 31 December 2016 to approximately S$6.0 million. The increase was primarily due to increase in legal and professional fees since the Company has listed its shares on the Stock Exchange on 8 June 2016, as well as increase in employee benefit expenses for expansion in workforce, and increase in directors' remuneration.

Other income and gains

For the year ended 31 December 2017, other income and gains increased by approximately S$446,000 or 29.8%, from approximately S$1.5 million for the year ended 31 December 2016 to approximately S$1.9 million. The increase was primarily due to higher net exchange gain approximately S$463,000 as compared to the net exchange loss in 2016 of approximately S$21,000 and the difference of gains on disposals of property, plant and equipment between S$486,000 in 2017 and S$163,000 in 2016. The increase was partially offset by the decrease in bad debts recovered.

Other expenses

For the year ended 31 December 2017, other expenses decreased by approximately S$305,000 or 22.4%, from approximately S$1.4 million for the year ended 31 December 2016 to approximately S$1.1 million; given that no more listing expenses incurred after the Company was listed in 2016.

Finance costs

For the year ended 31 December 2017, finance costs increased by approximately S$133,000 or 69.3%, from approximately S$192,000 for the year ended 31 December 2016 to approximately S$325,000 as the interest on finance leases for financing capital expenditure grew higher given that the capital expenditure has increased meanwhile the interest rate remained stable.

Income tax expense

For the year ended 31 December 2017, income tax expense decreased by approximately S$1.9 million or 91.6%, from approximately S$2.0 million to approximately S$170,000 as our profit before income tax declined to S$5.7 million from approximately S$9.7 million and over provision of income tax expense of approximately S$375,000 was recorded for the year ended 31 December 2016.

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$5.6 million (31 December 2016: approximately S$7.7 million). Net profit margin was approximately 6.4% for the Year (31 December 2016: approximately 6.9%).

Earnings per share

For the year ended 31 December 2017, the basic earnings per share was S$0.54 cents, the calculation was based on the profit attributable to owners of the Company of approximately S$5,557,000 and the weighted average number of 1,037,282,619 ordinary shares in issue during the year.

For the year ended 31 December 2016, the basic earnings per share was S$0.81 cents, the calculation was based on profit attributable to owners of the Company of approximately S$7,716,000 and the weighted average number of 947,356,557 ordinary shares in issue during the Year.

Dilutive earnings per share was the same as the basic earnings per share because the Group had no diluted potential shares during the years ended 31 December 2017 and 2016.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

Liquidity

The Group managed to meet its working capital requirements and maintained a healthy financial position from funds generated internally. The Group depended on internal generated funds and borrowings as the major sources of liquidity.

Cash flows analysis

The table below summaries the Group's cash flows for the years ended 31 December 2016 and 2017:

	2017 **S$'000**	2016 S$'000
Net cash (used in)/generated from operating activities	**(7,591)**	12,769
Net cash generated from/(used in) investing activities	**5,094**	(9,416)
Net cash (used in)/generated from financing activities	**(2,748)**	26,482

Operating activities

For the year ended 31 December 2017, the Group generated net cash outflow in operating activities of approximately S$7.6 million (31 December 2016: net cash generated from operating activities of approximately S$12.8 million), which was mainly attributable to the increase in deposits, prepayments and other receivables.

Meanwhile, the difference of approximately S$20 million between the operating profit before working capital changes and net cash used in operating activities was mainly attributable to (i) the increase in amounts due from customers for contract works of approximately S$5.2 million; (ii) the increase in trade receivables of approximately S$1.9 million; (iii) the increase in deposits, prepayments and other receivables of S$12.0 million; (iv) the decrease in amounts due to customers for contract work of approximately S$618,000; (v) the increase in trade payables of approximately S$2.8 million; and (vi) the decrease in other payables, accruals and deposits received of approximately S$1.6 million.

Investing activities

For the year ended 31 December 2017, our net cash generated from investing activities was approximately S$5.1 million, mainly attributable to (i) the decrease in time deposits with maturity over three months amounting to S$6.7 million; (ii) the proceeds from disposals of property, plant and equipment amounting to approximately S$2.0 million; (iii) the purchases of property, plant and equipment such as excavation machines and tipper trucks of approximately S$3.6 million; and (iv) the purchase of available-for-sale financial assets of approximately S$325,000.

Financing activities

For the year ended 31 December 2017, our net cash used in financing activities was approximately S$2.7 million which was principally attributable to (i) the absence of net proceeds from the issue of new shares through public offerings; and (ii) the capital element of the finance lease obligations of approximately S$2.1 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$9.6 million had been utilised as at 31 December 2017.

Intended applications	Net actual proceeds	Amount utilised as at 31 December 2017	Balance as at 31 December 2017
	S$'000	S$'000	S$'000
Purchase of excavation machines and tipper trucks	11,129	4,442	6,687
Purchase of softwares	2,085	213	1,872
Secure earth filling projects	6,607	–	6,607
Expand workforce	4,414	2,671	1,743
Working capital	2,247	2,247	–
	26,482	9,573	16,909

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

Borrowings and gearing ratio

As at 31 December 2017, the Group had an aggregate of current and non-current bank borrowings and finance lease obligations of approximately S$13.4 million (31 December 2016: approximately S$9.0 million). The increase in our borrowings was mainly due to that the Group entered into finance lease arrangements in respect of certain property, plant and equipment with a total capital value of approximately S$6.8 million (31 December 2016: approximately S$6.4 million) at the inception of the finance leases. As at 31 December 2017, we had unutilised credit facilities of approximately S$20.8 million (31 December 2016: approximately S$15.4 million).

As at 31 December 2017, the Group's gearing ratio was approximately 0.15 times (31 December 2016: approximately 0.10 times). Gearing ratio was calculated by dividing total borrowings (bank borrowings and finance lease obligations) by total equity as at the end of the respective year.

Cash & cash equivalents

As at 31 December 2017, the Group had cash and cash equivalents of approximately S$34.3 million (31 December 2016: approximately S$48.8 million) out of which approximately S$27.5 million was cash and bank balances, and approximately S$10.1 million was time deposits with original maturity of less than three months. The amount was reduced by pledge deposits for the guarantee arrangement and issuance of performance bonds; along with the banking facilities including letter of credit, overdraft and bank guarantee of approximately S$20.5 million.

Foreign exchange exposure

Given the major place of operation of the Group being Singapore, most transactions arising from its businesses were generally settled in Singapore Dollars which was the functional currency of the Group. Besides a portion of the cash and cash equivalents generated from the global offering was 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

As at 31 December 2017, the Group's bank borrowings were secured by (i) the pledge of the Group's deposits of approximately S$3.3 million (31 December 2016: approximately S$3.3 million); and (ii) the investment property of the Group with net book amount of approximately S$1.3 million (31 December 2016: 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$15.3 million (31 December 2016: approximately S$10.0 million).

Contingent liabilities

As at 31 December 2017, the Group had contingent liabilities in respect of performance bonds of construction contracts in its ordinary course of business of approximately S$7.2 million (31 December 2016: approximately S$7.6 million). As at 31 December 2016, the Group had contingent liabilities on guarantee provided and restricted to one of the major fuel suppliers for the commercial fuel supply agreement of approximately S$300,000, which had been released on 29 November 2017.

Capital expenditures and capital commitments

For the year ended 31 December 2017, the Group invested approximately S$12.6 million in the purchase of property, plant and equipment, which was mainly funded by finance lease obligations and proceeds from the listing.

As at 31 December 2017, the Group's capital commitments in respect of acquisition of property, plant and equipment and a company amounted to approximately S$4.4 million (31 December 2016: approximately S$3.4 million) and approximately S$65.9 million respectively.

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

On 11 December 2017, Advance Data Global Limited, a wholly-owned subsidiary of the Company, entered into an acquisition agreement ("**Acquisition Agreement**") to purchase the entire issued share capital of Cosmic Achiever Holdings Limited ("**Cosmic Achiever**") at a consideration of RMB380,000,000 (the "**Acquisition**"). Upon completion of the Acquisition, the Group will possess the land use rights of two parcels of land situated at the south side of Jinshan Road, Jiangcheng District, Yangjiang City, Guangdong Province, the PRC, with a total site area of approximately 17,680.80 sq.m. (comprising two parcels of land for commercial use with land use area of 8,481.42 sq.m. and 9,199.38 sq.m. respectively) (the "**Land**"). The land use rights period will expire on 17 October 2051.

It is expected a seven-storey (consisting of two basement levels and five levels from the ground) composite building with an expected gross floor area of approximately 43,888.25 sq.m. for commercial use will be built on the Land (the "**Property**"). The Property has a preliminary fair market value and a gross development value of RMB330 million and RMB436 million, respectively.

The consideration was to be payable by (i) the first refundable deposit of RMB60,000,000 (the "**First Deposit**"), (ii) the second refundable deposit of RMB75,000,000 (the "**Second Deposit**"), and (iii) promissory notes in the principal amount of RMB245,000,000 (the "**Promissory Notes**").

Upon Completion, Cosmic Achiever will become a wholly-owned subsidiary of the Group, and the financial results, assets and liabilities of Cosmic Achiever will be consolidated to the financial statements of the Group.

Off-balance sheet transactions

As of 31 December 2017, the Group did not enter into any material off-balance sheet transactions.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2017, the Group had 506 (2016: 435) employees including foreign workers.

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

Total staff costs including Directors' emoluments amounted to approximately S$18.6 million for the year ended 31 December 2017 (31 December 2016: approximately S$16.2 million).

QUANTITATIVE & QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Interest rate risk

The Group's exposure to changes in interest rates was mainly attributable to bank deposits, pledged deposits, bank borrowings and finance lease obligations. The cash flow interest rate risk was 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 exposed the Group to fair value interest-rate risk. For the year ended 31 December 2017, the effective interest rate on fixed-rate borrowings was approximately 2.1% to 5.2% per annum; while interest rate on floating-rate borrowings was approximately 3.5% per annum.

Foreign currency risk

The Group's transactions were mainly denominated in S$ which was the functional currency of the principal subsidiary. The Group was mainly exposed to the foreign currency risk of HK$ and US$. The Group currently did not have a foreign currency hedging policy. However, management will monitor foreign currency exposure and will consider hedging significant foreign currency exposure if deemed necessary.

Credit risk

As at 31 December 2017, the Group's maximum exposure to credit risk which would 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 was 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.

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

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

Liquidity risk

The Group monitored and maintained 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 relied on internally generated funding and borrowings as significant sources of liquidity. The Group also monitored the utilisation of borrowings and ensured 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 2017, 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 2017.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Lim Kui Teng (林桂廷), aged 49, 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 62, 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 49, 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 52, was appointed as Director of the Company on 25 August 2015 and re-designated as an Executive Director 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.

Mr. Wong Kee Chung（黃紀宗）, aged 60, was appointed as an Executive Director of the Company on 10 July 2017. Mr. Wong is also a director of our subsidiaries. Mr. Wong holds a bachelor of science degree in town and country planning from the Chelmer Institute of Higher Education (currently Anglia Ruskin University) in the United Kingdom. He had previously worked for Jones Lang Wootton from 1983 to 1987. He had also worked as a partner of Vigers Hong Kong Limited from 1988 to 1996 and a managing director of Vigers Asia Limited from 1996 to 1998. Mr. Wong has over 30 years of experience in property consultancy and business development spanned over China and rest of Asia.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Cheung Yuet Horace（李暢悅）, aged 36, was appointed as an Independent Non-Executive Director, a chairman of audit committee, a member of each of remuneration committee and nomination committee of the Company on 16 November 2017. Mr. Lee obtained a Bachelor Degree of Commerce (Accounting) from The University of Queensland, Australia in 2004. Mr. Lee has been a member of the Association of Chartered Certified Accountants since 2009 and became a fellow member since 2014. Mr. Lee has over 13 years of experience in financial reporting, investment analysis, merge & acquisition exercises and business development. Mr. Lee has been taking up various senior positions in the financial and business sectors for over 7 years and he also has extensive experience in terms of Hong Kong listed companies. Mr. Lee is currently an independent non-executive director of Hybrid Kinetic Group Limited (Stock Code: 1188) which shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and an executive director of Aurum Pacific (China) Group Limited (Stock Code: 8148), which shares listed on Growth Enterprise Market ("**GEM Board**") of the Stock Exchange.

Mr. Phang Yew Kiat (彭耀傑), aged 49, 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 each 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 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. Ng Ka Lok (吳家樂), aged 43, was appointed as an Independent Non-Executive Director and a member of audit Committee of the Company on 8 February 2018. Mr. Ng received tertiary education in Australia where he obtained a master's degree in finance from Curtin University of Technology in September 2006 and a master's degree in business administration from the University of Adelaide in July 2007. He is a practising member of the Hong Kong Institute of Certified Public Accountants and has been a certified practising accountant of CPA Australia since July 2005. He has also been a member of The Society of Chinese Accountants and Auditors since June 2014. He has over 18 years of auditing and accounting experience. From October 1996 to October 1999, Mr. Ng worked at K.L. Lee and Partners CPA Limited as auditor, responsible for performing audit, taxation, accounting and advisory services. From September 2000 to November 2002, he worked as chief accountant at Town Sky International Ltd., responsible for coordinating an accounting team located in the PRC and Hong Kong as well as performing accounting duties. Between December 2004 and January 2006, he worked at the Financial Management Branch of The Treasury of the Government of the HKSAR as an accounting assistant. In February 2006, Mr. Ng joined ANDA CPA Limited (currently known as ZHONGHUI ANDA CPA Limited) as manager and was promoted to a partner of the Audit, Assurance and Risk Advisory division in March 2011. Mr. Ng was appointed as independent non-executive director of Season Pacific Holdings Limited (the company transferred of the listing of the shares from the GEM Board to the Main Board of Stock Exchange, current Stock Code: 1709 (previous Stock Code: 8127)) on 22 September 2015 and resigned in May 2017. Mr. Ng is currently an independent non-executive director of Polyfair Holdings Limited (Stock Code: 8532) which shares are listed on the GEM Board of the Stock Exchange.

SENIOR MANAGEMENT

Ms. Ong Sok Hun, aged 45, 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.

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 provisions (the "**Code Provision(s)**") of the CG Code throughout the year ended 31 December 2017 (the "**Year**"), except for the following Code Provision:–

– 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 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.

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 2017, the Board consisted of a total of eight members, including five 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
Mr. Wong Kee Chung (appointed on 10 July 2017)

Independent Non-executive Directors
Mr. Chow Wing Tung (resigned on 16 November 2017)
Mr. Lee Cheung Yuet Horace (appointed on 16 November 2017)
Mr. Phang Yew Kiat
Mr. Lee Teck Leng (resigned on 8 February 2018)
Mr. Ng Ka Lok (appointed on 8 February 2018)

Board Committees Composition

Audit Committee Members
Mr. Chow Wing Tung *(Chairman)* (resigned on 16 November 2017)
Mr. Lee Cheung Yuet Horace *(Chairman)* (appointed on 16 November 2017)
Mr. Phang Yew Kiat
Mr. Lee Teck Leng (resigned on 8 February 2018)
Mr. Ng Ka Lok (appointed on 8 February 2018)

Nomination Committee Members
Mr. Lim Kui Teng *(Chairman)*
Mr. Phang Yew Kiat
Mr. Chow Wing Tung (resigned on 16 November 2017)
Mr. Lee Cheung Yuet Horace (appointed on 16 November 2017)

Remuneration Committee Members
Mr. Phang Yew Kiat *(Chairman)*
Mr. Lim Kui Teng
Mr. Chow Wing Tung (resigned on 16 November 2017)
Mr. Lee Cheung Yuet Horace (appointed on 16 November 2017)

The biographical details of each Director are set out on pages 17 to 19 of this annual report. The Directors are unrelated to each other in every aspect including financial, business and family or other material relevant relationship.

Corporate Governance Report

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.

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 is available for inspection at any time on reasonable notice by any Director.

Seven 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)*	7/7
Mr. Quek Sze Whye	7/7
Mr. Bijay Joseph	7/7
Mr. Lau Yan Hong	7/7
M. Wong Kee Chung (appointed on 10 July 2017)	4/7
Independent Non-executive Directors	
Mr. Chow Wing Tung (resigned on 16 November 2017)	4/7
Mr. Lee Cheung Yuet Horace (appointed on 16 November 2017)	2/7
Mr. Phang Yew Kiat	7/7
Mr. Lee Teck Leng (resigned on 8 February 2018)	4/7
Mr. Ng Ka Lok (appointed on 8 February 2018)	0/7

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, 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 2017 and the final results for the year ended 31 December 2017, approved the Group's major acquisitions and other critical business operations, appointed and retirement of Directors during the Year, 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 8 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 Chairman 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.

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. Mr. Ng Ka Lok, who appointed as an independent non-executive Director of the Company on 8 February 2018, has obtained an induction program.

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 2017 and up to the date of this report, 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. Wong Kee Chung (appointed on 10 July 2017)	✓	✓
Mr. Chow Wing Tung (resigned on 16 November 2017)	✓	✓
Mr. Lee Cheung Yuet, Horace (appointed on 16 November 2017)	✓	✓
Mr. Phang Yew Kiat	✓	✓
Mr. Lee Teck Leng (resigned on 8 February 2018)	✓	✓
Mr. Ng Ka Lok (appointed on 8 February 2018)	✓	✓

Directors' and officers' liability insurance and indemnity

The Company has arranged appropriate liability insurance to indemnify its Directors and officers in respect of legal actions against the Directors and officers. Throughout the Year, no claim had been made against the Directors and the officers of the Company.

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 and an executive Director of the Company, has entered into a written service contract 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 Yan 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. Wong Kee Chung, 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 10 July 2017 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 HK$30,000 per month plus a discretionary bonus to be determined by the Board with reference to the performance of the Group.

The appointment letter of Mr. Chow Wing Tung as an independent non-executive Director has a term of three years commencing from 8 June 2016, subject to early termination by either party by giving not less than three months notice in writing. Under the appointment letter, the director's fees of S$26,400 per annum. Mr. Chow resigned as an independent non-executive Director with effect from 16 November 2017.

Mr. Lee Cheung Yuet, Horace, an independent non-executive Director of the Company, has entered into a letter of appointment for a term of three years commencing from 16 November 2017 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 HK$15,000 per month.

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.

The appointment letter of Mr. Lee Teck Leng as an independent non-executive Director has a term of 3 years commencing from 8 June 2016, subject to early termination by either party by giving at least three months notice in writing. Under the appointment letter, the director's fees of Mr. Lee is S$26,400 per annum. Mr. Lee resigned as an independent non-executive Director with effect from 8 February 2018.

Mr. Ng Ka Lok, an independent non-executive Director of the Company, has entered into a letter of appointment for a term of three years commencing from 8 February 2018 and may be terminated by either party by giving at least three months' notice in writing. Mr. Ng is currently entitled to receive a director's fees of HK$10,000 per month.

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**").

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, Messrs. Wong Kee Chung, Lee Cheung Yuet, Horace, and Ng Ka Lok shall retire from the office at the conclusion of the forthcoming annual general meeting. In according to Articles 84(1) of the Company's Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years, Messrs. Lau Yan Hong and Phang Yew Kiat 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. Messrs. Lau Yan Hong, Wong Kee Chung, Lee Cheung Yuet, Horace, Phang Yew Kiat and Ng Ka Lok, 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. Lee Cheung Yuet, Horace (Chairman), Mr. Phang Yew Kiat and Mr. Ng Ka Lok.

Audit Committee is provided with sufficient resources to perform its duties and is empowered to examine all matters relating to the Group's adopted accounting principles and practices and to review a material financial, operational and compliance controls. 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 73 to 76 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 and review of findings and/or reports arising from internal and external audits. The Audit Committee reviewed and concurred with the management's confirmation that the Group's risk management and internal control systems were effective and adequate to the year ended 31 December 2017. The management's confirmation was endorsed by the Audit Committee and submitted to the Board.

The Audit Committee reviewed and was satisfied with the adequacy of the resources, staff gratifications and experience, training programmes and impact of the Group's accounting, Financial reporting and internal audit functions.

During the Year, the Audit Committee held 3 meetings and performed duties including reviewing the Group's half-year reports. The individual attendance record of each member at the meetings of Audit Committee during the Year is set out below:

Name of Directors	**Attendance/ Number of committee meeting**
Mr. Chow Wing Tung *(Chairman)* (resigned on 16 November 2017)	2/3
Mr. Lee Cheung Yuet, Horace *(Chairman)* (appointed on 16 November 2017) ("**Mr. Lee**")	1/3
Mr. Phang Yew Kiat	3/3
Mr. Lee Teck Leng (resigned on 8 February 2018)	3/3
Mr. Ng Ka Lok (appointed on 8 February 2018)	0/3

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. Lee, has the appropriate professional accounting experience and served as a Chairman of the Audit Committee during the year.

REMUNERATION COMMITTEE

The remuneration committee of the Board (the "**Remuneration Committee**") was established on 10 May 2016. The Remuneration Committee had met four times during the Year. Its primary objective is to ensure that the Company can recruit, retain and motivate high-calibre staff in order to reinforce the success of the Company and create value for its shareholder. The Remuneration Committee was chaired by Mr. Phang Yew Kiat, an independent non-executive Director, with Mr. Lim Kui Teng, an executive Director and Mr. Lee Cheung Yuet, Horace, 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.

Remuneration Committee was held four meetings 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)*	4/4
Mr. Lim Kui Teng	4/4
Mr. Chow Wing Tung (resigned on 16 November 2017)	4/4
Mr. Lee Cheung Yuet, Horace (appointed on 16 November 2017)	0/4

The work performed by the Remuneration Committee for the year ended 31 December 2017 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;

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

(v) reviewing and recommending (i) the director fee of Mr. Wong Kee Chung, and (ii) the remuneration fee of Mr. Lee Cheung Yuet, Horace.

The amount of remuneration paid to each Director for the year ended 31 December 2017 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. Lee Cheung Yuet, Horace as members. The Nomination Committee had met three times during the Year.

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 and the major responsibilities 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;

(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;

(xi) to review and evaluate the composition of the Board with reference to certain criteria. These criteria included qualification required under the Listing Rules on any other relevant laws requiring characteristics and skills of the Directors, professional ethics and integrity, appropriate professional knowledge and industry experience, as well as ability to devote sufficient time to work of the Board and its committees and to participate in all Board meetings and shareholders' meetings; and

(xii) reviewing and recommending (i) the director's service agreement of Mr. Wong Kee Chung, and (ii) the appointment letter of Mr. Lee Cheung Yuet, Horace.

During the Year, the Nomination Committee had held 3 meetings and performed duties. The individual attendance record of each member at the meeting of Nomination Committee during the Year is set as below:

Name of Directors	**Attendance/ Number of committee meeting**
Mr. Lim Kui Teng *(Chairman)*	3/3
Mr. Chow Wing Tung (resigned on 16 November 2017)	3/3
Mr. Phang Yew Kiat	3/3
Mr. Lee Cheung Yuet, Horace (appointed on 16 November 2017)	0/3

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

Set out below is a summary of certain rights of the shareholders of the Company as required to be disclosed pursuant to the mandatory disclosure requirements under the CG Code:

(a) Convening a general meeting on requisition by shareholders of the Company

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.

The Written Requisition must:

(a) state the general nature of the business to be dealt with at the meeting; and

(b) be authenticated by the shareholder(s) making the request.

The Written Requisition may include the text of a resolution that may properly be moved and is intended to be moved at the meeting, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with at that general meeting.

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.

(b) 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

(c) Proposing Directors for election at general meetings

In respect of proposing a person for election as a director of the Company at general meetings, please refer to the procedures available on the Articles of Association of the Company.

CONSTRUCTIVE USE OF ANNUAL GENERAL MEETING ("AGM")

The Board values the AGM as the principal opportunities for the Directors to meet shareholders of the Company and to develop a balanced understanding of the views of the shareholders. During the Year, the AGM was held an 25 May 2017. The attendance record of the Directors at the AGM is set out below:

Executive Directors	**Attendance in person/ telephone conference**
Mr. Lim Kui Teng *(Chairman of the Board and chairman of Nomination Committee)*	1
Mr. Quek Sze Whye	1
Mr. Bijay Joseph	1
Mr. Lau Yan Hong	1
Mr. Wong Kee Chung *(appointed on 10 July 2017)*	0
Independent Non-Executive Directors	
Mr. Chow Wing Tung *(chairman of Audit Committee) (resigned on 16 November 2017)*	1
Mr. Lee Cheung Yuet Horace *(appointed on 16 November 2017)*	0
Mr. Phang Yew Kiat *(chairman of Remuneration Committee)*	1
Mr. Lee Teck Leng *(resigned on 8 February 2018)*	1
Mr. Ng Ka Lok *(appointed on 8 February 2018)*	0

Notice of AGM, annual report, financial statements and related papers were posted to shareholders of the Company for their consideration at least 20 clear business days prior to the AGM.

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 73 to 76 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$1.4 million, of which approximately HK$0.2 million, or 11.8%, 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 2017 (the "**Year**").

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$9.6 million had been utilised as at 31 December 2017.

CHANGE IN USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

References are made to (i) the announcements (announcements dated 11 December 2017, 20 December 2017, 3 January 2018, 9 January 2018 and 7 February 2018, respectively); (ii) the prospectus (the prospectus dated 25 May 2016 of the Company) ("**Prospectus**"); (iii) the interim report 2017 and the circular of the Company dated 7 March 2018 (the "**Circular**"). The Board after careful consideration and detailed evaluation of the Company's current operations and in order to enhance the Company's cash management and the utilisation efficiency of the net proceeds (the net proceeds, from the global offering of the Company) ("**Net Proceed**"), resolved to (1) adjust the allocation of the use of the Net Proceeds and (2) utilise part of the Net Proceeds for partial settlement of the Second Deposit (please refer to the "Significant investments held, material acquisitions and disposal of subsidiaries, associates and joint ventures") which mentioned into section headed "Management Discussion and Analysis" on page 14 in this annual report. For further details, please refer to the below paragraph headed "Reasons for the Changes in the Use of Net Proceeds" in this annual report.

Use of the Net Proceeds under the Prospectus

As disclosed in the Prospectus, the Directors intended to apply the Net Proceeds as follows:

- 42% of the Net Proceeds to purchase excavation machines and tipper trucks in relation to expansion of earthworks sector and also to replace some of the older tipper trucks of the Group (the "**Purchase of Excavation Machines and Tipper Trucks**");

- approximately 25% of the Net Proceeds to secure earth filling project which are located at close proximity to the earthwork projects of the Group as the earth disposal site for the two years ended 31 December 2017 (the "**Secure Earth Filling Projects**");

- approximately 17% of the Net Proceeds for expansion and enhancement of the workforce of the Group to support its business expansion both at the worksites (project supervisors and workers) and at premise to service the Group's fleet of tipper trucks and excavation equipment for the two years ended 31 December 2017 (the "**Expand Workforce**");

- approximately 8% of the Net Proceeds to purchase AutoCad software which could assist in the design and drawing of plans for earthworks; performance monitoring software to track the usage of our machines and the progress of our projects; building information modelling software which could improve productivity and level of integration across various disciplines across the entire construction value chain; and payroll software for the two years ended 31 December 2017 (the "**Purchase of Software**"); and

- approximately 8% of the Net Proceeds for additional working capital and other general corporate purposes for the two years ended 31 December 2017 (the "**Working Capital**").

REASONS FOR THE CHANGES IN THE USE OF NET PROCEEDS

No earth filling project as at the latest practicable date which mentioned into the Circular

As disclosed in the Prospectus, (1) approximately S$2,300,000 (equivalent to approximately HK$12,200,000) will be reallocated from Secure Earth Filling Project to Purchase of Excavation Machines and Tipper Trucks if the Company had not identified any Secure Earth Filling Project by 31 December 2016 (the "**First Reallocation**") and (2) all of the unutilised proceeds for Secure Earth Filling Project will also be reallocated for the Purchase of Excavation Machines and Tipper Trucks (the "**Second Reallocation**") if the Company did not enter into any agreements for securing earth filling project by 31 October 2017, and such proceeds shall be utilized in full by 31 December 2017. While the Group had used its best efforts in tendering earth filling project, the Company had not secured or entered into any agreement relating to earth filling project by 31 October 2017. Accordingly, the Net Proceeds allocated to Secure Earth Filling Project should be reallocated pursuant to the First Reallocation and the Second Reallocation in accordance with the Prospectus.

Taking into account (i) the business scale and projects of the Company as at the latest practicable date which mentioned into the Circular, (ii) 56 new tipper trucks, 32 new excavators and 2 new telescopic excavators acquired by the Group since the Listing and (iii) an average replacement cycle of tipper truck, excavator and telescopic excavator of 10 years, 6 years and 6 years, respectively, it is currently expected that the Group will acquire 16 new tipper trucks, 12 new excavators and 2 new telescopic excavators with a total acquisition cost of not more than S$7,002,000 (based on a replacement cost of a tipper truck and excavator of approximately S$200,000 each and a telescopic excavator of approximately S$650,000 each) on or before 31 December 2019. Subsequent to the proposed purchases of tipper trucks, excavators and telescopic excavators, it is currently anticipated that the total tipper trucks, excavators and telescopic excavators will be sufficient for the Company's business operations in the short to medium term based on its current business scale and growth rate.

Accordingly, the Board is of the views that (1) the Net Proceeds currently allocated for the Purchase of Excavation Machines and Tipper Trucks will be more than sufficient to finance the new purchases and (2) the First Reallocation and the Second Reallocation are unnecessary.

Enhanced cash management and utilisation efficiency of the Net Proceeds

As at 30 November 2017, the Company had available cash (unaudited) of approximately S$28,495,000 (excluding the Net Proceeds), of which approximately S$12,271,000 were applied towards the settlement of the First Deposit of RMB60,000,000. If the Company applied all its remaining S$16,224,000 cash towards the settlement of the Second Deposit of RMB75,000,000 (equivalent to approximately S$15,339,000), the remaining cash balance of the Company, excluding the Net Proceeds would be approximately S$885,000. If the Company did not change the use of Net Proceeds, the Company's cash would be restricted primarily for the Purchase of Excavation Machines and Tipper Trucks, Expand and Enhance Workforce and Purchase of Software as described under the Prospectus.

As disclosed in the Prospectus, to the extent that the Net Proceeds are not immediately applied to the designed purposes and to the extent permitted by applicable laws and regulations, the Company intended to deposit the Net Proceeds into short-term demand deposits with authorized financial institutions and/or licensed banks in Singapore or Hong Kong. The balance of the unutilised Net Proceeds in the amount of approximately S$17,988,000 as at 30 November 2017 were deposited in bank carrying interest rate at the range of 0.35% to 1.2% per annum.

In order to enhance the Company's cash management, the Company intends to settle the outstanding Second Deposit by applying (i) approximately S$8,732,000 from the Company's cash and (ii) the Net Proceeds initially allocated to Secure Earth Filling Project of approximately S$6,607,000 (also representing the aggregate Net Proceeds under the First Reallocation and the Second Reallocation). Subsequent to the settlement of the Second Deposit, the Company will have total cash of approximately S$18,873,000, comprising approximately S$7,492,000 available cash to fund its existing business operations and approximately S$11,381,000 for the intended use of Net Proceeds as disclosed in the Prospectus.

THE BOARD'S VIEWS ON THE CHANGES IN THE USE OF NET PROCEEDS

Taking into account (1) the First Reallocation and the Second Reallocation would not be utilized for the Purchase of Excavation Machines and Tipper Trucks during the years ending 31 December 2019 should the Company follow the intended applications set out in the Prospectus in light of the current business plans, (2) the interest that may be accrued on the S$6,607,000 the unutilised Net Proceeds should the Company deposit such in the bank, (3) the proposed reallocation would free up approximately S$7,492,000 available cash for the Company to fund its existing business operations and (4) potential financing costs that would be incurred if the Company did not change the use of Net Proceeds and obtained external financing to fund either the Second Deposit or its business operations subsequent to utilisation of its available cash balance, the Board considered the changes in use of Net Proceeds will enhance the Company's cash management and the utilisation efficiency of the Net Proceeds and therefore are in the best interests of the Company and its shareholders as a whole.

The Board (including the independent non-executive Directors) confirms that (i) save for the addition of property investment as a result of the Acquisition, there are no material changes in the nature of business as set out in the Prospectus, (ii) there are no material changes in the existing businesses operations and business scale of the Group since the Listing up to the latest practicable date which mentioned into the Circular and (iii) the proposed change in use of Net Proceeds will not adversely affect the existing operation and business of the Group.

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 77 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 16 of this annual report.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in Note 26 to the Consolidated Financial Statements in this report.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2017 are set out in the Consolidated Statement of Comprehensive Income on page 77. The financial position of the Group as at 31 December 2017 is set out in the Consolidated Statement of Financial Position of the Group on pages 78 to 79. The financial position of the Company as at 31 December 2017 is set out in Note 32 to the Consolidated Financial Statements on pages 143 to 144. The cash flows of the Group for the year ended 31 December 2017 are set out in the Consolidated Statement of Cash Flows on pages 81 to 82.

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 2017 was valued by an independent valuer. The revaluation surplus of the investment property of approximately S$4.7 million had not been included in the Group's financial statements as of 31 December 2017. 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$18,000.

RESERVES

Details of the movement in the reserves of the Group and the Company during the Year are set out in Notes 26 and 32 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 2017, the reserves available for distribution to shareholders is approximately S$73.1 million which represents the aggregate of share premium and contributed surplus of approximately S$73.7 million net of accumulated losses approximately S$0.6 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 "Environmental, Social and Governance Report" on pages 59 to 72 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)*
Mr. Quek Sze Whye
Mr. Bijay Joseph
Mr. Lau Yan Hong
Mr. Wong Kee Chung (appointed on 10 July 2017)

Independent Non-Executive Directors
Mr. Chow Wing Tung (resigned on 16 November 2017)
Mr. Lee Cheung Yuet, Horace (appointed on 16 November 2017)
Mr. Phang Yew Kiat
Mr. Lee Teck Leng (resigned on 8 February 2018)
Mr. Ng Ka Lok (appointed on 8 February 2018)

Pursuant to Article 83(3) of the Company's Articles of Association ("**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, Messrs. Wong Kee Chung, Lee Cheung Yuet, Horace, and Ng Ka Lok shall retire from the office at the conclusion of the forthcoming annual general meeting. In according to Articles 84(1) of the Company's Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years, Messrs. Lau Yan Hong and Phang Yew Kiat 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. Messrs. Lau Yan Hong, Wong Kee Chung, Lee Cheung Yuet, Horace, Phang Yew Kiat and Ng Ka Lok, shall also retired and, being eligible offer themselves for re-election at the forthcoming general meeting.

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 17 to 19 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 17 to 19 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 2017, 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 2017
Mr. Lim Kui Teng ("**Mr. Alan Lim**")	Interest of controlled corporation *(Notes 1)*	529,125,000 (L)	51.00%
Ms. Yee Say Lee ("**Ms. Yee**")	Interest of spouse *(Notes 1 and 2)*	529,125,000 (L)	51.00%

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 2017.

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.

CHANGE IN DIRECTOR'S INFORMATION

Change in information on Directors since the date of the Interim Report 2017 of the Company and up to the date of this annual report, which is required to be disclosed pursuant to Rule 13.51 B(1) of the Listing Rules, is set out below:

Mr. Lee Cheung Yuet, Horace was appointed as an executive director of Aurum Pacific (China) Group Limited, (a company listed on GEM Board of the Stock Exchange, Stock Code: 8148) with effect from 5 February 2018.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51 B(1) of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN THE SECURITIES OF THE COMPANY

As at 31 December 2017, 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 2017
Brewster Global	Beneficial owner *(Notes 1)*	529,125,000 (L)	51.00%
Mr. Alan Lim	Interest of controlled corporation *(Notes 1)*	529,125,000 (L)	51.00%
Ms. Yee	Interest of spouse *(Notes 1 and 2)*	529,125,000 (L)	51.00%

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.

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 2017.

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
HK$1,000,001 – HK$1,500,000	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 2017, 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 29 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 (to the fullest extent permitted by the Companies Ordinance) which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto.

The Group has taken out and maintained directors' liability insurance throughout the Year, which provides appropriate cover for legal actions brought against the Directors and directors of the subsidiaries of the Company. The level of the coverage is reviewed annually.

MAJOR CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

The five largest customers of the Group accounted for approximately 42.9% (2016: 54.9%) of the Group's total revenue and the largest customer of the Group accounted for 14.5% (2016: 38.1%) of the Group's total revenue.

The five largest suppliers of the Group accounted for approximately 80.0% (2016: 76.9%) of the Group's total purchases and the largest supplier of the Group accounted for 27.4% (2016: 24.0%) of the Group's total purchases.

The five largest subcontractors of the Group accounted for approximately 50.4% (2016: 73.0%) of the Group's total subcontractor fees and the largest subcontractor of the Group accounted for 19.5% (2016: 34.3%) of the Group's total subcontractor fees.

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 29 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 29 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 29 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 33 to the Consolidated Financial Statements of the Group.

BANK BORROWINGS

The particulars of bank borrowings of the Group as at 31 December 2017 are set out in Note 24 to the Consolidated Financial Statements.

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

During the Year, 1,044,000 ordinary shares of the Company being repurchased on the Stock Exchange were cancelled on 8 January 2018 and the number of issued share of the Company were reduced accordingly. The above repurchases were effected by the Directors pursuant to the mandate granted by shareholders in the Company's annual general meeting held on 25 May 2017, with a view to benefiting shareholders as a whole in enhancing the net assets and the earnings per Share of the Company.

Details of the repurchases of such ordinary shares are as follows:

Month of the Repurchases	Number of ordinary shares repurchased	Highest price paid by share (HKD)	Lowest price paid by share (HKD)	Aggregate consideration (HKD)
October 2017	1,044,000	0.395	0.395	412,380

Save as disclosed above, neither the Company nor any of its subsidiaries had repurchased, sold or redeemed any of the Company's listed securities during the Year.

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.

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 20 to 41 of this annual report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2017 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

Subsequent to the reporting date, 1,044,000 ordinary shares of the Company have been cancelled on 8 January 2018.

On behalf of the Board

Mr. Lim Kui Teng
Chairman

28 March 2018

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 2017.

Details by the ESG are set out on pages 59 to 72 of this annual report.

We have an Integrated Management System ("**IMS**") which comprises 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 aspects 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 of Green and Gracious Practices
Reducing, reusing and recycling of our materials and wastes
Ensuring efficient usage of our electricity, diesel and water
Ensuring air and water pollution are managed
Neatness at sites for good housekeeping

Giving a safe work environment to all staff and the public
Reducing traffic obstruction to the public
Access that is safe, clean and unobstructed
Communicating with 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

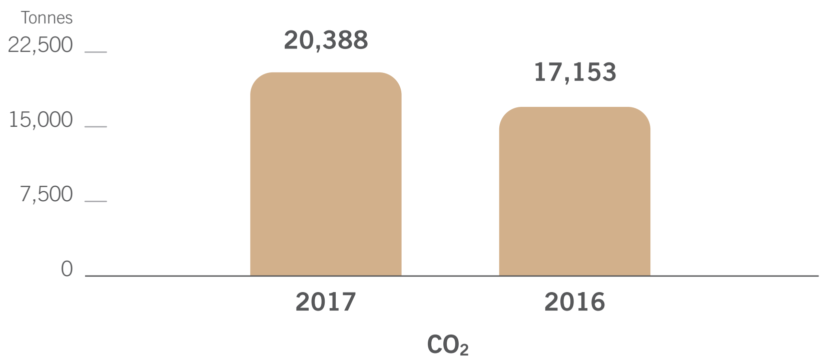
Aspect A1: Emissions

We do not generate significant amount of greenhouse gas emissions, discharges into water and land or hazardous and non-hazardous wastes when conducting general construction works.

To support this, we have gradually replaced our Euro IV trucks with Euro V trucks as the engine standard of Euro V trucks has the heavy duty emission Regulation which sets tougher emission limits than Euro IV and lowers limits of several pollutants such as CO, THC, NMHC, CH4, NOX, NH3. For year ended 31 December 2017, we have replaced 4 units of Euro IV trucks with Euro V trucks.

In the provision of earthworks, we consume diesel for our plant & machinery along with motor vehicles. Despite the slight drop in the number of our plant & machinery from 152 to 131, the number of our motor vehicles increased from 145 in 2016 to 183 in 2017. This led to an increase in diesel usage, thus our carbon dioxide emission arising from diesel consumption for the year 2017 increased to approximately 20,388 tonnes (2016: 17,153 tonnes) as the chart below presents:

Emissions



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

Air pollution control

We have a set of procedures to control dust, fumes, smokes and obnoxious gas generated at the construction sites to reduce air pollution.

(i) Control of dark smoke

All our fuel burning machines including air compressors and generators are serviced and maintained regularly to prevent emission of dark smoke. Any defective fuel equipment identified would be replaced. In addition, engines of stationary vehicles should be switched off promptly. Further, we forbid all illegal burning of debris at our construction sites.

(ii) Control of dust

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

(iii) Control of fume and obnoxious gas

We control all possible sources of chlorofluorocarbon and hydrochlorofluorocarbons through measures such as disposal of non-used air-conditioners and damaged refrigerators used by our workers.

Water pollution control

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

(i) *Silt control measure*

For all our projects, we have designated location for silt control such as temporary perimeter lined cut-off drains, silt fences and silt traps within the worksites before commencement of any earthworks or construction works to prevent the wash down of silt, earth, and debris from the worksites into the public drains and adjacent premises. Silt traps should be maintained regularly.

(ii) *Vehicle washing bay*

We jet-wash all our vehicles to remove all mud and silt before leaving the construction site. The washing bay should be maintained regularly and the accumulation of silt should be disposed of periodically to the approved disposal sites.

(iii) *Control of oil, diesel or chemical spillage*

All oil, diesel and chemicals must be handled carefully to minimise unnecessary spillage. Diesel tank should be kept away from the surface drain, and the amount of diesel used at construction sites should be closely monitored to reduce wastage.

(iv) *Sewerage system*

We employ licensed sanitary plumber at all our construction sites to design the temporary sanitary and water supply requirements, which include site office, canteen and worker's quarter (if applicable). No washing water from cooking and laundry activities should be discharged to open drain.

Construction waste management

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

(i) *Segregation of construction waste*

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

(ii) Installation and removal of rubbish bin

Sufficient number of containers are placed 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 only at authorised dumping ground or disposal facilities. Wastes such as steel or wood would be recycled whenever possible in order to minimise waste disposal.

Aspect A2: Use of Resources

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

(i) Water, electricity and diesel consumption

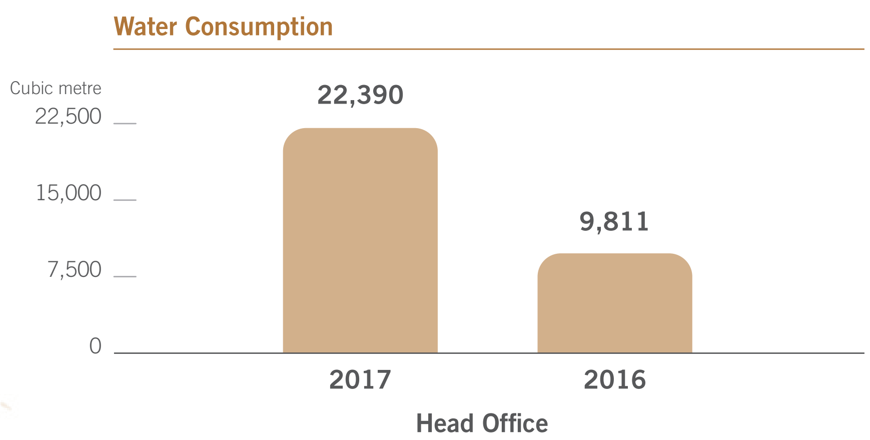
We keep track of our consumption of water, electricity and diesel at our head office every month to ensure that the usage remains stable as compared to previous months. We also designate a worker to be responsible to switch off all machines and equipment such as gensets, machines, lights, air-conditioners, fans, shut all open taps and repair all leakages or broken water pipes by the end of the day.

We have put in place procedures to maintain water consumption at 5m^3 per staff per month, and energy consumption at 197 Kilowatt-hour per staff per month by 2017. In addition, we also aim at receiving less than two environmental fines per project per year.

(a) Water conservation

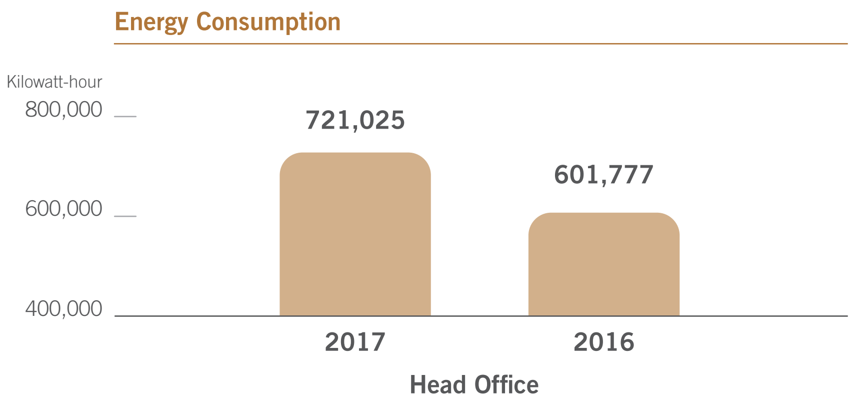
We reduce water usage by using press water tap for all toilet washing bays and placing notices near our water taps to remind our employees to turn off the tap after using. We also install water filter inside the water tap to reduce the water flow.

We monitor water consumption for our head office. Since we had not moved to our current head office until March 2016, therefore the water consumption for 2016 was relatively lower. Our water consumption for the year ended 31 December 2017 and year ended 31 December 2016 for the head office were as follows:



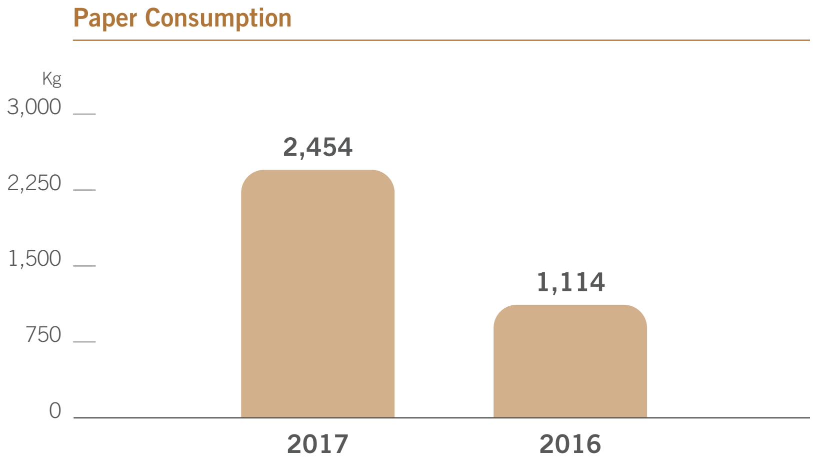
(b) Energy conservation

We conserve electricity by using timer for auto light switches in the common area and placing reminders near all our switches to remind our employees to switch off all electricity when not in use. Further, we have purchased eco-friendly appliances such as LED, T5 light and energy saving refrigerator to reduce energy use in our head office. We installed roller blind to reduce heat in office, thus reducing the use of air-conditioning. The energy consumption of the head office in 2016 was relatively lower because we moved to the current head office in March 2016. Our energy consumption for the year 2017 and 2016 were as follows:



(c) Paper conservation

We aim to reduce paper usage by setting print limit for each person. Meanwhile we also encourage our staff to print documents using recycled papers and double-side printing, and minimise print paper with E-fax. Our paper consumption for the year 2017 and 2016 were as follows:



(ii) Material consumption

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

Aspect A3: The Environment and Natural Resources

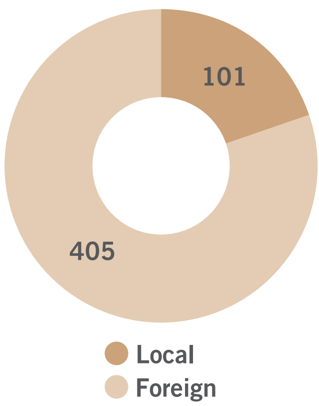
In order to promote environmental awareness among our employees, we host sharing sessions with in-house quizzes regarding green and gracious practices relevant to our operations. We also communicate with our subcontractors and suppliers about our green and gracious policies and requirements.

EMPLOYMENT AND LABOUR PRACTICES

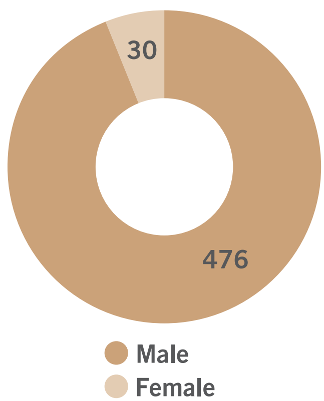
Aspect B1: Employment

As at 31 December 2017, our Group employed over 500 employees (local and foreign workers). Our employees are remunerated according to their job scopes and responsibilities. All our employees are based in Singapore. For the year 31 December 2017, our employees' turnover rate was approximately 34%. The detailed breakdown of our employee by local (Singaporean and Singapore permanent residents) and foreign employees, gender and age group as at 31 December 2017 is set forth below:

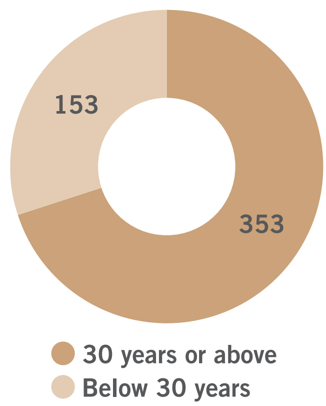
Number of ratio of local and foreign employees



Number of ratio of employees by gender



Ratio 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 foreign construction workers.

Employee's Handbook

Our Employee's Handbook lists out in details the general terms and conditions of employment as well as certain employment procedures with our Group. They include 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 and our employees regarding 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 on hiring foreign construction workers

As an employer of foreign workers, it is compulsory for us to comply with the rules and regulations stipulated by the Ministry of Manpower of Singapore ("**MOM**"). Therefore, we have a specific policy aimed at complying with MOM's regulations and requirements on recruitment process, which stipulates equal opportunity in employment practices without discrimination in race and religion, and filling vacancies with suitable candidates.

For the year ended 31 December 2017, 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 organise various events for our employees to get together. The Group encourages communication and interaction between the staff and the management. Through these gatherings, management is informed about issues raised by staff and can carry out responsive measures to improve operations if appropriate.

January 2017 – 21st Anniversary Celebration of Chuan Lim

This celebration enabled us to commemorate the 21st Anniversary of Chuan Lim, and reminded us of the significant development it has made in the past 21 years.

February 2017 – Chinese New Year Gathering

This gathering provided an opportunity for our management and staff to repose and get ready for the development in the coming year.

May 2017 – Chuan Holdings AGM

With the hard work of our management and staff, Chuan Holdings Limited (the "**Company**") will continue to thrive in the years to come.

October 2017 – Lunch Talk Event

The Lunch Talk was an occasion where training and sharing of work advices were provided to our staff.

October 2017 – Diwali Celebrations with Drivers

The Diwali Celebrations gave us a chance to enjoy and celebrate the Hindu festival with our staff.

December 2017 – Christmas Party

Christmas Party was the time where our staff had fun with games and lucky draws.

December 2017 – 2017 Year End Dinner

The Year End Dinner was a time where our management expressed their appreciation for the efforts of our staff while celebrating the beginning of a new year.

Aspect B2: Health and Safety

We are committed to ensuring the health and safety of our staff, who are valuable to the success of our Group. 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 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 reportable incidents and occupation disease; and

- Zero fatality.

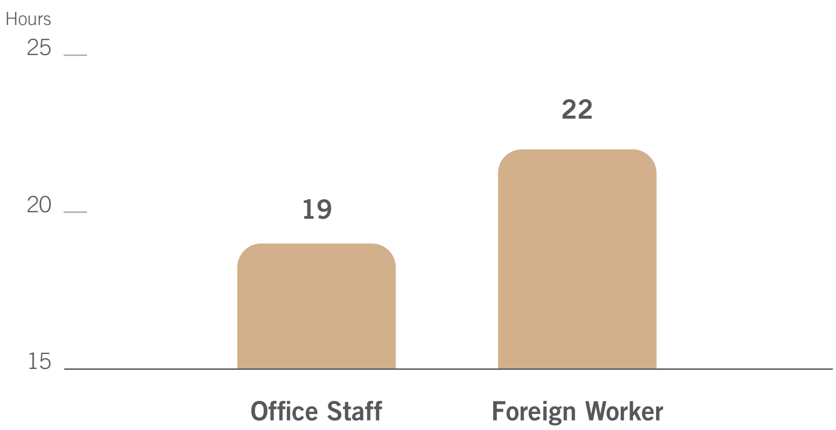
Our safe work procedures cover various aspects of our operations such as backfilling works, demolition works, earthworks, drain diversion, lifting operations and drivers. For each aspect identified, we outline (i) the construction methodology which include the list of preparatory works required in prior 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 2017, we recorded three non-compliance with applicable workplace health and safety regulations and all recertification works have 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 implemented a training procedure which forms part of our IMS to continuously identify the training needs for our employees. During the year 2017, our employees were sent to various types of training and courses such as CoreTrade for reinforced concrete works course, basic traffic control course, work-at-height course, occupational first aid course, workplace safety course, water-proofing works course and earthworks supervisor course.

Average training hours per employee by employee category



Aspect B4: Labour Standards

We are dedicated to finding practical, meaningful and culturally appropriate responses to support the elimination of child and forced labour practices. We do not employ any persons below the age of eighteen years and forced or compulsory labour at our workplace. None of our employees should be made to work against his/her will or work as bonded/forced labour, or subject to corporal punishment or coercion. Our human resources department and our site foreman are responsible for the implementation of this policy. There is a zero tolerance policy towards the use of child and forced labour. Human resources department should keep all employment contracts and relevant documentation on the details of our employees. The Board 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 perform assessments on all our suppliers and subcontractors in prior to engaging and including them 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 monitor their performance based on (i) ability to meet delivery schedules in accordance with contract/purchase orders; (ii) response to repair calls under guarantee periods; (iii) quality of goods and services received; and (iv) environmental, health and safety performance. Should the performance of the suppliers and subcontractors not satisfactory, they will be removed from our approved vendors list.

Aspect B6: Product Responsibility

We are committed to delivering 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 average customer satisfaction index of minimum 65%; and

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

Our customers typically come to know 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

Our objectives and priority are to provide quality and timely services to our customers. 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 detail the inspection and testing required for incoming purchases, in-process inspection during the project and final inspection and testing in prior to handover to customers.

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

During the project period, we carry out in-process inspection to continuously ensure project specifications are met. Non-conformance to the specifications requires rework or repair which is subsequently subject to re-inspection before proceeding to the next stage of work.

Upon completion of project, we conduct a final check before arranging handover to our customers to ensure 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) with no visual defect, for instance, misalignment, discolouration, stain or water mark for our general construction works. We arrange final inspection conducted by customers and all inspection records are properly filed and kept as quality records.

Customer feedback and complaints

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

We also have a policy for handling complaints from our customers and the public as we seek to be responsive towards the needs and concerns of our customers and the public. We have appointed one of our Executive Directors, Mr. Lau Yan Hong as the Complaint Officer to whom all written complaints detailing the incidents, name and contact details shall be addressed. We strive to deal with all complaints expeditiously and reply within 10 working days. For the year ended 31 December 2017, we did not receive any complaints from our customers or the 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 has renewal on 28 January 2018 until to 28 January 2019. We will monitor and keep track of the validity of trademarks and domain name and shall take the necessary actions to protect our intellectual property rights.

Aspect B7: Anti-corruption

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

We have introduced a whistleblower policy to encourage and enable our employees and other stakeholders to report any violations or suspected violations and to raise serious concerns about possible impropriety in our Group. Any unethical or improper practices shall be promptly reported directly to our Chairman and Executive Director, Mr. Alan Lim. Alternatively, the matter can be reported to Mr. Quek Sze Whye, our Executive Director or Mr. Horace Lee Cheung Yuet, Chairman of the Audit Committee. An investigation will then be initiated and the details of the investigation will be reported to Mr. Horace Lee Cheung Yuet. Independent investigation may be conducted or external professional advisers may be appointed to assist in conducting the investigations. Corrective and disciplinary actions 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 2017, we complied with the relevant laws and regulations 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 2017.

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 impacts on the Group. The Group also works with our compliance adviser to ensure the Group's compliance 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 necessitates that our 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 has been continuously offering 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 2017, our Group had contributed S$153,352 for the causes as explained above.

Our company has donated $50,000 to The Singapore Scout Foundation for the purpose to expansion and retrofitting of the HQ building so as to support the Association's current programmes for our young people.

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 (together the "**Group**") set out on pages 77 to 152, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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$87,281,000 for the year ended 31 December 2017. 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.

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

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

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

BDO Limited
Certified Public Accountants

Cheung Or Ping
Practising Certificate Number P05412

Hong Kong, 28 March 2018

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 S$'000	2016 S$'000
Revenue	7	**87,281**	111,479
Direct costs		**(76,121)**	(96,500)
Gross profit		**11,160**	14,979
Other income and gains	7	**1,944**	1,498
Administrative and other operating expenses		**(5,993)**	(5,180)
Other expenses		**(1,059)**	(1,364)
Finance costs	8	**(325)**	(192)
Profit before income tax	9	**5,727**	9,741
Income tax expense	11(a)	**(170)**	(2,025)
Profit for the year attributable to owners of the Company		**5,557**	7,716
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
(Losses)/gains in revaluation of available-for-sale financial assets		**(63)**	60
Exchange differences arising on translation		**(2,519)**	1,606
Other comprehensive income for the year, net of tax		**(2,582)**	1,666
Total comprehensive income for the year attributable to the owners of the Company		**2,975**	9,382
Earnings per share attributable to owners of the Company	13		
– Basic and diluted (S$ cents)		**0.54**	0.81

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 S$'000	2016 S$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*14*	**21,314**	16,206
Investment property	*15*	**1,346**	1,358
Other assets	*16*	**373**	373
Deposits and other receivables	*20*	**346**	363
Available-for-sale financial assets	*17*	**1,957**	1,695
Deferred tax assets	*11(b)*	**52**	–
		25,388	19,995
Current assets			
Due from customers for contract work	*18*	**21,862**	16,658
Trade receivables	*19*	**24,116**	23,226
Deposits, prepayments and other receivables	*20*	**13,543**	1,815
Pledged deposits	*21*	**3,307**	3,297
Cash and cash equivalents	*21*	**34,309**	48,808
		97,137	93,804
Current liabilities			
Due to customers for contract work	*18*	**2,381**	2,999
Trade payables	*22*	**9,970**	7,131
Other payables, accruals and deposits received	*23*	**6,078**	5,801
Bank borrowings	*24*	**62**	252
Finance lease obligations	*25*	**6,048**	4,492
Income tax payable		**632**	1,713
		25,171	22,388
Net current assets		**71,966**	71,416
Total assets less current liabilities		**97,354**	91,411

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 S$'000	2016 S$'000
Non-current liabilities			
Deposits received	*23*	**11**	–
Bank borrowings	*24*	**65**	148
Finance lease obligations	*25*	**7,254**	4,109
Deferred tax liabilities	*11(b)*	**–**	35
		7,330	4,292
Net assets		**90,024**	87,119
EQUITY			
Equity attributable to the owners of the Company			
Share capital	*26*	**1,808**	1,808
Reserves	*26*	**88,216**	85,311
Total equity		**90,024**	87,119

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 2017

	Share capital S$'000 *(note 26)*	Share premium* S$'000 *(note 26)*	Treasury shares reserve* S$'000 *(note 26)*	Merger reserve* S$'000 *(note 26)*	Translation reserve* S$'000 *(note 26)*	Investment revaluation reserve* S$'000	Retained profits* S$'000	Total S$'000
At 1 January 2016	–	–	–	5,166	–	(408)	43,242	48,000
Issue of new shares *(note 26)*	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 and 1 January 2017	**1,808**	**27,929**	**–**	**5,166**	**1,606**	**(348)**	**50,958**	**87,119**
Transactions with owners:								
Shares repurchased *(note 26)*	–	–	(70)	–	–	–	–	(70)
Profit for the year	–	–	–	–	–	–	5,557	5,557
Other comprehensive income								
Loss in revaluation of available-for-sale financial assets	–	–	–	–	–	(63)	–	(63)
Exchange differences arising on translation	–	–	–	–	(2,519)	–	–	(2,519)
Total comprehensive income for the year	–	–	–	–	(2,519)	(63)	5,557	2,975
At 31 December 2017	**1,808**	**27,929**	**(70)**	**5,166**	**(913)**	**(411)**	**56,515**	**90,024**

* *These reserve accounts comprise the consolidated reserves of approximately S$88,216,000 (2016: approximately S$85,311,000) in the consolidated statement of financial position as at 31 December 2017.*

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 S$'000	2016 S$'000
Cash flows from operating activities			
Profit before income tax		**5,727**	9,741
Adjustments for:			
Interest income	*7*	**(225)**	(112)
Interest expense	*8*	**325**	192
Dividend income from available-for-sale financial assets	*7*	**(2)**	(2)
Depreciation of property, plant and equipment	*9*	**5,955**	4,824
Depreciation of investment property	*9*	**12**	12
Gains on disposals of property, plant and equipment	*7*	**(486)**	(163)
Provision for impairment of trade receivables	*9*	**1,059**	424
Operating profit before working capital changes		**12,365**	14,916
Increase in amounts due from customers for contract work		**(5,204)**	(1,459)
(Increase)/decrease in trade receivables		**(1,949)**	11,300
Increase in deposits, prepayments and other receivables		**(12,043)**	(349)
Decrease in amounts due to customers for contract work		**(618)**	(3,775)
Increase/(decrease) in trade payables		**2,839**	(3,183)
Decrease in other payables, accruals and deposits received		**(1,643)**	(2,043)
Cash (used in)/generated from operations		**(6,253)**	15,407
Income tax paid, net		**(1,338)**	(2,638)
Net cash (used in)/generated from operating activities		**(7,591)**	12,769

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 S$'000	2016 S$'000
Cash flows from investing activities		
Decrease/(increase) in time deposits with maturity over three months	**6,735**	(6,735)
Proceeds from disposals of property, plant and equipment	**2,038**	401
Purchases of property, plant and equipment	**(3,581)**	(3,196)
Purchase of available-for-sale financial assets	**(325)**	–
Interest received	**225**	112
Dividend received	**2**	2
Net cash generated from/(used in) investing activities	**5,094**	(9,416)
Cash flows from financing activities		
Net proceeds from issue of new shares by public offerings	**–**	29,737
Payment on repurchase of shares	**(70)**	–
Decrease in amounts due to directors	**–**	(400)
Decrease in amount due from a shareholder	**–**	247
Interest element on finance lease payments	**(318)**	(179)
Capital element of finance lease obligations	**(2,070)**	(3,634)
Repayment of bank borrowings	**(273)**	(250)
(Increase)/decrease in pledged deposits	**(10)**	974
Interests paid	**(7)**	(13)
Net cash (used in)/generated from financing activities	**(2,748)**	26,482
Net (decrease)/increase in cash and cash equivalents	**(5,245)**	29,835
Cash and cash equivalents at beginning of the year	**42,073**	10,632
Effect of foreign exchange rate changes, net	**(2,519)**	1,606
Cash and cash equivalents at end of the year	**34,309**	42,073
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**24,181**	30,143
Time deposits with maturity less than three months	**10,128**	11,930
	34,309	42,073

1. GENERAL INFORMATION

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.

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 33 to the consolidated financial statements. The Company and its subsidiaries are collectively referred to as the "Group" hereafter. The Company had listed its shares on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") on 8 June 2016.

The consolidated financial statements for the year ended 31 December 2017 were approved and authorised for issue by the board of directors on 28 March 2018.

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 2017.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

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

(a) Adoption of new/revised HKFRSs (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.

The adoption of the amendments has led to the additional disclosure presented in the notes to the consolidated statement of cash flows, note 31.

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.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements as the Group does not have interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

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

(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.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards[1]
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[2]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[2]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[2]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[2]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 16	Leases[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]

[1] *Effective for annual periods beginning on or after 1 January 2018*

[2] *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)

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28 "Investments in Associates and Joint Ventures" clarifying that a venture capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

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 – 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 or 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.

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 9 – Financial Instruments (Continued)

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.

Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortised cost and FVTOCI will continue with their respective classification and measurements upon the adoption of HKFRS 9.

The new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

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.

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 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.

The Group has assessed that the contracts with customers fulfil the criteria for recognising revenue over time under HKFRS 15. Two methods can be used under HKFRS 15 to measure the Group's progress towards complete satisfaction of a performance obligation satisfied over time, including output method and input method. In measuring the work progress under HKFRS 15, the Group considers that an input method with reference to the proportion that contract cost incurred for work performed to date relative to the estimated total contract costs would appropriately depict the transfer of control of goods or services to customers for individual projects under HKFRS 15. Based on the assessment performed with reference to the existing contractual arrangements with its customers, the management of the Group anticipates that the application of HKFRS 15 may result in more disclosures in the consolidated financial statements of the Group in the future. The extent of impact on the Group's financial position and performance upon initial adoption of HKFRS 15 would depend on the progress of and facts specific to the Group's individual contracts.

Amendments to HKAS 40 – Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

HK(IFRIC) – Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretation specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

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 HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at FVTOCI if specified conditions are met – instead of at FVTPL.

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.

As at 31 December 2017, the Group has non-cancellable operating lease arrangements of approximately S$1,802,000 as disclosed in note 27. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors complete a detailed review.

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

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

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Save as disclosed elsewhere in the financial statements, the Group is in the process of making an assessment of the potential impact of these new pronouncements. The Directors so far concluded that the application of these new pronouncements is unlikely to have a significant impact on the Group's financial performance and financial position upon application.

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.

3. BASIS OF PREPARATION (CONTINUED)

(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 with estimated useful life of 50 years 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;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

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.

(iv) Equity instruments

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

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

The Hong Kong Companies Ordinance, Cap. 622, came into operation on 3 March 2014. Under the Ordinance shares of the Company do not have a nominal value. Consideration received or receivable for the issue of shares on or after 3 March 2014 is credited to share capital. Commissions and expenses are allowed to be deducted from share capital under s. 148 and s. 149 of the Ordinance.

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 FVTPL 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

4.14 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.14 Foreign currency (Continued)

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 long-term 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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

4.19 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.19 Related parties (Continued)

(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.

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 collectability 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 collectability 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 outstanding amounts, 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$632,000 (2016: approximately S$1,713,000) as at 31 December 2017.

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 2017 and 2016. 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 2017			
Revenue from external customers	71,601	15,680	87,281
Reportable segment results	9,578	753	10,331
Unallocated other income and gains			1,396
Corporate and other unallocated expenses			(5,993)
Interest on bank loans			(7)
Profit before income tax			5,727

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 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

During the year ended 31 December 2017, the corporate and other unallocated expenses mainly included directors' emoluments, employee benefits expenses, depreciation of office equipment, operating lease expenses and other centralised administrative cost for the Group's headquarter (2016: directors' emoluments, employee benefits expenses, depreciation of office equipment, operating lease expenses and other centralised administrative cost for the Group's headquarter and listing expenses).

(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	
	2017 S$'000	2016 S$'000
Earthworks	**56,632**	45,634
General Construction Works	**10,623**	10,428
Total	**67,255**	56,062
Additions to non-current segment assets		
Earthworks	**12,464**	12,758
General Construction Works	**–**	120
Total	**12,464**	12,878

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	
	2017	2016
	S$'000	S$'000
Reportable segment assets	**67,255**	56,062
Unallocated property, plant and equipment	**383**	360
Available-for-sale financial assets	**1,957**	1,695
Investment property	**1,346**	1,358
Other assets	**373**	373
Deferred tax assets	**52**	–
Pledged deposits	**3,307**	3,297
Cash and cash equivalents	**34,309**	48,808
Corporate and other unallocated assets	**13,543**	1,846
Group assets	**122,525**	113,799

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

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	
	2017	2016
	S$'000	S$'000
Earthworks	**20,525**	16,193
General Construction Works	**5,128**	2,538
Total	**25,653**	18,731

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	
	2017	2016
	S$'000	S$'000
Reportable segment liabilities	**25,653**	18,731
Bank borrowings	**127**	400
Corporate and other unallocated liabilities	**6,721**	7,549
Group liabilities	**32,501**	26,680

Corporate and other unallocated liabilities mainly included accruals for employee benefit expenses, and payable of office operating expenses, and utilities.

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 2017				
Gains on disposals of property, plant and equipment	**486**	**–**	**–**	**486**
Depreciation of property, plant and equipment	**5,766**	**42**	**147**	**5,955**
Bad debts recovered	**62**	**–**	**–**	**62**
Provision for impairment of trade receivables	**1,040**	**19**	**–**	**1,059**
Finance costs	**314**	**4**	**7**	**325**

	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

(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	
	2017	2016
	S$'000	S$'000
Customer A – attributable to General Construction Works	**10,377**	42,522
Customer B – attributable to Earthworks	**12,663**	n/a

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	
	2017	2016
	S$'000	S$'000
Earthworks	**71,601**	56,967
General Construction Works	**15,680**	54,512
	87,281	111,479

7. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

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

	2017 S$'000	2016 S$'000
Other income		
Management service income	**233**	323
Interest income on financial assets carried at amortised cost	**225**	112
Bad debts recovered	**62**	456
Rental income from investment property	**131**	133
Dividend income from available-for-sale financial assets	**2**	2
Sales of scrap materials and consumables	**101**	148
Others	**241**	161
	995	1,335
Gains		
Gains on disposals of property, plant and equipment	**486**	163
Net exchange gain	**463**	–
	1,944	1,498

8. FINANCE COSTS

	2017 S$'000	2016 S$'000
Interest expenses for financial liabilities carried at amortised cost:		
– Interest on finance leases	**318**	179
– Interest on bank loans wholly repayable within five years	**7**	13
	325	192

9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2017 S$'000	2016 S$'000
Auditor's remuneration	303	224
Depreciation of property, plant and equipment *	5,955	4,824
Depreciation of investment property **	12	12
Direct operating expenses arising from investment property that generated rental income	24	14
Net exchange (gain)/loss	(463)	21
Operating lease rental expenses in respect of:		
– Office equipment and machineries	9,679	7,993
– Warehouses, premises, dormitories and workshops	1,724	1,349
	11,403	9,342
Employee benefit expenses (including directors' remuneration *(note 10)*)		
– Salaries, wages and bonuses	15,579	13,612
– Defined contribution	642	612
– Other short-term benefits	2,377	1,994
	18,598	16,218
Listing expenses	–	940
Provision for impairment of trade receivables	1,059	424

* Depreciation of property, plant and equipment amounted to approximately S$5,808,000 (2016: approximately S$4,676,000) has been included in direct costs and approximately S$147,000 (2016: approximately S$148,000) 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 follow:

	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 2017					
Executive directors:					
Mr. Lim Kui Teng ("**Mr. Alan Lim**")	–	1,042	–	12	1,054
Mr. Lau Yan Hong ("**Mr. Dicky Lau**")	–	230	–	12	242
Mr. Quek Sze Whye ("**Mr. Albert Quek**")	–	320	–	6	326
Mr. Bijay Joseph	–	208	–	12	220
Mr. Wong Kee Chung ("**Mr. Stan Wong**") *(note (i))*	31	–	–	–	31
	31	1,800	–	42	1,873
Independent non-executive directors:					
Mr. Chow Wing Tung ("**Mr. Chow**") *(note (ii))*	23	–	–	–	23
Mr. Phang Yew Kiat ("**Mr. Phang**")	28	–	–	–	28
Mr. Lee Teck Leng ("**Mr. Lee**") *(note (ii))*	26	–	–	–	26
Mr. Lee Cheung Yuet Horace ("**Mr. Horace Lee**") *(note (iii))*	4	–	–	–	4
	81	–	–	–	81
Total	112	1,800	–	42	1,954
Year ended 31 December 2016					
Executive directors: (note (iv))					
Mr. Alan Lim	–	758	–	12	770
Mr. Dicky Lau	–	193	–	12	205
Mr. Albert Quek	–	262	–	6	268
Mr. Bijay Joseph	–	135	–	10	145
	–	1,348	–	40	1,388
Independent non-executive directors: (note (v))					
Mr. Chow	15	–	–	–	15
Mr. Phang	16	–	–	–	16
Mr. Lee	15	–	–	–	15
	46	–	–	–	46
Total	46	1,348	–	40	1,434

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

(a) Directors' remuneration (Continued)

Notes:

(i) Mr. Stan Wong was appointed as an executive director of the Company on 10 July 2017.

(ii) Mr. Chow and Mr. Lee have resigned as the independent non-executive directors of the Company on 16 November 2017 and 8 February 2018 respectively.

(iii) Mr. Horace Lee was appointed as the independent non-executive director of the Company on 16 November 2017.

(iv) 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.

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

(b) Five highest paid individuals

The five highest paid individuals of the Group included 4 (2016: 4) directors for the year, whose emoluments are reflected in note (a).

The analysis of the emolument of the remaining 1 (2016: 1) highest paid individuals for the year, are set out below:

	2017 **S$'000**	2016 S$'000
Salaries, allowances and benefits in kind	**146**	146
Discretionary bonuses	**18**	18
Defined contribution	**12**	12
	176	176

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

(b) Five highest paid individuals (Continued)

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

	Number of individuals	
	2017	2016
Nil – HK$1,000,000	**–**	1
HK$1,000,001 – HK$1,500,000	**1**	–
	1	1

(c) During the year, no director or any of the highest paid individuals waived or agreed to waive any emoluments (2016: 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

	2017	2016
	S$'000	S$'000
Current tax – Singapore income tax		
Tax for the year	**632**	1,713
(Over)/under provision for prior year	**(375)**	40
	257	1,753
Deferred tax		
(Credit)/charged to profit or loss for the year	**(87)**	272
Income tax expense	**170**	2,025

11. INCOME TAX EXPENSE (CONTINUED)

(a) Income tax (Continued)

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 (2016: 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:

	2017	2016
	S$'000	S$'000
Profit before income tax	**5,727**	9,741
Tax at statutory tax rate of 17%	**974**	1,656
Enhanced tax allowances, exemptions and rebates	**(315)**	(105)
Effect of non-deductible expenses	**182**	315
Effect of non-taxable income	**–**	(1)
(Over)/under provision for prior years	**(375)**	40
Effect of temporary differences	**(296)**	120
Income tax expense	**170**	2,025

(b) Deferred tax

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

	Accelerated tax depreciation	
	2017	2016
	S$'000	S$'000
At beginning of the year	**(35)**	237
Credit/(charged) to profit or loss for the year	**87**	(272)
At end of the year	**52**	(35)

12. DIVIDENDS

No dividend has been declared or paid by the Company during the year ended 31 December 2017 (2016: Nil).

13. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2017 is based on the profit attributable to owners of the Company of approximately S$5,557,000 (2016: approximately S$7,716,000) and on the weighted average number of 1,037,282,619 (2016: weighted average number of 947,356,557) ordinary shares in issue during the year.

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 2017 and 2016.

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 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
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 and 1 January 2017				
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

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 2017				
Opening net book amount	8,370	432	7,404	16,206
Additions	4,991	151	7,473	12,615
Depreciation	(2,811)	(147)	(2,997)	(5,955)
Disposal	(1,483)	–	(69)	(1,552)
Closing net book amount	9,067	436	11,811	21,314
At 31 December 2017				
Cost	21,648	886	28,606	51,140
Accumulated depreciation	(12,581)	(450)	(16,795)	(29,826)
Net book amount	9,067	436	11,811	21,314

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

	2017 S$'000	2016 S$'000
Cost	**22,519**	24,778
Accumulated depreciation	**(7,172)**	(14,773)
Net book value	**15,347**	10,005

15. INVESTMENT PROPERTY

	S$'000
At 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 and 1 January 2017	
Cost	1,546
Accumulated depreciation	(188)
Net book amount	1,358
Year ended 31 December 2017	
Opening net book amount	1,358
Depreciation	(12)
Closing net book amount	1,346
At 31 December 2017	
Cost	1,546
Accumulated depreciation	(200)
Net book amount	1,346
Fair value	
At 31 December 2017	6,000
At 31 December 2016	5,500

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$18,000 to S$36,000. 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 24).

16. OTHER ASSETS

The Group's other assets represented a 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

	2017 **S$'000**	2016 S$'000
Investment in life insurance policy at fair value *(note)*	**1,373**	1,479
Listed equity securities at fair value		
– Inside Hong Kong	**26**	41
– Outside Hong Kong	**558**	175
	1,957	1,695

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$6,682,000). 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:

	2017 **S$'000**	2016 S$'000
HK$	**26**	41
United States dollar ("**US$**")	**1,522**	1,608
	1,548	1,649

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

	2017 S$'000	2016 S$'000
Contract costs incurred plus recognised profits less recognised losses	**220,551**	155,704
Less: Progress billings	**(201,070)**	(142,045)
	19,481	13,659
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**21,862**	16,658
Amounts due to customers for contract work	**(2,381)**	(2,999)
	19,481	13,659

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

Included in the Group's amounts due from/(to) customers is a balance with a related party who is the spouse of Mr. Alan Lim ("**Mrs. Lim**"), a shareholder/director of the Company. The amount with the related party included in the above balance was unsecured, interest free and repayable on demand, and detailed as follows:

	2017 S$'000	2016 S$'000
Contract costs incurred plus recognised profits less recognised losses	**4,755**	4,578
Less: Progress billings received and receivable	**(1,845)**	(845)
	2,910	3,733
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**2,910**	3,733

19. TRADE RECEIVABLES

	Notes	2017 S$'000	2016 S$'000
Trade receivables		**20,632**	17,881
Retention sum receivables	*(a)*	**6,497**	7,361
		27,129	25,242
Less: Provision for impairment of trade receivables		**(3,013)**	(2,016)
		24,116	23,226
Total trade receivables, net			
– Third parties		**17,451**	18,027
– Related parties	*(d)*	**6,665**	5,199
		24,116	23,226

(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 (2016: 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 invoice date, ageing analysis of the Group's trade receivables is as follows:

	2017 **S$'000**	2016 S$'000
0 to 30 days	**7,212**	12,569
31 to 90 days	**5,044**	6,672
91 to 180 days	**3,574**	1,944
181 to 365 days	**2,492**	1,496
Over 365 days	**5,794**	545
	24,116	23,226

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

	2017 **S$'000**	2016 S$'000
Neither past due nor impaired	**8,374**	12,348
1 to 30 days past due	**2,979**	2,642
31 to 90 days past due	**3,859**	4,879
91 to 180 days past due	**2,063**	1,438
181 to 365 days past due	**5,423**	1,374
Over 365 days past due	**1,418**	545
	24,116	23,226

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:

	2017 S$'000	2016 S$'000
Balance at beginning of the year	**2,016**	2,048
Impairment losses	**1,059**	424
Bad debts recovered	**(62)**	(456)
	3,013	2,016

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$3,013,000 (2016: S$2,016,000) as at 31 December 2017. 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 29.

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Notes	2017 S$'000	2016 S$'000
Deposits	*(a)*	**12,818**	804
Prepayments		**637**	680
Other receivables		**434**	694
	(b)	**13,889**	2,178
Classified as:			
Non-current assets		**346**	363
Current assets		**13,543**	1,815
		13,889	2,178

Notes:

(a) Included in deposits, deposit of RMB60,000,000 (equivalent to approximately S$11,963,000) was paid pursuant to an Acquisition Agreement (note 37) during the year.

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

	Note	2017 S$'000	2016 S$'000
– Third parties		**13,683**	1,859
– Related parties	*(d)*	**206**	319
		13,889	2,178

(c) 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.

(d) 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 29.

21. CASH AND CASH EQUIVALENTS

	2017 S$'000	2016 S$'000
Cash and bank balances	**27,488**	33,440
Time deposits with an original maturity of more than three months	**–**	6,735
Time deposits with an original maturity of less than three months	**10,128**	11,930
	37,616	52,105
Less: Pledged deposits *(note)*	**(3,307)**	(3,297)
Cash and cash equivalents	**34,309**	48,808

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 2017 and 2016, pledged deposits are restricted bank balances to secure:

(i) the guarantee arrangement and the issuance of performance bonds (note 30); and

(ii) the banking facilities including letter of credit, overdraft and bank guarantee amounting to approximately S$20,500,000 and S$18,500,000, respectively (note 24(e)).

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

	2017 S$'000	2016 S$'000
HK$	**15,039**	23,561
US$	**199**	423

22. TRADE PAYABLES

	Notes	2017 S$'000	2016 S$'000
Trade payables		**9,250**	5,874
Retention payables		**720**	1,257
	(b)	**9,970**	7,131
Total trade payables			
– Third parties		**9,275**	6,904
– Related parties	*(c)*	**695**	227
		9,970	7,131

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, based on invoice dates, is as follows:

	2017 S$'000	2016 S$'000
0 to 30 days	**5,312**	4,489
31 to 90 days	**2,498**	1,629
91 to 180 days	**451**	232
Over 180 days	**1,709**	781
	9,970	7,131

(c) The trading transactions with these related parties and corresponding relationship with the Group are detailed in note 29.

23. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2017 S$'000	2016 S$'000
Current liabilities:		
Other payables	**3,829**	3,825
Accruals	**2,220**	1,942
Deposits received	**29**	34
	6,078	5,801
Non-current liabilities:		
Deposits received	**11**	–

24. BANK BORROWINGS

	Notes	2017 S$'000	2016 S$'000
Current liabilities			
Amounts payable within one year			
– Secured mortgage loan	*(a)*	**62**	62
– Secured term loans	*(b)*	**–**	190
		62	252
Non-current liabilities			
Amounts payable in second to fifth year			
– Secured mortgage loan	*(a)*	**65**	132
– Secured term loans	*(b)*	**–**	16
		65	148
Total balance of bank borrowings		**127**	400

24. BANK BORROWINGS (CONTINUED)

Notes:

(a) At 31 December 2017 and 2016, 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:

	2017	2016
Range of floating interest rate of the mortgage loan per annum	**3.4%-3.6%**	2.5%-3.7%

(b) The Group has obtained term loans (the "**Secured Term Loans**") to finance purchase of the Group's property, plant and equipment, which have been fully settled by the Group during the financial year ended 31 December 2017.

	2017	2016
Fixed interest rate of the Secured Term Loans per annum	**1.8%**	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:

	2017 S$'000	2016 S$'000
Within one year	**62**	252
In the second year	**65**	80
In the third to fifth year	**–**	68
	127	400

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

	2017 S$'000	2016 S$'000
Investment property *(note 15)*	**1,346**	1,358
Pledged deposits *(note 21)*	**3,307**	3,297

(e) The Group's aggregate banking facilities amounted to S$52,906,000 (2016: S$42,625,000), of which S$32,073,000 (2016: S$26,059,000) have been utilised as at 31 December 2017. 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 21. The summary of banking facilities is as follows:

	2017 S$'000	2016 S$'000
Banking facilities for:		
– Mortgage loan	**172**	827
– Letter of credit, bank overdraft and bank guarantee	**20,500**	18,500
– Hire purchase	**32,234**	23,298
	52,906	42,625

25. FINANCE LEASE OBLIGATIONS

At 31 December 2017, the total future minimum lease payments under finance leases and their present values were as follows:

	2017		2016	
	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	4,830	4,541	3,537	3,353
In the second to fifth years, inclusive	9,019	8,753	5,404	5,228
After five years	8	8	21	20
	13,857	13,302	8,962	8,601
Less: future finance charges	(555)	n/a	(361)	n/a
Present value of lease obligations	13,302	13,302	8,601	8,601
Less: Amounts due for settlement within 12 months (shown under current liabilities)		(4,541)		(3,353)
Amounts due for settlement after 12 months but contain a repayment on demand clause (shown under current liabilities)		(1,507)		(1,139)
		(6,048)		(4,492)
Amounts due for settlement after 12 months		7,254		4,109

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% (2016: approximately 2.1% to 5.2%) 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.

26. SHARE CAPITAL AND RESERVES

Share capital

	Notes	Number of shares	Amount S$'000
Authorised:			
Ordinary shares			
1 January 2016		38,000,000	66
Increase in authorised share capital upon Reorganisation	*(a)*	9,962,000,000	17,364
At 31 December 2016		10,000,000,000	17,430
At 31 December 2017		10,000,000,000	17,430
Issued and fully paid:			
1 January 2016		100	–
Share capitalisation	*(b)*	829,999,900	1,447
Issue of shares by way of public offerings	*(c)*	207,500,000	361
At 31 December 2016		1,037,500,000	1,808
At 31 December 2017		1,037,500,000	1,808

(a) 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.

(b) Pursuant to written resolutions of the Company's shareholders passed on 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.

(c) 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.

26. SHARE CAPITAL AND RESERVES (CONTINUED)

Share capital (Continued)

During the year, the Company repurchased its own shares at the consideration of HK$412,000 (equivalent to approximately S$70,000) on the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per share		Aggregate consideration paid
		Highest	Lowest	S$'000
October 2017	1,044,000	HK$0.395	HK$0.395	70

Subsequent to the reporting date, on 8 January 2018, 1,044,000 ordinary shares have been cancelled.

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.

Treasury shares reserve

Treasury shares reserve of the Group represents the share repurchased but not yet cancelled during the year ended 31 December 2017.

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.

27. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

	2017 S$'000	2016 S$'000
Within one year	87	35
Within second to fifth year	31	–
	118	35

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.

(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:

	2017 S$'000	2016 S$'000
Within one year	1,802	1,529
Within second to fifth year	–	1,529
	1,802	3,058

The Group leases office premises, office equipment, workshops and warehouses and a dormitory under operating leases. The leases run for an initial period of 1 to 2 years, with options to renew the lease terms upon expiry when all terms are re-negotiated. None of these leases includes any contingent rentals.

28. COMMITMENTS

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

	2017 S$'000	2016 S$'000
Contracted but not provided for, in respect of acquisition of		
– property, plant and equipment	4,439	3,361
– acquisition of a company *(note 37)*	65,937	–

29. 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.

(a) The directors of the Company are of the view that the following individual and 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 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 Marine SNK Engineering & Trading Pte. Ltd. ("**Chuan Marine SNK**")	A related company beneficially partially owned by Mr. Alan Lim
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

29. 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:

	2017 S$'000	2016 S$'000
Construction contract work and ancillary services income received from related parties		
– Mrs. Lim	**177**	838
– Cheng Yap	**1**	–
– Chuan Marine SNK	**1,532**	277
– Golden Empire#	**1,016**	2,927
– Golden Empire-Huationg	**290**	76
– United E&P	**1,400**	841
– We Lim Builders	**25**	–
	4,441	4,959
Sales of scrap materials and consumables to related parties		
– Golden Empire-Huationg	**2**	–
Purchase of property, plant and equipment from a related party		
– Golden Empire	**7**	–

29. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) (Continued)

	2017 S$'000	2016 S$'000
Construction costs and related supporting service fees charged by related parties		
– Autoworld Hub	**19**	45
– Cheng Yap	**819**	334
– Golden Empire	**9**	–
– Hulett Construction#	**1,759**	1,276
– United E&P#	**26**	96
	2,632	1,751
Rental expenses charged by a related party		
– Hulett Construction#	**96**	72
Motor vehicle expenses charged by a related party		
– United E&P	**4**	–

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:

	2017 S$'000	2016 S$'000
Short-term employee benefits	**2,155**	1,990

29. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Maximum amount outstanding during the year	
	2017	2016
	S$'000	S$'000
Mrs. Lim	**4,803**	3,733
Autoworld Hub	**–**	25
Cheng Yap	**(147)**	319
Chuan Marine SNK	**1,109**	350
Golden Empire	**1,757**	2,861
Golden Empire-Huationg	**218**	72
Hulett Construction	**3,503**	33,707
United E&P	**1,995**	967
We Lim Builders	**27**	–

30. CONTINGENT LIABILITIES

Performance bonds and guarantees provided for in the ordinary course of business

(a) At 31 December 2017, the Group had contingent liabilities in respect of performance bonds of construction contracts in its ordinary course of business of S$7,177,000 (2016: S$7,616,000). The guarantees in respect of performance bonds issued by banks, which are secured by pledged deposits (note 21).

(b) At 31 December 2016, the Group had contingent liabilities on providing guarantee of an agreement amounting S$300,000 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. Such guarantee has been released on 29 November 2017 (note 21).

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Bank borrowings *(note 24)* S$000	**Finance lease obligations** *(note 25)* S$000	**Total** S$000
At 1 January 2017	400	8,601	9,001
Major non-cash transactions *(note (b))*	–	6,771	6,771
Financing cash outflows	(273)	(2,070)	(2,343)
Interest paid/interest element on finance lease obligations	(7)	(318)	(325)
Interest expense	7	318	325
At 31 December 2017	127	13,302	13,429

Major non-cash transactions

(a) During the year, deposits of approximately S$332,000 (2016: approximately S$176,000) 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$6,771,000 (2016: approximately S$6,415,000) at the inception of the finance leases.

(c) During the year, amounts of approximately S$3,145,000 (2016: approximately S$3,446,000) in relation to the acquisition of property, plant and equipment were not yet settled and included in other payables.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 S$'000	2016 S$'000
ASSETS AND LIABILITIES		
Non-current assets		
Investment in a subsidiary	**45,790**	45,790
Current assets		
Deposits, prepayments and other receivables	**12,071**	786
Amount due from intra group companies	**689**	–
Cash and cash equivalents	**15,673**	30,417
	28,433	31,203
Current liabilities		
Other payables and accruals	**325**	294
Amount due to intra group companies	**2**	–
	327	294
Net current assets	**28,106**	30,909
Net assets	**73,896**	76,699
EQUITY		
Equity attributable to the owners of the Company		
Share capital	**1,808**	1,808
Reserves *(note)*	**72,088**	74,891
Total equity	**73,896**	76,699

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

Note:

Reserves

	Share premium S$'000	Treasury share reserve S$'000	Contributed surplus* S$'000	Translation reserve S$'000	Accumulated losses S$'000	Total S$'000
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 and 1 January 2017	**27,929**	**–**	**45,790**	**1,606**	**(434)**	**74,891**
Transactions with owners:						
Shares repurchased *(note 26)*	–	(70)	–	–	–	(70)
Loss for the year	–	–	–	–	(194)	(194)
Other comprehensive income:						
Exchange differences arising on translation	–	–	–	(2,539)	–	(2,539)
Total comprehensive income for the year	–	–	–	(2,539)	(194)	(2,733)
At 31 December 2017	**27,929**	**(70)**	**45,790**	**(933)**	**(628)**	**72,088**

* 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.

33. 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 Holdings Limited	British Virgin Islands 9 June 2015	US$100	100%	Investment holding
Advance Data Global Limited ("**Advance Data**")	British Virgin Islands 28 June 2017	US$1	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
CLC Machinery Pte. Limited	Singapore 3 November 2017	S$1,000	100%	Renting of construction and civil engineering machinery and equipment
Trade Best Ventures Limited	British Virgin Islands 13 June 2017	US$1	100%	Investment holding
Vastway Asia Investment Limited	Hong Kong 12 July 2017	HK$1	100%	Investment holding
Top Fast Holdings Limited	Hong Kong 11 August 2017	HK$1	100%	Investment holding

34. 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 agree 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			
	2017	2016	**2017**	2016
			S$'000	S$'000
Fixed-rate time deposits	**1.2%**	0.4%–1.2%	**10,128**	18,665
Fixed-rate pledged deposits	**0.3%–0.8%**	0.3%–0.8%	**3,307**	3,297
			13,435	21,962
Fixed-rate borrowings	**2.1%-5.2%**	1.8%-5.2%	**13,302**	8,807
Floating-rate borrowings	**3.5%**	3.4%	**127**	194
			13,429	9,001

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 (2016: approximately S$4,000) for the year.

34. 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$58,000 (2016: approximately S$22,000) 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 2017, the Group's assets and liabilities denominated in other currencies other than S$ are disclosed in notes 17 and 21. 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.

	2017 **S$'000**	2016 S$'000
HK$ to S$	**742**	1,122
US$ to S$	**86**	102

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.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

As at 31 December 2017, 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 30. 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 2017, 14% (2016: 17%) of the total trade debtors was due from the Group's largest customer and 39% (2016: 47%) of the total trade debtors was due from the Group's five largest customers.

34. 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		
	2017 S$'000	2016 S$'000	**Fair value hierarchy**
Available-for-sale investments			
Investment in life insurance policy	**1,373**	1,479	Level 2
Listed equity securities	**584**	216	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.

34. 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 S$'000	Total contractual undiscounted cash flow S$'000	On demand S$'000	Within 1 year S$'000	More than 1 year but less than 2 years S$'000	More than 2 years but less than 5 years S$'000	After 5 years S$'000
At 31 December 2017							
Trade payables	**9,970**	**9,970**	**9,970**	**–**	**–**	**–**	**–**
Other payables and accruals	**6,049**	**6,049**	**6,049**	**–**	**–**	**–**	**–**
Bank borrowings	**127**	**135**	**–**	**68**	**67**	**–**	**–**
Finance lease obligations	**13,302**	**13,857**	**2,658**	**3,728**	**3,561**	**3,902**	**8**
	29,448	**30,011**	**18,677**	**3,796**	**3,628**	**3,902**	**8**
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

35. 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

	2017 S$'000	2016 S$'000
Available-for-sale financial assets	1,957	1,695
Loans and receivables		
Trade receivables	24,116	23,226
Other receivables	434	673
Pledged deposits	3,307	3,297
Cash and cash equivalents	34,309	48,808
	64,123	77,699

Financial liabilities

	2017 S$'000	2016 S$'000
At amortised costs		
Trade payables	9,970	7,131
Other payables and accruals	6,049	5,767
Bank borrowings	127	400
Finance lease obligations	13,302	8,601
	29,448	21,899

36. 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 2017 amounted to approximately S$90,024,000 (2016: approximately S$87,119,000), which the management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

37. ACQUISITION OF A COMPANY

On 11 December 2017, Advance Data, a direct wholly owned subsidiary of the Company, entered into an acquisition agreement ("**Acquisition Agreement**") with Mr. Tam Ka Wai (the "**Vendor**") pursuant to which Advance Data conditionally agreed to acquire and the Vendor conditionally agreed to dispose of, and to procure Mr. Zhang Xiongbin to dispose of the entire issued shares of Cosmic Achiever (the "**Target Company**") at the consideration of RMB380,000,000. The Target Company and its subsidiaries (together the "**Target Group**") owned a property constructed on the land located at the south side of Jinshan Road, Jiangcheng District, Yangjiang City, Guangdong Province, the PRC with a total land use area of approximately 17,680.80 sq.m. As at 31 December 2017, the commitment of the aforesaid consideration on the acquisition is amounted to approximately RMB320,000,000 (equivalent to approximately S$65,937,000).

Pursuant to the Acquisition Agreement, the completion of the acquisition is subject to certain conditions to be fulfilled.

As at 31 December 2017, although the Company has obtained the approval from the shareholders, the remaining conditions, including the completion of the reorganisation of the Target Group, are yet to be completed. As a result, the directors of the Company consider that the acquisition has not yet completed as at 31 December 2017.

For details of the acquisition, please refer to the circular published on 7 March 2018.