Chuan Holdings Limited
川控股有限公司*

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

Annual Report
2018

* 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

Independent Non-executive Directors

Mr. Lee Cheung Yuet Horace
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

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

FIVE YEARS FINANCIAL SUMMARY

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

Highlights of consolidated statements of comprehensive income

	Year ended 31 December				
	2018 S$'000	2017 S$'000	2016 S$'000	2015 S$'000	2014 S$'000
Revenue	**93,476**	87,281	111,479	99,322	92,412
Gross profit	**8,733**	11,160	14,979	19,923	18,741
Profit before income tax	**3,901**	5,727	9,741	14,041	17,318
Profit for the year	**3,055**	5,557	7,716	11,536	14,261
Total comprehensive income for the year attributable to the owners of the Company	**3,420**	2,975	9,382	11,210	14,094
Earnings per share – basic and diluted (S cents)(1)	**0.29**	0.54	0.81	1.39	1.72

Highlights of consolidated statements of financial position

	As at 31 December				
	2018 S$'000	2017 S$'000	2016 S$'000	2015 S$'000	2014 S$'000
Assets					
Non-current assets	**31,886**	25,388	19,995	11,859	12,933
Current assets	**92,271**	97,137	93,804	67,095	55,167
Total assets	**124,157**	122,525	113,799	78,954	68,100
Liabilities					
Non-current liabilities	**5,657**	7,330	4,292	1,935	2,703
Current liabilities	**25,843**	25,171	22,388	29,019	24,773
Total liabilities	**31,500**	32,501	26,680	30,954	27,476
Total equity	**92,657**	90,024	87,119	48,000	40,624
Net assets per share (S cents)(2)	**8.94**	8.68	8.40	5.78	4.89

FIVE YEARS FINANCIAL SUMMARY

Key financial ratios

	As at 31 December				
	2018	2017	2016	2015	2014
Current ratio (times)	**3.6**	3.9	4.2	2.3	2.2
Gearing ratio (times)	**0.2**	0.1	0.1	0.1	0.2
Gross profit margin (%)	**9.3%**	12.8%	13.4%	20.1%	20.3%
Profit for the year margin (%)	**3.3%**	6.4%	7.0%	11.6%	15.4%
Return on equity (%)	**3.3%**	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. The weighted average number of ordinary shares for the financial year ended 31 December 2018 is 1,036,456,000. 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. As at 31 December 2018, the number of ordinary shares in issue is 1,036,456,000 ordinary shares due to 1,044,000 repurchase share had cancelled by the Company on 8 January 2018.

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 2018.

Singapore achieved a mild economic growth in 2018, yet the development of the construction industry was undermined by the stagnation in public construction activities and the government's policies to curb the steep rise in private property price. Nonetheless, the Group's continued persistence in raising operational efficiency and refining resource allocation has strengthened our ability in securing valuable projects and generating revenue, thereby increasing the Group's revenue in both earthworks and ancillary services and general construction works businesses in 2018 amid unfavourable market environment.

While the Group continued to place more focus on the earthworks and ancillary services segment, the revenue in the general construction works segment also increased due to our strategic tendering approach. In order to enhance the performance of earthworks and ancillary services segment, the Group did not hesitate to allocate or acquire more resources, such as replenishing with advanced equipment and recruiting experienced staff. The Group believes that these efforts have boosted our competitiveness in tendering profitable projects and thus our revenue of this segment.

Leveraging its rich experience and expertise, the Group successfully secured two sizable projects in 2018, namely the Deep Tunnel Sewerage System project and the upgrading project by the Housing and Development Board, with contract values of approximately S$15.3 million and approximately S$22.5 million, respectively. The success in securing two mega projects is a testimonial of the Group's competence and helps to reinforce its market position.

Regarding the acquisition agreement on the commercial property in China, as certain conditions have not been satisfied by the agreed date, the agreement was therefore lapsed on 31 December 2018 and the deposit will be refunded to the Group. We believe the termination of agreement will not bring any significant impact to both the daily operation and the financial position of the Group. In the meantime, the Group will continue to seek suitable opportunities within and beyond Singapore which will allow us to establish new income sources and widen our business scope.

CHAIRMAN'S STATEMENT

With the recent growth in construction contract value in Singapore stimulated by the government's efforts in launching more public projects, the construction demand is likely to resume growth after a prolonged decline for three consecutive years from 2015 to 2017. As the construction sector starts to recover, the Group will keep a close eye on the changes in the industry and market environment and adopt strategic measures to consolidate our position as a leader in the construction market, in order to further expand the Group's businesses and maximise shareholder returns.

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 2019

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to present the annual results of the Group for the year ended 31 December 2018 (the "Year") together with its comparative figures for the previous year ended 31 December 2017.

INDUSTRY REVIEW

The Singapore government continued to roll out cooling measures in the country's private property market, such as higher Additional Buyer's Stamp Duty (ABSD) rates and tightening loan-to-value (LTV) limits on residential property purchases. The property curbs exacerbated the lacklustre situation of the construction sector in the country as the number of construction projects available in the market was reduced. This inevitably led to fiercer competition within the industry, and prompted the Group to put more efforts in securing valuable projects. Meanwhile, the construction industry was further weighed down by the public sector projects due to the delay in the construction of the Kuala Lumpur-Singapore high-speed rail project. As a result, the construction industry of Singapore contracted by 3.4% in 2018 according to the latest data from the Ministry of Trade and Industry ("**MTI**").

In response to the uphill struggles of the construction industry, the government has decided to launch new transportation projects such as the Thomson-East Coast Line and Tuas Mega Port in the foreseeable future to support the revival of and propelling the growth in the construction industry. On the other hand, the Group has drawn on its professional expertise to carefully monitor and concentrate its resources on seizing the most rewarding opportunities amid the discouraging market environment.

OVERALL PERFORMANCE

During the year ended 31 December 2018, the Group has recorded a revenue of approximately S$93.5 million (31 December 2017: approximately S$87.3 million), representing a 7.1% year-on-year increase. Leveraging its vast experience and expertise, the Group successfully secured two particularly sizable projects in 2018, namely the Deep Tunnel Sewerage System project which was valued at approximately S$15.3 million for the earthworks and ancillary services segment; and the upgrading project by the Housing and Development Board with an aggregate contract value of approximately S$22.5 million for the general construction works segment, respectively.

In order to enhance competitiveness as well as capacity in securing more projects amidst intense competition, the Group allocated more resources to acquire machineries. Together with the additional investment in renting additional lorries and machineries for meeting the tight schedules of certain projects, the operational costs increased and undermined the overall profit of the Group. As a result, gross profit of the Group dropped by 21.7% to approximately S$8.7 million for the year ended 31 December 2018 (31 December 2017: approximately S$11.2 million). Gross profit margin was approximately 9.3% for the year ended 31 December 2018 (31 December 2017: approximately 12.8%). Net profit and net profit margin were approximately S$3.1 million (31 December 2017: approximately S$5.6 million) and approximately 3.3% for the year ended 31 December 2018 (31 December 2017: approximately 6.4%) respectively.

Earthworks and ancillary services

Given that this segment was the primary income source of the Group, which accounted for approximately 82% of its total revenue, the Group is determined to improve the segment performance. Consequently, the Group made attempts to tender for earthworks projects as a main contractor in order to boost its income, which resulted in a growth of approximately 7.3% in segmental revenue to approximately S$76.8 million during the Year.

Utilising the Group's professional competence and extensive experience, the Group secured 26 new projects with a total contract value of approximately S$57.9 million during the year ended 31 December 2018. That included a sizable public project in this segment, namely the Deep Tunnel Sewerage System project with a total contract value of approximately S$15.3 million.

As a measure to strengthen its competitiveness, the Group doubled its efforts in expanding its operational capacity in this segment through increasing the expenditure on acquiring more lorries and machineries, totaling approximately S$12.2 million. Nevertheless, owing to the increased consumption of diesel arising from the additional machineries and the rise in diesel price, the cost for diesel consumption increased by approximately 31% or approximately S$1.6 million from approximately S$5.2 million to approximately S$6.8 million, thereby causing a decline of approximately 10.7% in segmental profit to approximately S$8.6 million from approximately S$9.6 million for the year ended 31 December 2017.

The Group had a total of 82 ongoing earthworks and ancillary services projects as at 31 December 2018; and had also secured 7 new earthworks and ancillary services projects since 1 January 2019, with a total contract value of approximately S$90.7 million.

General construction works

For the year ended 31 December 2018, revenue in the general construction works segment has increased to approximately S$16.6 million, representing an increase of approximately 6.2% from approximately S$15.7 million for the year ended 31 December 2017. The general construction works segment contributed approximately 18% of the Group's total revenue.

With its major focus on the earthworks and ancillary services segment, the Group reserved resources and focused on tendering for sizable projects in general construction works segment. In particular, the Group was awarded with an upgrading project with a contract value of approximately S$22.5 million by the Housing and Development Board during the Year.

However, the weakness in the public sector construction activities and intensifying competition in the construction industry squeezed profit margins of the projects during the Year. The Group recorded a slight drop of approximately S$36,000 or 4.8% in the segmental profit from approximately S$753,000 for the year ended 31 December 2017 to approximately S$717,000 in 2018.

The Group obtained 6 new general construction works projects with a total contract value of approximately S$22.7 million for the year ended 31 December 2018, and had 10 ongoing general construction works projects as at 31 December 2018.

Lapse of the Acquisition Agreement on a Commercial Property in China

On 11 December 2017, Advance Data Global Limited, a wholly-owned subsidiary of the Group, 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 is expected to 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 for building a shopping complex.

However, the Acquisition Agreement lapsed on 31 December 2018, as certain conditions were not fulfilled. The first deposit of RMB60,000,000 will therefore be refunded to the Group. Up to the date of this report, the Group has received HK$20,000,000 (approximately RMB17,100,000) partial repayment. As stated in the Group's announcement on 23 January 2019, as the second deposit is no longer necessary, the Board accordingly resolved to re-allocate the Net Proceeds from the Global Offering in the amount of approximately S$6,607,000 to the purchase of excavation machines and tipper trucks.

The Board considers that the termination of the Acquisition has no significant impact to the Group's performance during the year ended 31 December 2018. In addition, the re-allocation of the use of the Net Proceeds is in accordance with the use of proceeds as disclosed in the Prospectus and is in the best interests of the Company and its shareholders as a whole.

PROSPECTS

As one of the most export-reliant nations in Asia, Singapore's growth prospects are closely tied to the outlook of the global economy and trade. Major uncertainties in the global economy linger over trade conflicts between China and the US, the two economic powerhouses, and mounting fears of no-deal Brexit, whilst the financial market has been rattled and dragged by anxious investor sentiment. Notwithstanding, the Building and Construction Authority anticipates the construction industry to recover from a challenging three-year spell of industry contraction and forecasts a positive total construction demand in 2019 as a result of the pick-up in the public sector construction demand attributable to the increase in public residential developments and the upcoming large infrastructure projects such as the Cross Island Line, developments at Jurong Lake District and Changi Airport Terminal 5. Hence, the Group is optimistic about the performance of the construction sector, while being watchful for the potential impact of an economic downturn.

The Group will continue to develop and expand its two core businesses, namely earthworks and ancillary services and general construction works, by furthering its investment in the purchase of tipper trucks and excavators. Benefited from such investment, the Group has successfully secured valuable new projects including the Tuas Water Reclamation project with a total contract value of approximately S$73.1 million. In addition, the Group will make use of the Net Proceeds from its Global Offering to increase its competitiveness in tendering for earthworks projects from the government bodies as a main contractor.

Further, the Group is currently considering a joint venture arrangement with an A1 level contractor for the purpose of tendering for mega civil engineering and road works projects. The Group will also continue to seek for an upgrade in its general contractor grade from level B1 to A2 in order to raise its tendering limit from S$40 million to S$85 million.

Going forward, the Group will continue to pay close attention to any opportunity that will help boost its income, thus enhance the long-term development prospects of the Group.

FINANCIAL REVIEW

Results for the Year

Revenue and segment results

	2018		2017	
	Revenue	Segment results	Revenue	Segment results
	S$'000	*S$'000*	*S$'000*	*S$'000*
Earthworks and ancillary services	**76,827**	**8,556**	71,601	9,578
General construction works	**16,649**	**717**	15,680	753
Total	**93,476**	**9,273**	87,281	10,331

Benefited from the increased number of projects due to the step up efforts of the Group in project tendering, the revenue in 2018 has increased from approximately S$87.3 million in 2017 to approximately S$93.5 million, representing an increase of approximately 7.1%.

Earthworks and ancillary services

The Group has continued its major focus on nurturing earthworks and ancillary services as this segment usually generates better margin. In order to generate more income, the Group has doubled its efforts in tendering for projects as a main contractor during the year. As a result, the revenue in the earthworks and ancillary services segment increased by approximately S$5.2 million or 7.3% from approximately S$71.6 million for the year ended 31 December 2017 to approximately S$76.8 million for the year ended 31 December 2018. The revenue contribution from this segment to the Group's total revenue remained steady at approximately 82%.

Due to the significant increase in diesel cost in 2018 as compared to 2017, the segmental profit has reduced to approximately S$8.6 million, an approximately 10.7% decrease compared to last year (31 December 2017: approximately S$9.6 million).

As at 31 December 2018, the Group had 82 ongoing earthwork and ancillary projects (31 December 2017: 92 projects), with an aggregate contract sum of approximately S$216.0 million (31 December 2017: approximately S$193.3 million). The Group has also secured 7 new earthworks projects since 1 January 2019.

General construction works

Despite the Group's focus on the earthworks and ancillary services segment, the general construction works segment was by no means neglected. The revenue in this segment has risen by approximately S$1.0 million or 6.2% to approximately S$16.6 million for the year ended 31 December 2018 from approximately S$15.7 million for the year ended 31 December 2017. The increase in revenue was resulted from the Group's success in tendering for sizable projects in this segment.

The segmental profit of general construction works recorded for the year ended 31 December 2018 was approximately S$717,000 (31 December 2017: approximately S$753,000), which accounted for 18% of total revenue of the Group. The adjustment in the segmental profit was resulted from the Group's strategy in lowering the bid price to secure new general construction works projects due to keen market competition.

The Group secured 6 new general construction works projects (31 December 2017: 9 new projects) with a total contract value of approximately S$22.7 million during the year ended 31 December 2018 (31 December 2017: approximately S$20.3 million) and had 10 ongoing general construction works projects as at 31 December 2018 (31 December 2017: 13 ongoing projects).

Gross profit and gross profit margin

Due to the increase in the expenditure for diesel and renting additional lorries for business operation, the gross profit decreased to approximately S$8.7 million for the year ended 31 December 2018; representing approximately 21.7% decrease from approximately S$11.2 million for the year ended 31 December 2017. Thereby, the gross profit margin also recorded a modest drop to approximately 9.3% for the year ended 31 December 2018 (31 December 2017: approximately 12.8%).

Administrative and other operating expenses

For the year ended 31 December 2018, administrative and other operating expenses slightly increased by approximately S$377,000 or 6.3%, from approximately S$6.0 million for the year ended 31 December 2017 to approximately S$6.4 million. The increase was primarily due to the increase in staff costs and professional fee.

Other income and gains

For the year ended 31 December 2018, other income and gains increased by approximately S$1,003,000 or 51.6%, from approximately S$1.9 million for the year ended 31 December 2017 to approximately S$2.9 million. The increase was primarily due to the significant increase in bad debts recovered and sales of scrap materials and consumables, which amounted to approximately S$1.5 million and approximately S$241,000 respectively.

Other expenses

For the year ended 31 December 2018, other expenses decreased by approximately 12.9%, from approximately S$1.1 million for the year ended 31 December 2017 to approximately S$922,000; primarily attributable to the decrease in the amount of loss allowance.

Finance costs

For the year ended 31 December 2018, finance costs increased by approximately S$162,000 or 49.8%, from approximately S$325,000 for the year ended 31 December 2017 to approximately S$487,000 as the interest on finance leases for financing capital expenditure grew higher given that the capital expenditure has increased while the interest rate remained stable.

Income tax expense

For the year ended 31 December 2018, income tax expense increased from approximately S$170,000 to approximately S$846,000 due to the reduction in over provision for prior year from approximately S$375,000 to S$28,000 and deferred tax charged to profit and loss for the year amounted to approximately S$294,000. Further, the expiry of the Productivity and Innovation Credit Scheme in 2017 has also contributed to the increase in tax expense as the machineries purchased by the Group could no longer entitle enhanced tax reduction.

Profit for the Year and net profit margin

Influenced by the factors above, the Group recorded a profit for the Year of approximately S$3.1 million (31 December 2017: approximately S$5.6 million). Meanwhile the net profit margin was approximately 3.3% for the Year (31 December 2017: approximately 6.4%).

Earnings per share

For the year ended 31 December 2018, the basic earnings per share was S$0.29 cents. The calculation was based on the profit attributable to the owners of the Company of approximately S$3,055,000 and the weighted average number of 1,036,456,000 ordinary shares in issue during the Year.

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 the 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.

Dilutive earnings per share was the same as the basic earnings per share because the Group has no diluted potential shares during the two years ended 31 December 2017 and 2018.

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 summarises the Group's cash flows for the years ended 31 December 2017 and 2018:

	2018	2017
	S$'000	S$'000
Net cash generated from/(used in) operating activities	**9,216**	(7,591)
Net cash (used in)/generated from investing activities	**(3,772)**	5,094
Net cash used in financing activities	**(3,624)**	(2,748)

Operating activities

For the year ended 31 December 2018, the Group generated net cash inflow from operating activities of approximately S$9.2 million (31 December 2017: net cash outflow in operating activities of approximately S$7.6 million).

The approximately S$2.7 million difference between the operating profit before working capital changes and net cash generated from operating activities was mainly attributable to (i) the decrease in contract assets of approximately S$3.6 million; (ii) the decrease in trade receivables of approximately S$2.3 million; (iii) the increase in deposits, prepayments and other receivables of approximately S$524,000; (iv) the decrease in contract liabilities of approximately S$257,000; (v) the decrease in trade payables of approximately S$3.7 million; and (vi) the decrease in other payables, accruals and deposits received of approximately S$3.4 million.

Investing activities

For the year ended 31 December 2018, the net cash used in investing activities was approximately S$3.8 million (31 December 2017: net cash inflow in investing activities of approximately S$5.1 million), mainly attributable to (i) the purchase of property, plant and equipment of approximately S$3.1 million; (ii) the purchase of finance assets at fair value through other comprehensive income amounting to approximately S$1.9 million; and (iii) the purchases of finance asset at amortised costs of approximately S$1.3 million.

Financing activities

For the year ended 31 December 2018, the net cash used in financing activities was approximately S$3.6 million (31 December 2017: net cash outflow in financing activities of approximately S$2.7 million), which was principally attributable to (i) the capital element of the finance lease obligations of approximately S$3.0 million; and (ii) the interest element on finance lease payments amounted to approximately S$484,000.

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$14.1 million had been utilised as at 31 December 2018.

Intended applications	Net proceeds	1st re-allocation	Further re-allocation	Amount utilised as at 31 December 2018	Balance as at 31 December 2018
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*
Purchase of excavation machines and tipper trucks	11,129	–	6,607	6,911	10,825
Purchase of softwares	2,085	–	–	502	1,583
Secure earth filling projects	6,607	(6,607)	–	–	–
Expand workforce	4,414	–	–	4,414	–
Working capital	2,247	–	–	2,247	–
Acquisition	–	6,607	(6,607)	–	–
	26,482	–	–	14,074	12,408

The balance of Net Proceeds is deposited in licensed financial institutions in Hong Kong.

Borrowings and gearing ratio

As at 31 December 2018, the aggregate of current and non-current bank borrowings and finance lease obligations of the Group was approximately S$19.4 million (31 December 2017: approximately S$13.4 million). As the Group did not have any current and non-current bank borrowings as at 31 December 2018, the increase was primarily due to the increase in finance lease obligations; which is in line with the increase in the Group's expenditure for purchasing additional machineries and equipment. As at 31 December 2018, we had unutilised credit facilities of approximately S$19.5 million (31 December 2017: approximately S$20.8 million).

As at 31 December 2018, the Group's gearing ratio was approximately 0.21 times (31 December 2017: approximately 0.15 times). Gearing ratio was calculated by dividing the total borrowings (bank borrowings and finance lease obligations) by the total equity as at the end of the respective year.

Cash & cash equivalents

As at 31 December 2018, the Group had cash and cash equivalents of approximately S$36.7 million (31 December 2017: approximately S$34.3 million). The Group had cash and cash balances of approximately S$40.0 million, but the amount was reduced by pledge for the guarantee arrangement and issuance of performance bonds; along with the banking facilities including letter of credit, overdraft and banking guarantee of approximately S$20.5 million.

Foreign exchange exposure

As the Group mainly operated in Singapore, most transactions arising from its businesses were generally settled in Singapore Dollars which was the functional currency of the Group. Aside from 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 2018, the Group's banking facilities were secured by (i) the pledge of the Group's deposits of approximately S$3.3 million (31 December 2017: 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 2017: approximately S$1.3 million), while the Group's finance lease obligations were secured by the charge over the leased assets of net book value of approximately S$23.0 million (31 December 2017: approximately S$15.3 million).

Contingent Liabilities

As at 31 December 2018, the Group had contingent liabilities in respect of performance bonds of construction contracts in its ordinary course of business of approximately S$8.8 million (31 December 2017: approximately S$7.2 million).

Capital expenditures and capital commitments

For the year ended 31 December 2018, the Group invested approximately S$12.7 million in the purchase of property, plant and equipment, which was mainly funded by finance lease obligations and proceeds from the Global Offering.

As at 31 December 2018, the Group's capital commitments in respect of acquisition of property, plant and equipment amounted to approximately S$3.1 million (31 December 2017: approximately S$4.4 million).

As at 31 December 2017, the Group's capital commitments in respect of acquisition of a company amounted to approximately S$65.9 million.

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

The proposed acquisition agreement on the purchase of the entire issued share capital of Cosmic Achiever Holdings Limited at a consideration of RMB380,000,000 (the "**Acquisition**") has lapsed on 31 December 2018, as certain conditions were not fulfilled.

The first refundable deposit of RMB60,000,000 (the "**First Deposit**") will be returned to the Group by the Vendor. The amount of S$6,607,000 which was originally designated to be the partial settlement of the second refundable deposit (the "**Second Deposit**") was reallocated for the purpose of acquiring excavation machines and tipper trucks.

The Board considers that the lapse of the Acquisition has no material adverse impact on the business or financial position of the Group and the Shareholders as a whole.

Off-balance sheet transactions

As of 31 December 2018, the Group did not enter into any material off-balance sheet transactions.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2018, the Group had 504 (2017: 506) 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$20.0 million for the year ended 31 December 2018 (31 December 2017: approximately S$18.6 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 the 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 2018, the effective interest rate on fixed-rate borrowings was approximately 2.1% to approximately 5.3% 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, the management will monitor foreign currency exposure and will consider hedging significant foreign currency exposure if deemed necessary.

Credit risk

As at 31 December 2018, 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 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 the proceeds from the Global Offering, internally generated funding and borrowings as significant sources of liquidity. The Group also monitored the utilisation of borrowings and ensured compliance with loan covenants.

Share 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 2018, 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 2018.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lim Kui Teng（林桂廷）, aged 50, founder of our Group, was appointed as the Director of the Company on 25 August 2015 and re-designated as an Executive Director and the Chairman of the Board of the Company on 5 October 2015. He is also the chairman of the nomination committee and a member of the 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 21 years of experience in the provision of earthworks in 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 proprietor 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 63, was appointed as the 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 21 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.

Mr. Bijay Joseph, aged 50, was appointed as the 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 21 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 53, was appointed as the 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 16 years of working experience in the construction industry.

Mr. Wong Kee Chung (黃紀宗), aged 61, 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 37, was appointed as an Independent Non-Executive Director, the 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**"). He was 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 from 5 February 2018 to 1 April 2019.

Mr. Phang Yew Kiat（彭耀傑）, aged 50, was appointed as an Independent Non-Executive Director of the Company on 10 May 2016, he is also the 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 the 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 the 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 44, 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 an auditor, responsible for performing audit, taxation, accounting and advisory services. From September 2000 to November 2002, he worked as the 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 a 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 and China First Chemical Holdings Limited (Stock code: 2121) which shares are listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Ms. Ong Sok Hun, aged 46, 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 11 years of experience in the accounting and finance aspects of the construction industry.

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICE

The board of directors (the "**Director(s)**" or the "**Board**") of Chuan Holdings Limited (the "**Company**") is committed to establish and maintain high standards of corporate governance – the process by which the Company is directed and managed, risks of the Company and its subsidiaries (the "**Group**") are identified and controlled, and accountability to all shareholders of the Company is assured. The Company is committed to ensuring 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 2018 (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 that 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 dividend policy (defined as below)), 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.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

Board composition

As at 31 December 2018, 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

Independent Non-executive Directors
Mr. Lee Cheung Yuet Horace
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. Lee Cheung Yuet Horace *(Chairman)*
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. Lee Cheung Yuet Horace
Mr. Phang Yew Kiat

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

The biographical details of each Director are set out on pages 18 to 20 of this annual report. The Directors are unrelated to each other in every aspect including financial, business and family or other material relevant relationship.

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

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, 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.

Four 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)*	4
Mr. Quek Sze Whye	4
Mr. Bijay Joseph	4
Mr. Lau Yan Hong	4
M. Wong Kee Chung	4
Independent Non-executive Directors	
Mr. Lee Cheung Yuet Horace	4
Mr. Phang Yew Kiat	4
Mr. Lee Teck Leng (resigned on 8 February 2018)	1
Mr. Ng Ka Lok (appointed on 8 February 2018)	3

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 facilitates 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 2018 and the final results for the year ended 31 December 2018, 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 Company recognises the benefits of having diversity in the composition of the Board and has adopted its own board diversity policy ("**Board Diversity Policy**") which effective on 1 January 2019.

The Company noted that people from different backgrounds and with different professional and life experience are likely to approach problems in different ways and accordingly, members of the Board with diverse backgrounds will bring different concerns and questions to the table, and allow the Board to consider a wider range of options and solutions when deciding on corporate issues and formulating policies for the Group. In determining the Board's composition and selection of candidates to the Board, factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, industry knowledge and length of service will be considered. All Board appointments will be based on meritocracy, and candidates will be considered against the selection criteria, having regard for the benefits of diversity on the Board, the business model and specific needs of the Group. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee has monitored the implementation of the board diversity policy since its adoption, and also reviewed it to ensure its effectiveness and concluded.

As at the date of this report, the Board comprises of 8 Directors including 3 independent non-executive Directors and independent 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, dividend policy, 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 the 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.

Each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence prior to their respective appointment.

Confirmation of Independence

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, all independent non-executive Directors confirmed that they do not have any cross directorships in significant links with other Directors of the Company through involvements in other companies or bodies and have not acted as independent non-executive Directors for more than seven listed companies and none of them have served the Company for more than 9 years.

Directors' Continuous Professional Development

Each of the appointed Directors, has received formal, comprehensive and tailored induction and continuous professional training to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the requirements of the Listing Rules and relevant statutory obligations.

Pursuant to the Code Provision A 6.5 of 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 2018 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	✓	✓
Mr. Lee Cheung Yuet, Horace	✓	✓
Mr. Phang Yew Kiat	✓	✓
Mr. Lee Teck Leng (resigned on 8 February 2018)	N/A	N/A
Mr. Ng Ka Lok (appointed on 8 February 2018)	✓	✓

During the Year, there was one in-house training conducted covering the topics of connected transactions, directors' duties and responsibilities, corporate governance practices, independence of independent non-executive directors, disclosure requirements under the Listing Rules and SFO.

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, the 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$360,000 per annum plus a discretionary bonus to be determined by the Board with reference to the performance of the Group.

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$180,000 per annum.

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

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$120,000 per annum.

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

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. Lim Kui Teng, Quek Sze Whye and Bijay Joseph 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. Lim Kui Teng, Quek Sze Whye and Bijay Joseph, 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.

DIVIDEND POLICY

The Board has adopted a "Dividend Policy" on 1 January 2019 in recommending dividends, to allow the Shareholders to participate in the Company's profits and enable the Company to retain adequate reserves for future growth, which provides that subject to the approval of the Shareholders and requirement of the relevant law, the Company shall pay annual dividends to the Shareholders if the Group is profitable, operations environment is stable and there is no significant investment or commitment made by the Group.

The proposed dividend payout shall be based on the Company's capacity to pay from accumulated and future earnings, liquidity position and future commitments at the time of declaration of dividend with reference to the Group's actual and expected financial performance, the Group's expected working capital requirements and future expansion plans, the Group's debt to equity ratios, any restrictions on payment of dividends that may be imposed by the Group's lenders, general economic conditions, business cycle of the Group's business, dividends received from the Company's subsidiaries and associates, the Shareholders' and investors' expectation and industry's norm and any other factors that the Board deems relevant. The Board may from time to time pay to the Shareholders such interim dividends as appear to the directors to be justified by the profits of the Group.

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. Lee**"), 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 respectively.

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. None of the members of the Audit Committee is a former partner of the Company's existing auditing firm. Mr. Lee has the appropriate professional accounting experience and served as the Chairman of the Audit Committee during the year.

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 examines 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 75 to 78 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 governmental 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 2018. 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 three 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. Lee Cheung Yuet, Horace *(Chairman)*	3
Mr. Phang Yew Kiat	3
Mr. Lee Teck Leng (resigned on 8 February 2018)	0
Mr. Ng Ka Lok (appointed on 8 February 2018)	3

REMUNERATION COMMITTEE

The remuneration committee of the Board (the "**Remuneration Committee**") was established on 10 May 2016. The Remuneration Committee had met three 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 shareholders. The Remuneration Committee is responsible for, inter alia, formulating and making recommendations to the Board on the Company's emolument policy and on the establishment of a formal and transparent procedure for developing such policy. The Board expects the Remuneration Committee to exercise independent judgment and ensures that executive Directors do not participate in the determination of their own remuneration. 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 the 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 of the 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 held three 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)*	3
Mr. Lim Kui Teng	3
Mr. Lee Cheung Yuet, Horace	3

The work performed by the Remuneration Committee for the year ended 31 December 2018 was in accordance with the terms of reference of the Remuneration Committee and is summarised below:–

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

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

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

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

The amount of remuneration paid to each Director for the year ended 31 December 2018 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;

– to ensure the fairness and competitiveness of the total remuneration;

– the emoluments of executive Directors are determined based on the skills, knowledge, individual performance as well as contributions, the scope of responsibility and accountability of such Directors, taking into consideration the Company's performance and prevailing market conditions;

– the remuneration policy of non-executive Director and independent non-executive Directors is to ensure that they are adequately compensated for their efforts and time dedicated to the Company's affairs including their participation in respective Board committees. Their emoluments are determined with reference to their skills, experience, knowledge, duties and market trends;

– 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.

Details of the Directors' remuneration, five highest paid employees' emoluments are set out in notes 10(a) and 10(b) to the Consolidated Financial Statements

NOMINATION POLICY

The Board has adopted a nomination policy ("**Nomination Policy**") on 1 January 2019 in relation to the nomination, appointment, re-appointment of new Directors and the nomination procedure of the Company, which provides that in evaluating and selecting any candidate for directorship, the Nomination Committee shall consider the candidates' character and integrity, professional qualifications, skills, knowledge and experience, independence, diversity on the Board, willingness to devote adequate time to discharge duties as a Board member and such other criteria that are appropriate to the business of the Company.

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 two times during the Year.

The Nomination Committee leads the process and makes recommendations for appointments to the Board, whether as additional appointment or to fill up the casual vacancy of directorship as and when they arise, in the light of the business development and requirements of the Company. In evaluating and selecting candidate(s) for directorship, the Nomination Committee considers the criteria of nomination and appointment of the directors as sets out in director Nomination Policy of the Company, which include but not limited to the character and integrity; skills and expertise; professional and educational backgrounds; potential time commitment for the board and/or committee responsibilities; and the elements of the Board Diversity Policy of the Company etc.. The Nomination Committee makes recommendation to the Board to appoint the appropriate person among the candidates nominated for directorship. Suitable candidate(s) shall be appointed by the Board in accordance with the articles of association of the Company and the Listing Rules.

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 the 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 include 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) to review the knowledge and experiences of all re-elected directors whether their knowledge and experiences complied with the Board Diversity Policy and Nomination Policy under the Listing Rules.

During the Year, the Nomination Committee had held 2 meetings and performed duties. The individual attendance record of each member at the meeting of the Nomination Committee during the Year is set as below:

Name of Directors	**Attendance/ Number of committee meeting**
Mr. Lim Kui Teng *(Chairman)*	2
Mr. Phang Yew Kiat	2
Mr. Lee Cheung Yuet, Horace	2

The summary of work of the Nomination Committee during the Year is as follows:

– reviewed the existing Board's structure, size and composition;

– reviewed and made recommendation on the appointment on non-executive Directors;

– reviewed and assessed the independence of the independent non-executive Directors; and

– made recommendation on the retiring Directors at the 2019 AGM of the Company.

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 in 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, the 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 a 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 the 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 the Audit Committee. The Board and the Audit Committee have also reviewed the resources, staff qualifications and experience and training programs of the external independent consultant and considered that 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 that 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 the 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 that 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 on 23 May 2018. The attendance record of the Directors at the AGM is set out below:–

	Attendance in person/ telephone conference
Executive Directors	
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	1
Independent Non-Executive Directors	
Mr. Lee Cheung Yuet Horace *(chairman of Audit Committee)*	1
Mr. Phang Yew Kiat *(chairman of Remuneration Committee)*	1
Mr. Lee Teck Leng (resigned on 8 February 2018)	0
Mr. Ng Ka Lok (appointed on 8 February 2018)	1

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 75 to 78 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$1.3 million, of which approximately HK$15,000, or 1.2%, 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 have 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.

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 2018 (the "**Year**").

PRINCIPAL ACTIVITIES

The principal business activities of the Company are the provision of earthworks and ancillary services, and general construction works. Earthworks and ancillary 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 of the Company 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 ("**Net Proceed**"), out of which approximately S$14.1 million had been utilised as at 31 December 2018.

LAPSE OF THE MAJOR TRANSACTION AND RE-ALLOCATION USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

Reference is made to the announcements of the Company dated 31 December 2018 and 23 January 2019, respectively, in light of the lapse of the major transaction ("**Major Transaction**") (the details of "Major Transaction" please referred to the announcements of the Company dated 11 December 2017, 20 December 2017, 3 January 2018, 9 January 2018, 7 February 2018, 29 March 2018, 11 May 2018, 11 June 2018, 11 July 2018, 11 October 2018 and 31 October 2018, respectively and the circular issued on 8 March 2018).

In light of the lapse of the Major Transaction, the second deposit based on the Major Transaction is no longer necessary and accordingly the Board resolved to further re-allocate the Net Proceeds in the amount of approximately S$6,607,000, being the Net Proceeds previously re-allocated from Secure Earth Filling Project for partial settlement of the second deposit, for the Purchase of Excavation Machines and Tipper Trucks.

The table below sets out the re-allocation of the Net Proceeds and the balance subsequent to the implementation of such changes:–

Intended applications	Net Proceeds (as disclosed in the Prospectus)	Balance as at 31 December 2018	Further re-allocation	Balance subsequent to the re-allocation
	S$'000 (%)	*S$'000*	*S$'000 (%)*	*S$'000 (%)*
Purchase of Excavation Machines and Tipper Trucks	11,129 (42%)	4,218	6,607	10,825
Secure Earth Filling Project	6,607 (25%)	–	–	–
Expand Workforce	4,414 (17%)	–	–	–
Purchase of Software	2,085 (8%)	1,583	–	1,583
Working Capital	2,247 (8%)	–	–	–
Acquisition	–	6,607	(6,607)	–
	26,482	12,408	–	12,408

The Board considers that the re-allocation of the use of the Net Proceeds is in accordance with the use of proceeds as disclosed in the prospectus and is in the best interests of the Company and its shareholders as a whole.

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 79 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 7 to 17 of this annual report.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in Note 27 to the Consolidated Financial Statements in this report.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2018 are set out in the Consolidated Statement of Comprehensive Income on page 79. The financial position of the Group as at 31 December 2018 is set out in the Consolidated Statement of Financial Position of the Group on pages 80 to 81. The financial position of the Company as at 31 December 2018 is set out in Note 33 to the Consolidated Financial Statements on pages 165 to 166. The cash flows of the Group for the year ended 31 December 2018 are set out in the Consolidated Statement of Cash Flows on pages 83 to 84.

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.

RESERVES

Details of the movement in the reserves of the Group and the Company during the Year are set out in Notes 27 and 33 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 2018, the reserves available for distribution to shareholders is approximately S$72.3million which represents the aggregate of share premium and contributed surplus of approximately S$73.7 million net of accumulated losses approximately S$1.4 million.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

We consider that 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.

For the sake of minimisation of the impact of our construction activities to the environment, the Group has adopted and implemented environmental protection policies and procedures to enable it to commit to the long term sustainability of the environment and communities in which it operates. During the Year, the Group has complied with all relevant environmental laws and regulations that have a significant impact on the Group's business where the Group is operating.

Detailed information on the environmental, social and governance practices adopted by the Company is set out in the "Environmental, Social and Governance Report" ("**ESG Report**") on pages 61 to 74 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.

The principal activities of the Group comprise the provision of earthworks and ancillary services, and general construction works. Sufficient resources have been allocated to ensure the on-going compliance with applicable laws and regulations. During the Year, except one incidence of non-compliance with relevant laws and regulations regarding employment practices which defined in ESG Report of the annual report, the Board is not aware of any incidence of non-compliance with the relevant laws and regulations that have a significant impact on the Group's business where the Group is operating.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group ensures that 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

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

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. Lim Kui Teng, Quek Sze Whye and Bijay Joseph 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. Lim Kui Teng, Quek Sze Whye and Bijay Joseph, 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 18 to 20 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 18 to 20 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 2018, 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 2018
Mr. Lim Kui Teng ("**Mr. Alan Lim**")	Interest of controlled corporation *(Notes 1)*	529,125,000 (L)	51.05%
Ms. Yee Say Lee ("**Ms. Yee**")	Interest of spouse *(Notes 1 and 2)*	529,125,000 (L)	51.05%

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 2018.

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 2018 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. Ng Ka Lok, an independent non-executive Director of the Company, was appointed as an independent non-executive director of China First Chemical Holdings Limited (Stock code: 2121) (a company which shares are listed on the Main Board of the Stock Exchange) with effect from 14 November 2018.

Mr. Lee Cheung Yuet Horace, an independent non-executive Director of the Company, resigned as an executive director of Aurum Pacific (China) Group Limited (Stock code: 8148) (a company which shares are listed on the GEM Board of the Stock Exchange) on 1 April 2019.

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

SUBSTANTIAL SHAREHOLDERS' INTEREST IN THE SECURITIES OF THE COMPANY

As at 31 December 2018, 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 2018
Brewster Global	Beneficial owner *(Notes 1)*	529,125,000 (L) ("**529,125,000 shares**")	51.05%
Mr. Alan Lim	Interest of controlled corporation *(Notes 1)*	529,125,000 (L)	51.05%
Ms. Yee	Interest of spouse *(Notes 1 and 2)*	529,125,000 (L)	51.05%
Excel Precise International Limited ("**EPI**")	Person having a security interest in shares *(Note 3)*	529,125,000 (L)	51.05%
True Promise Investments Limited ("**TPI**")	Interest in controlled corporation *(Note 3)*	529,125,000 (L)	51.05%
Mr. Law Fei Shing ("**Mr. Law**")	Interest in controlled corporation *(Note 3)*	529,125,000 (L)	51.05%

Notes:

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

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

(3) According to the corporate substantial shareholder notices filed on 22 December 2017 by each of EPI and TPI and the individual substantial shareholder notice filed on 22 December 2017 by Mr. Law, EPI is interested in 529,125,000 Shares by way of a security interest in those Shares. EPI is owned as to 73.5% by TPI and 25.0% by Mr. Law, while TPI is in turn wholly owned by Mr. Law. Therefore, in pursuant to SFO, TPI and Mr. Law are deemed to be interested in 529,125,000 Shares of the Company held by EPI and are substantial shareholders of the Company.

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 2018.

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

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

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

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 30 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 52.7% (2017: 42.9%) of the Group's total revenue and the largest customer of the Group accounted for approximately 24.9% (2017: 14.5%) of the Group's total revenue.

The five largest suppliers of the Group accounted for approximately 86.3% (2017: 80.0%) of the Group's total purchases and the largest supplier of the Group accounted for approximately 35.3% (2017: 27.4%) of the Group's total purchases.

The five largest subcontractors of the Group accounted for approximately 25.8% (2017: 50.4%) of the Group's total subcontractor fees and the largest subcontractor of the Group accounted for approximately 7.8% (2017: 19.5%) of the Group's total subcontractor fees.

None of the Directors of the Company or any of their associate (as defined in the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or any other shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

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.

(I) EXISTING CONTINUING CONNECTED TRANSACTIONS

During the Year, the Group have the following continued connected transactions as stated in Note 30 to the Consolidated Financial Statements, and renewed with effect on 1 January 2019, respectively, which are required to be disclosed in accordance with Chapter 14A of the Listing Rules:

(A) a framework construction material purchase agreement entered into between the Company and United E&P Pte. Ltd. ("**United E&P**") on 10 May 2016, which expired on 31 December 2018 and renewed this framework construction material purchase agreement with effect on 1 January 2019 (this "**Framework Construction Material Purchase Agreement"**). In pursuant to this Framework Construction Material Purchase Agreement, United E&P has agreed to provide construction materials to our Group according to actual needs. The principal terms of this Framework Construction Material Purchase Agreement include: (1) pricing policy of each type of material supplied having regards to the actual materials, quantity etc.; and (2) this Framework Construction Material Purchase Agreement would be effective from 1 January 2019 until 31 December 2021. 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 Chairman and 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.

Details of the continuing connected transaction of this Framework Construction Material Purchase Agreement has been disclosed in the announcements of the Company dated 10 December 2018 and 31 December 2018, respectively.

(B) a rental services framework agreement entered into between the Company and Golden Empire Civil Engineering Pte. Ltd. ("**Golden Empire**") on 10 May 2016, which expired on 31 December 2018 and renewed this rental service framework agreement with effect on 1 January 2019 (this "**Rental Services Framework Agreement 1**"). 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 this Rental Services Framework Agreement 1 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 this Rental Services Framework Agreement 1; and (3) this Rental Services Framework Agreement 1 would be effective from 1 January 2019 until 31 December 2021. 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.

Details of the continuing connected transaction of this Rental Services Framework Agreement 1 has been disclosed in the announcements of the Company dated 10 December 2018 and 31 December 2018, respectively.

(C) a 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, which expired on 31 December 2018 and renewed this master lease agreement with effect on 1 January 2019 (this "**Master Lease Agreement**"). In pursuant to which, Hulett Construction has agreed, with effect from 1 January 2019, 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 this Master Lease Agreement would be effective from 1 January 2019 (or such other date as may be agreed between the parties) until 31 December 2021. 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.

Details of the continuing connected transaction of this Master Lease Agreement has been disclosed in the announcements of the Company dated 10 December 2018 and 31 December 2018, respectively.

(II) NEW CONTINUING CONNECTED TRANSACTIONS

(i) A transportation framework agreement (the "**Transportation Framework Agreement**") entered into between the Company and United E&P on 10 December 2018. In pursuant to which, the Company has agreed to provide transportation services such as rental of trucks and supply of labour to United E&P according to actual needs. The principal terms of the Transportation Framework Agreement include: (1) the pricing policy of rental fee for each truck and quantity of labour provided; (2) the Group and United E&P 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 Transportation Framework Agreement; and (3) the Transportation Framework Agreement would be effective from 1 January 2019 until 31 December 2021. United E&P, a company incorporated in Singapore, which is owned as to 40% by an Independent Third Party and 60% by United E&P Holdings Pte. Ltd., which in turn is owned as to 33.33% by Mr. Lim 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.

Details of the new continuing connected transaction of Transportation Framework Agreement has been disclosed in the announcements of the Company dated 10 December 2018 and 31 December 2018, respectively.

(ii) A rental services framework agreement 2 (the "**Rental Services Framework Agreement 2**") entered into between the Company and Golden Empire-Huationg Pte. Ltd. ("**GEHT**") on 10 December 2018. In pursuant to which, the Company has agreed to provide construction-related services such as rental of trucks and supply of labour to GEHT according to actual needs. The principal terms of the Rental Services Framework Agreement 2 include: (1) pricing policy of rental fee for each truck and quantity of labour provided; (2) the Group and GEHT 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 2 and (3) the Rental Services Framework Agreement 2 would be effective from 1 January 2019 until 31 December 2021. GEHT a company incorporated in Singapore, which is owned as to 33.33% by an Independent third Party and 66.67% by Golden Empire, which in turn is owned as to 50% by Mr. Lim and 50% by an Independent Third Party. As such, GEHT is a connected person of our Company for the purpose of the Listing Rules.

Details of the new continuing connected transaction of Rental Services Framework Agreement 2 has been disclosed in the announcements of the Company dated 10 December 2018 and 31 December 2018, respectively.

(The Existing Continuing Connected Transactions and New Continuing Connected Transactions herewith after collectively defined as ("**Continuing Connected Transactions**").)

Due to all of aforesaid Continuing Connected Transactions, for each of the three financial years ending 31 December 2019, 2020 and 2021, 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.

CONNECTED TRANSACTIONS

The transaction with parent and transactions with subsidiaries or fellow subsidiaries as disclosed in "Related Party Transactions" under Note 30 to the Consolidated Financial Statements of the Group constituted connected transactions or continuing connected transactions but are exempted 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 30 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 34 to the Consolidated Financial Statements of the Group.

BANK BORROWINGS

The particulars of bank borrowings of the Group as at 31 December 2018 are set out in Note 25 to the Consolidated Financial Statements.

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

During the Year, 1,044,000 repurchased ordinary shares of the Company on October 2017 were cancelled on 8 January 2018 and the number of issued share of the Company were reduced accordingly.

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.

REPORT OF THE DIRECTORS

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 21 to 44 of this annual report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2018 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. There has been no change in the Company's auditors in any of the proceeding three years.

On behalf of the Board

Mr. Lim Kui Teng
Chairman

28 March 2019

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 2018.

Details by the ESG are set out on pages 61 to 74 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

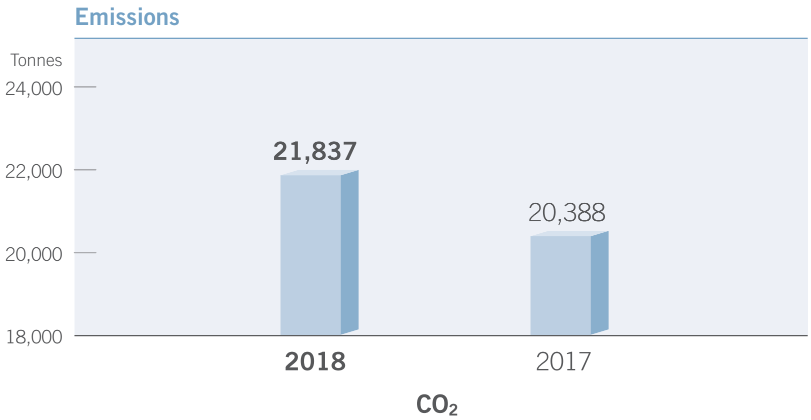
Giving a safe work environment to all staff and the public
Reducing traffic obstruction to the public
Access that is safe, clean and unobstructed
Communicating with neighbours on major project milestones
Initiating feedback from neighbours
Onboard training to new staff
Using technology and measures to 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.

In the provision of earthworks, we consume diesel for our plant & machinery along with motor vehicles. The increase in the number of our plant & machinery from 131 in 2017 to 161 in 2018, together with the slight increase in the number of our motor vehicles from 183 in 2017 to 217 in 2018; inevitably led to an increase in our diesel usage. Thus, our carbon dioxide emission arising from diesel consumption for the year 2018 increased to approximately 21,837 tonnes (2017: 20,388 tonnes) as the chart below presents:



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

Air pollution control

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

(i) *Control of dark smoke*

All our fuel burning machines such as 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, illegal burning of debris at our construction sites is prohibited.

(ii) *Control of dust*

Vehicles transporting sand, debris and other materials, which are likely to generate dust, are covered adequately with canvas before leaving our construction sites. 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*

All possible sources of chlorofluorocarbon and hydrochlorofluorocarbons are controlled 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, there are 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*

All our vehicles are jet-washed 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 to the approved disposal sites periodically.

(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*

Licensed sanitary plumber is employed 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, maximise re-use and recycling.

(i) *Segregation of construction waste*

Our construction wastes are distinguished and segregated 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. General waste collector and licensed waste-removing contractor are appointed to dispose of all the wastes only at authorised dumping ground or disposal facilities. Wastes such as steel or wood should 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

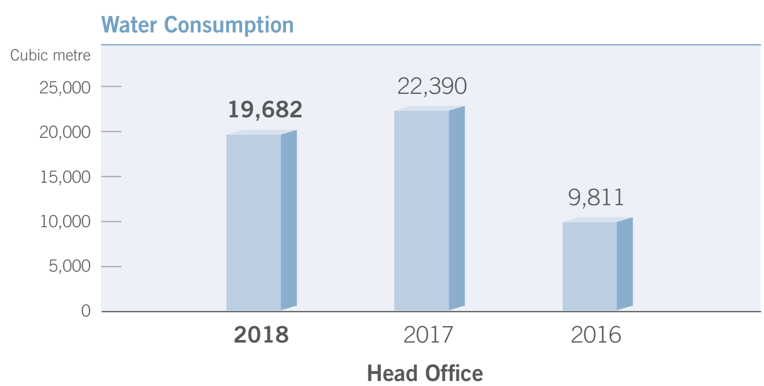
We keep track of our consumption of water, electricity and diesel at our head office every month to make sure the usage remain stable as compared to previous months. We also designate a worker responsible for switching off all machines and equipment such as gensets, machines, lights, air-conditioners, fans, and shutting all open taps and repairing 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 since 2017. In addition, we also aim at receiving less than two environmental fines per project per year.

(a) Water conservation

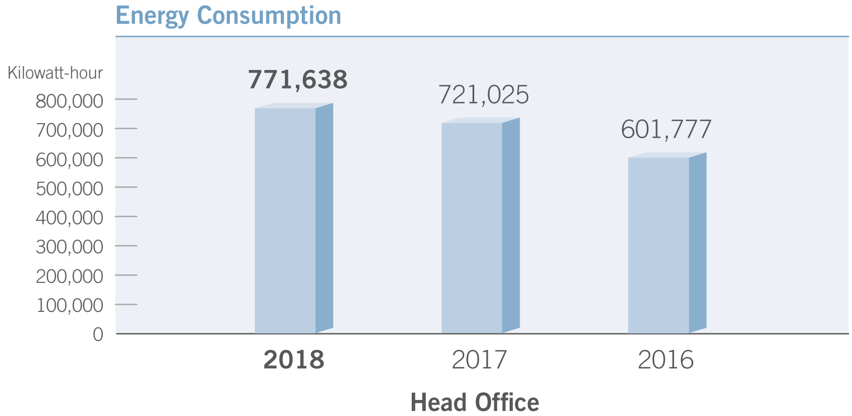
We minimise water usage by using press water tap for all toilet washing bays and placing reminders near the water taps to remind our employees to switch off the tap after using. We also install water filter inside the water tap to reduce the water flow.

We keep track on the water consumption for our head office. Our water consumption for the year ended 31 December 2018, year ended 31 December 2017 and year ended 31 December 2016 for the head office were as follows:



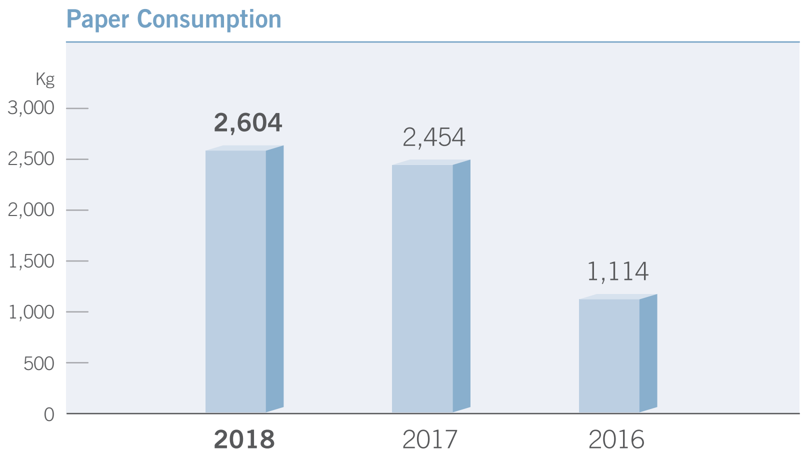
(b) Energy conservation

We save electricity by using timer for auto light switches in the common area and placing notices near all our switches to remind our employees to switch off all electricity when not in use. In addition, we have purchased eco-friendly appliances including LED, T5 light and energy saving refrigerator to reduce energy consumption at our head office. We also installed roller blind to lower the heat in office, thereby reducing the use of air-conditioning and conserve more electricity. Our energy consumption of the head office for the year 2018, 2017 and 2016 were as follows:



(c) Paper conservation

We assign print limit to each employee to reduce paper usage. Meanwhile we also encourage our staff to use recycled papers and double-sided printing to print documents, or use E-fax to minimise print papers. Our paper consumption for the year 2018, 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.

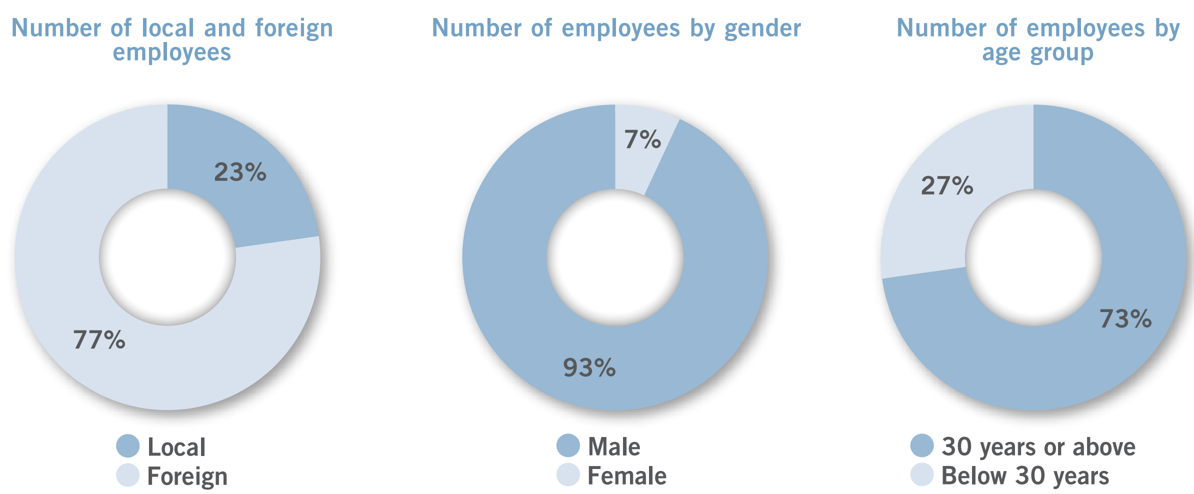
Aspect A3: The Environment and Natural Resources

As part of our efforts in promoting environmental awareness among our employees, we host sharing sessions with in-house quizzes regarding green and gracious practices relevant to our operations from time to time. 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 2018, the Group employed 504 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 2018, our employees' turnover rate was approximately 27%. The detailed breakdown of our employee by local (Singaporean and Singapore permanent residents) and foreign employees, gender and age group as at 31 December 2018 is set forth below:



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 within the 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 adopted 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, we strictly 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 2018, the Group had one material incidences of non-compliance with relevant laws and regulations regarding employment practices. The incidence involved the violation of certain regulations under the Employment Act (EA), which resulted in the Group being debarred from obtaining new work passes by MOM until 22 April 2019. Rectification measures have been carried out in hopes of convincing MOM to lift the debarment. Save as disclosed above or otherwise in the annual report, the Group has complied with all applicable laws and regulations in employment practices in Singapore.

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 2018 – 22nd Anniversary Celebration of Chuan Lim

We celebrated the 22nd Anniversary of Chuan Lim, and we are proud of the significant achievements it has made in the past 22 years.

February 2018 – CNY Dinner with Drivers

This gathering gave our hard-working drivers a chance to chill and relax.

February 2018 – Office CNY Lunch

We celebrated the Chinese New Year with our staff and wish them and the Group all the best in the coming year.

April 2018 – Board Meeting of Chuan Holdings

With the efforts of the management and all our staff, the Group is determined to develop rapidly in the future.

August 2018 – Mooncake and BBQ Gathering

We hosted this gathering to celebrate the traditional festival, while our staff enjoyed and had fun.

December 2018 – Year End Dinner

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

Aspect B2: Health and Safety

We are committed to safeguarding the health and safety of our staff, who are valuable to the success of the 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 for subcontractors 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.

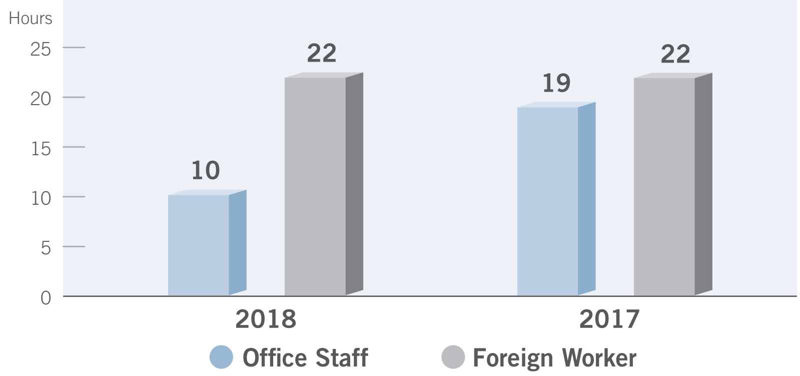
Our safe work procedures cover various aspects of our operations such as backfilling works, demolition works, earthworks, drain diversion, lifting operations and driving. For each aspect identified, we outline (i) the construction methodology which includes the list of preparatory works required in prior 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 2018, we recorded 27 workplace injuries and one non-compliance with applicable workplace health and safety regulations, which involved failing to provide shoring for an excavation site. Recertification works have been carried out to rectify the shortcomings identified.

Aspect B3: Development and Training

Development and training of our employees are vital to productivity enhancement and sustainable growth of the 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 2018, our employees were sent to various types of training and courses including first aid course, occupational health and safety management course, risk implement planning course and registered earthworks supervisor course to name a few. The average training hours per employee by category are as follows:

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 resource 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 resource 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 quality, timely and reliable execution of our projects as well as consistency of 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 being 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 of 65%; and

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

Our customers typically come to know us either 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 undertake any advertising activities or labelling of our services.

Quality and timely services

Our objective 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 feedbacks 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 tests to ensure right quantities, types, grades and sizes 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.

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 defects, 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 feedbacks and complaints

We request customers feedback at the end of our projects. Our customers evaluate us on our abilities to meet delivery schedules in accordance with the contracts, our response to repair calls under guarantee periods (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, names 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 2018, we did not receive any complaints from our customers or the public.

Intellectual property rights

The 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 and has renewed the registration which will expire on 28 January 2020. 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 determined to maintain the highest ethical standards and vigorously enforce the integrity of our business practices in all aspects of our operations. Policies are formulated to ensure the Group and our employees comply with anti-bribery, anti-corruption and anti-money laundering laws and government guidance. The 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 adopted 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 the Group. Any unethical or improper practices should be promptly reported directly to Mr. Lim Kui Teng, Alan, our Chairman and Executive Director. Alternatively, the matter can be reported to Mr. Quek Sze Whye, our Executive Director or Mr. Lee Cheung Yuet Horace, ("**Horace Lee**"), Chairman of the Audit Committee. An investigation will then be initiated and details of the investigation will be reported to Mr. Horace Lee. Independent investigation may be conducted or external professional advisers may be appointed to assist in conducting the investigations. Corrective and disciplinary actions will 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 2018, 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 2018.

COMPLIANCE WITH LAWS AND REGULATIONS

The compliance adviser, 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

The 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 2018, the Group had contributed S$169,948 for the causes as explained above.

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 79 to 176, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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**") and earthwork ancillary services of approximately S$88,429,000 and S$5,047,000 respectively, for the year ended 31 December 2018. 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 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 S$'000	2017 S$'000
Revenue	7	**93,476**	87,281
Direct costs		**(84,743)**	(76,121)
Gross profit		**8,733**	11,160
Other income and gains	7	**2,947**	1,944
Administrative and other operating expenses		**(6,370)**	(5,993)
Other expenses		**(922)**	(1,059)
Finance costs	8	**(487)**	(325)
Profit before income tax	9	**3,901**	5,727
Income tax expense	11(a)	**(846)**	(170)
Profit for the year attributable to owners of the Company		**3,055**	5,557
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Losses in revaluation of available-for-sale financial assets		**–**	(63)
Exchange differences arising on translation		**535**	(2,519)
Items that will not be reclassified subsequently to profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income		**(170)**	–
Other comprehensive income for the year, net of tax		**365**	(2,582)
Total comprehensive income for the year attributable to the owners of the Company		**3,420**	2,975
Earnings per share attributable to owners of the Company – Basic and diluted (S$ cents)	13	**0.29**	0.54

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 S$'000	2017 S$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*14*	**26,139**	21,314
Investment property	*15*	**1,334**	1,346
Other assets	*16*	**373**	373
Deposits and other receivables	*21*	**308**	346
Available-for-sale financial assets	*17*	**–**	1,957
Financial assets at fair value through profit or loss	*17*	**1,409**	–
Financial assets at fair value through other comprehensive income	*17*	**1,073**	–
Financial assets at amortised costs	*17*	**1,250**	–
Deferred tax assets	*11(b)*	**–**	52
		31,886	25,388
Current assets			
Due from customers for contract work	*19*	**–**	21,862
Contract assets	*18*	**18,292**	–
Trade receivables	*20*	**20,142**	24,116
Deposits, prepayments and other receivables	*21*	**13,845**	13,543
Pledged deposits	*22*	**3,328**	3,307
Cash and cash equivalents	*22*	**36,664**	34,309
		92,271	97,137
Current liabilities			
Due to customers for contract work	*19*	**–**	2,381
Contract liabilities	*18*	**2,124**	–
Trade payables	*23*	**6,236**	9,970
Other payables, accruals and deposits received	*24*	**2,990**	6,078
Bank borrowings	*25*	**–**	62
Finance lease obligations	*26*	**13,941**	6,048
Income tax payable		**552**	632
		25,843	25,171
Net current assets		**66,428**	71,966
Total assets less current liabilities		**98,314**	97,354

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 S$'000	2017 S$'000
Non-current liabilities			
Deposits received	*24*	–	11
Bank borrowings	*25*	–	65
Finance lease obligations	*26*	**5,415**	7,254
Deferred tax liabilities	*11(b)*	**242**	–
		5,657	7,330
Net assets		**92,657**	90,024
EQUITY			
Equity attributable to the owners of the Company			
Share capital	*27*	**1,807**	1,808
Reserves	*27*	**90,850**	88,216
Total equity		**92,657**	90,024

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 2018

	Share capital S$'000 *(note 27)*	Share premium* S$'000 *(note 27)*	Treasury shares reserve* S$'000 *(note 27)*	Merger reserve* S$'000 *(note 27)*	Translation reserve* S$'000 *(note 27)*	Investment revaluation reserve* S$'000	Fair value through other comprehensive income reserve* S$'000	Retained profits* S$'000	Total S$'000
At 1 January 2017	1,808	27,929	–	5,166	1,606	(348)	–	50,958	87,119
Transactions with owners:									
Shares repurchased *(note 27)*	–	–	(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 and 1 January 2018	**1,808**	**27,929**	**(70)**	**5,166**	**(913)**	**(411)**	**–**	**56,515**	**90,024**
Initial application of HKFRS 9 (note 2(a)A(I))	–	–	–	–	–	411	29	(1,227)	(787)
As restated	1,808	27,929	(70)	5,166	(913)	–	29	55,288	89,237
Share repurchased in prior year and cancelled in FY2018	(1)	(69)	70	–	–	–	–	–	–
Profit for the year	–	–	–	–	–	–	–	3,055	3,055
Other comprehensive income									
Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	(170)	–	(170)
Exchange differences arising on translation	–	–	–	–	535	–	–	–	535
Total comprehensive income for the year	–	–	–	–	535	–	(170)	3,055	3,420
Transfer reserves to retained profits on disposal of financial assets at FVOCI	–	–	–	–	–	–	(29)	29	–
At 31 December 2018	**1,807**	**27,860**	**–**	**5,166**	**(378)**	**–**	**(170)**	**58,372**	**92,657**

* *These reserve accounts comprise the consolidated reserves of approximately S$90,850,000 (2017: approximately S$88,216,000) in the consolidated statement of financial position as at 31 December 2018.*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 S$'000	2017 S$'000
Cash flows from operating activities			
Profit before income tax		**3,901**	5,727
Adjustments for:			
Interest income	*7*	**(98)**	(225)
Interest expense	*8*	**487**	325
Dividend income from available-for-sale financial assets		**–**	(2)
Dividend income from financial assets at fair value through other comprehensive income	*7*	**(16)**	–
Depreciation of property, plant and equipment	*9*	**7,338**	5,955
Depreciation of investment property	*9*	**12**	12
Gain on disposals of financial assets at fair value through other comprehensive income	*7*	**(120)**	–
Gain on disposals of property, plant and equipment	*7*	**(496)**	(486)
Provision for impairment of trade receivables	*9*	**922**	1,059
Change in fair value of financial assets at fair value through profit and loss	*7*	**(36)**	–
Operating profit before working capital changes		**11,894**	12,365
Increase in amounts due from customers for contract work		**–**	(5,204)
Decrease in contract assets		**3,570**	–
Decrease/(increase) in trade receivables		**2,265**	(1,949)
Increase in deposits, prepayments and other receivables		**(524)**	(12,043)
Decrease in amounts due to customers for contract work		**–**	(618)
Decrease in contract liabilities		**(257)**	–
(Decrease)/Increase in trade payables		**(3,734)**	2,839
Decrease in other payables, accruals and deposits received		**(3,366)**	(1,643)
Cash generated from/(used in) operations		**9,848**	(6,253)
Income tax paid, net		**(632)**	(1,338)
Net cash generated from/(used in) operating activities		**9,216**	(7,591)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 S$'000	2017 S$'000
Cash flows from investing activities		
Proceeds from disposals of financial assets at fair value through other comprehensive income	**1,350**	–
Decrease in time deposits with maturity over three months	**–**	6,735
Proceeds from disposals of property, plant and equipment	**1,032**	2,038
Purchases of property, plant and equipment	**(3,129)**	(3,581)
Purchase of available-for-sale financial assets	**–**	(325)
Purchase of finance asset at amortised costs	**(1,250)**	–
Purchase of finance asset at FVOCI	**(1,889)**	–
Interest received	**98**	225
Dividend received	**16**	2
Net cash (used in)/generated from investing activities	**(3,772)**	5,094
Cash flows from financing activities		
Payment on repurchase of shares	**–**	(70)
Interest element on finance lease payments	**(484)**	(318)
Capital element of finance lease obligations	**(2,989)**	(2,070)
Repayment of bank borrowings	**(127)**	(273)
Increase in pledged deposits	**(21)**	(10)
Interests paid	**(3)**	(7)
Net cash used in financing activities	**(3,624)**	(2,748)
Net increase/(decrease) in cash and cash equivalents	**1,820**	(5,245)
Cash and cash equivalents at beginning of the year	**34,309**	42,073
Effect of foreign exchange rate changes, net	**535**	(2,519)
Cash and cash equivalents at end of the year	**36,664**	34,309
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**36,664**	24,181
Time deposits with maturity less than three months	**–**	10,128
	36,664	34,309

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 34 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 2018 were approved and authorised for issue by the board of directors on 28 March 2019.

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

(a) Adoption of new/revised HKFRSs effective 1 January 2018

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 2018.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

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

(a) Adoption of new/revised HKFRSs effective 1 January 2018 (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.

The adoption of these amendments has no impact on these financial statements as the periods to which the transition provision exemptions related have passed.

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.

The adoption of these amendments has no impact on these financial statements as the Group is not a venture capital organisation.

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.

The adoption of these amendments has no impact on these financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

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

(a) Adoption of new/revised HKFRSs effective 1 January 2018 (Continued)

A HKFRS 9 – Financial Instruments

(I) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 “Financial Instruments: Recognition and Measurement” for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of reserves and retained profits as of 1 January 2018 as follows (increase/(decrease)):

	S$’000
Retained profits	
Retained profits as at 31 December 2017	56,515
Increase in expected credit losses (“**ECLs**”) in trade receivables (note 2(a)A(II)(i) below)	(787)
Reclassify available-for-sale financial assets to financial assets at fair value through profit or loss (“**FVPL**”) (note 2(a)A(I)(ii) below)	(440)
Restated retained profits as at 1 January 2018	55,288
Investment revaluation reserve	
Reserve balance as at 31 December 2017	(411)
Reclassify available-for-sale financial assets to financial assets at FVPL (note 2(a)A(I)(ii) below)	440
Reclassify available-for-sale financial assets to financial assets at fair value through other comprehensive income (“**FVOCI**”) (note 2(a)A(I)(i) below)	(29)
Restated reserve balance as at 1 January 2018	–

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

(a) Adoption of new/revised HKFRSs effective 1 January 2018 (Continued)

A HKFRS 9 – Financial Instruments (Continued)

(I) Classification and measurement of financial instruments (Continued)

	S$'000
FVOCI reserve	
Reserve balance as at 31 December 2017	–
Reclassify available-for-sale financial assets to financial assets at FVOCI (note 2(a)A(I)(i) below)	29
Restated reserve balance as at 1 January 2018	29

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVPL, 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. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("**amortised costs**"); (ii) financial assets at FVOCI; or (iii) FVPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "**solely payments of principal and interest**" criterion, also known as "**SPPI criterion**"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

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

(a) Adoption of new/revised HKFRSs effective 1 January 2018 (Continued)

A HKFRS 9 – Financial Instruments (Continued)

(I) Classification and measurement of financial instruments (Continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVPL:

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

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVPL	FVPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (equity instruments)	Equity investments at FVOCI are measured at fair value. Dividend income is recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

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

(a) Adoption of new/revised HKFRSs effective 1 January 2018 (Continued)

A HKFRS 9 – Financial Instruments (Continued)

(I) Classification and measurement of financial instruments (Continued)

(i) As of 1 January 2018, certain investment in listed equity investments were reclassified from available-for-sale financial assets to financial assets at FVOCI. The Group intends to hold these equity investments for long term strategic purposes. Under HKFRS 9, the Group has designated these equity investments at the date of initial application as measured at FVOCI. As a result, financial assets with a fair value of S$584,000 were reclassified from available-for-sale financial assets to financial assets at FVOCI and fair value gain of S$29,000 were reclassified from the investment revaluation reserve to FVOCI reserve on 1 January 2018.

(ii) In addition, investment in life insurance policy were reclassified from available-for-sale financial assets to financial assets at FVPL, as it does not meet the SPPI criterion. As such, investment in life insurance policy with a fair value of S$1,373,000 were reclassified from available-for-sale financial assets to financial assets at FVPL and the fair value loss of S$440,000 were reclassified from the investment revaluation reserve on 1 January 2018 to the retained profits.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 January 2018 under HKAS 39 S$'000	Carrying amount as at 1 January 2018 under HKFRS 9 S$'000
Listed equity investments	Available-for-sale (at fair value)	FVOCI	584	584
Investment in life insurance policy at fair value	Available-for-sale (at fair value)	FVPL	1,373	1,373
Trade receivables	Loans and receivables	Amortised cost	24,116	23,329
Deposits and other receivables	Loans and receivables	Amortised cost	434	434
Cash and cash equivalents	Loans and receivables	Amortised cost	34,309	34,309
Pledged deposits	Loans and receivables	Amortised cost	3,307	3,307

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

(a) Adoption of new/revised HKFRSs effective 1 January 2018 (Continued)

A HKFRS 9 – Financial Instruments (Continued)

(II) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "**incurred loss model**" to the "**ECLs model**". HKFRS 9 requires the Group to recognised ECL for trade receivables, financial assets at amortised costs and contract assets earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group's debt investment at FVPL are considered to have low credit risk since the issuers' credit rating are high.

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

(a) Adoption of new/revised HKFRSs effective 1 January 2018 (Continued)

A HKFRS 9 – Financial Instruments (Continued)

(II) Impairment of financial assets (Continued)

Measurement of ECLs (Continued)

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

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

(a) Adoption of new/revised HKFRSs effective 1 January 2018 (Continued)

A HKFRS 9 – Financial Instruments (Continued)

(II) Impairment of financial assets (Continued)

Impact of the ECL model

(i) Impairment of trade receivables and contract assets

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for all trade receivables and contract assets. To measure the ECLs, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets have substantially the same risk as the trade receivables. The loss allowance as at 1 January 2018 was determined as follows for trade receivables and contract assets as follows:

	Weighted average lifetime ECL	**Gross carrying amount** ***S$'000***	**Loss allowance** ***S$'000***
Neither past due nor impaired	0.5%	6,447	32
1 to 30 days past due	1.5%	2,820	42
31 to 90 days past due	3%	3,520	106
91 to 180 days past due	8%	1,251	100
181 to 365 days past due	10%	675	68
Over 365 days past due	42%	140	59
		14,853	407
Individual assessment			
– Individual companies	100%	3,066	3,066
– Related companies	3%	6,666	200
– Retention receivables	5%	2,544	127
		12,276	3,393
Total		27,129	3,800

The increase in loss allowance for trade receivables upon the transition to HKFRS 9 as of 1 January 2018 were S$787,000.

The directors of the Company considered that the ECL for contract assets is insignificant as at 31 December 2017.

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

(a) Adoption of new/revised HKFRSs effective 1 January 2018 (Continued)

A HKFRS 9 – Financial Instruments (Continued)

(II) Impairment of financial assets (Continued)

Impact of the ECL model (Continued)

(ii) Impairment of debt investments

All of the Group's other debt investments at amortised costs recognised are considered to have low credit risk. No impairment is recognised as the amount of additional impairment measured under the ECLs model is insignificant.

(iii) Impairment of other financial assets at amortised costs

Other financial assets at amortised cost of the Group include deposits and other receivables, pledged deposits and cash and cash equivalents. No impairment is recognised as the amount of additional impairment measured under the ECLs model is insignificant.

(III) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the consolidated statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained profits and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9:

- The determination of the business model within which a financial asset is held;

- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVPL; and

- The designation of certain investments in equity investments not held for trading as at FVOCI.

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

(a) Adoption of new/revised HKFRSs effective 1 January 2018 (Continued)

B HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 "Construction Contracts", HKAS 18 "Revenue" and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method with practical expedient. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained profits at the date of initial application (i.e. 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

The transition of HKFRS 15 had no impact on the opening balances of retained profits.

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

(a) Adoption of new/revised HKFRSs effective 1 January 2018 (Continued)

B *HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") (Continued)*

The following tables summarised the impact of adopting HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018. There was no material impact on the Group's consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended 31 December 2018:

Impact on the consolidated statement of financial position as of 31 December 2018

	S$'000
Assets	
Current assets	
Contract assets (note 2(a)B)	18,292
Due from customers for contract work (note 2(a)B)	(18,292)
Total current assets	–
Total assets	–
Liabilities	
Current tax liabilities	
Due to customers for contract work (note 2(a)B)	(2,124)
Contract liabilities (note 2(a)B)	2,124
Total current liabilities	–
Total liabilities	–

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

(a) Adoption of new/revised HKFRSs effective 1 January 2018 (Continued)

B HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") (Continued)

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below:

Service	Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 January 2018
Provision of Earthworks & ancillary services and General construction works	For the performance obligation related to the provision of earthwork and general construction works, the Group determines that the customers control all the work in progress when the earthwork and general construction work is provided. The work in progress is being enhanced during the terms of the contracts. For the earthwork ancillary services, the customers simultaneously receive and consume the benefits provided by the Group's performance as the Group performs. Therefore, revenue from these contracts are recognised over time. Invoices are issued according to contractual terms and are usually payable within 30 days. Uninvoiced amounts are presented as contract assets.	**Impact** HKFRS 15 did not result in significant impact on the Group's accounting policies. However, upon the adoption of HKFRS 15, the Group has to made reclassification from due from customers for contract works to contract assets since under HKFRS 15, if there is any satisfied performance obligation but where the entity does not have an unconditional right to consideration, an entity should recognise a contract asset. Upon the adoption of HKFRS 15, the Group has also made reclassification from due to customers for contract works to contract liabilities.

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

(a) Adoption of new/revised HKFRSs effective 1 January 2018 (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 adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first year.

Amendments to HKAS 40, Investment Property – 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.

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

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 Interpretations specify 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.

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

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.

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

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

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

HKFRS 16 – Leases

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

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

Under HKAS 17, the Group has already recognised the assets and related finance lease obligations for finance lease arrangements for plant & machinery and motor vehicles where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

As at 31 December 2018, the Group has no non-cancellable operating lease arrangements under HKAS 17 as disclosed in note 28. The Group does not expect the application of HKFRS 16 would have material impact on the Group's consolidated financial statements and results of operations. The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

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.

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 FVOCI if specified conditions are met – instead of at FVPL.

Amendments to HKAS 28

The amendment clarifies that HKFRS 9 applies to long-term interests ("**LTI**") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3, Business Combinations

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 3 which clarify that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

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 2015-2017 Cycle – Amendments to HKFRS 11, Joint Arrangements

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 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

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 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

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 23 which clarify that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

HKFRS 17 – Insurance Contracts

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

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 3 – Definition of a Business

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 - Definition of Material

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. The transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

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.

(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 (accounting policies applied until 31 December 2017)

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 (accounting policies applied from 1 January 2018)

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) Revenue from construction contracts

Revenue from earthworks and general construction works transferred over time is recognised progressively by reference to the proportion of contract costs incurred to date compared to expected total cost, which depict the transfer of control of the goods or services to the customer.

The Group recognises revenue over time only if it can reasonably measure its progress toward complete satisfaction of the performance obligation. However, if the Group cannot reasonably measure the outcome but expects to recover the costs incurred in satisfying the performance obligation, then it recognises revenue to the extent of the costs incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 Revenue recognition (accounting policies applied from 1 January 2018) (Continued)

(i) Revenue from construction contracts (Continued)

Incremental cost of obtaining a contract is capitalised if the Group expects to recover those costs, unless the amortisation period for such costs would be one year or less. Costs that will be incurred regardless of whether the contract is obtained are expensed as they are incurred.

The Group presents a contract liability or a contract asset in its consolidated statements of financial position when either party to the contract has performed. The Group performs by transferring goods or services to the customer and the customer performs by paying consideration to the Group.

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

Contract asset is recognised when the Group completes the construction works under such services contracts but yet certified by architects, surveyors or other representatives appointed by customers.

Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the costs relate. The asset is subject to impairment review.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 Revenue recognition (accounting policies applied from 1 January 2018) (Continued)

(ii) Revenue from earthwork ancillary services income

Revenue from earthwork ancillary services income transferred over time as the customers simultaneously receive and consume the benefits provided by the Group's performance as the Group performs using the output method on the basis of direct measurements of the value to customer of the Group's performance to date.

(iii) Other 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.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Revenue recognition (accounting policies applied until 31 December 2017)

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. 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. Service income is recognised when services are rendered. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established. Rental income from investment property is recognised on a straight-line basis over the periods of the respective tenancy.

4.8 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)

4.8 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.

4.9 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.

4.10A Financial instruments (accounting policies applied from 1 January 2018)

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10A Financial instruments (accounting policies applied from 1 January 2018) (Continued)

(i) Financial assets (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVPL: Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10A Financial instruments (accounting policies applied from 1 January 2018) (Continued)

(i) Financial assets (Continued)

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. The Group decided that at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. All other equity instruments are classified as FVPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

Impairment loss on financial assets

The Group recognises loss allowances for ECL on trade receivables, contract assets, financial assets measured at amortised cost. The ECLs are measured on either of the following basis: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers the reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10A Financial instruments (accounting policies applied from 1 January 2018) (Continued)

(i) Financial assets (Continued)

Impairment loss on financial assets (Continued)

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(ii) Financial liabilities

The Group classifies its financial liabilities depending on the purpose for which the liabilities were incurred. Financial liabilities at FVPL are initially measured at fair value and 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 payables, contract liabilities, other payables, accruals and deposits received, bank borrowings and finance lease obligations 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.

(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 HKFRS 9.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10A Financial instruments (accounting policies applied from 1 January 2018) (Continued)

(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.

(v) 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 FVPL 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 contact at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out in 4.10A(i); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

(vi) 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 the 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)

4.10B Financial instruments (accounting policies applied until 31 December 2017)

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. Accordingly, the comparative financial information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(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.

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 longer 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).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10B Financial instruments (accounting policies applied until 31 December 2017) (Continued)

(i) Financial assets (Continued)

Impairment loss on financial assets

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

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

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

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

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10B Financial instruments (accounting policies applied until 31 December 2017) (Continued)

(i) Financial assets (Continued)

Impairment loss on financial assets (Continued)

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.

(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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10B Financial instruments (accounting policies applied until 31 December 2017) (Continued)

(v) 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 FVPL 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.

(vi) 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 the estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 Fair value measurement (Continued)

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 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.

4.13 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.13 Foreign currency (Continued)

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

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

4.14 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.

4.15 Impairment of non-financial assets

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.15 Impairment of non-financial assets (Continued)

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4.16 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.

4.17 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.

4.18 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)

4.18 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)

4.19 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, FVPL, FVOCI, 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 Provision for ECLs on trade and other receivables

The provision for ECLs on trade and retention receivables and other receivables are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of each reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to profit or loss. The carrying amounts of trade and other receivables are disclosed in notes 20 and 21, respectively.

5.2 Construction contract revenue recognition

Revenue recognition on a project is dependent on management's estimation of the progress of the satisfaction of performance obligations of a construction contract over time, measuring using input method, 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.

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

Key sources of estimation uncertainty (Continued)

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.

5.5 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$552,000 (2017: approximately S$632,000) as at 31 December 2018.

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 earthwork ancillary services (collectively referred as "**Earthworks & ancillary services**"); 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 2018 and 2017. Operating revenue, direct costs, gain 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 & ancillary services S$'000	General construction works S$'000	Total S$'000
Year ended 31 December 2018			
Revenue from external customers	76,827	16,649	93,476
Reportable segment results	8,556	717	9,273
Unallocated other income and gains			1,001
Corporate and other unallocated expenses			(6,370)
Interest on bank loans			(3)
Profit before income tax			3,901

6. SEGMENT INFORMATION (CONTINUED)

(a) Segment revenue and results (Continued)

	Earthworks & ancillary services 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

During the year ended 31 December 2018, 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 (2017: directors' emoluments, employee benefits expenses, depreciation of office equipment, operating lease expenses and other centralised administrative cost for the Group's headquarter).

(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	
	2018 S$'000	2017 S$'000
Earthworks & ancillary services	**54,923**	56,632
General construction works	**9,292**	10,623
Total	**64,215**	67,255
Additions to non-current segment assets		
Earthworks & ancillary services	**12,233**	12,464
General construction works	**–**	–
Total	**12,233**	12,464

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	
	2018	2017
	S$'000	S$'000
Reportable segment assets	**64,215**	67,255
Unallocated property, plant and equipment	**618**	383
Available-for-sale financial assets	**–**	1,957
Financial assets at FVPL	**1,409**	–
Financial assets at amortised cost	**1,250**	–
Financial assets at FVOCI	**1,073**	–
Investment property	**1,334**	1,346
Other assets	**373**	373
Deferred tax assets	**–**	52
Pledged deposits	**3,328**	3,307
Cash and cash equivalents	**36,664**	34,309
Corporate and other unallocated assets	**13,893**	13,543
Group assets	**124,157**	122,525

Corporate and other unallocated assets mainly included deposits, prepayments paid for operating leases and office expenses, other receivables due from related parties and vendor in respect of the 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	
	2018	2017
	S$'000	S$'000
Earthworks & ancillary services	**25,835**	20,525
General construction works	**1,881**	5,128
Total	**27,716**	25,653

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	
	2018	2017
	S$'000	S$'000
Reportable segment liabilities	**27,716**	25,653
Bank borrowings	**–**	127
Deferred tax liabilities	**242**	–
Corporate and other unallocated liabilities	**3,542**	6,721
Group liabilities	**31,500**	32,501

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 & ancillary services S$'000	General construction works S$'000	Unallocated S$'000	Total S$'000
Year ended 31 December 2018				
Gain on disposals of property, plant and equipment	**478**	**–**	**18**	**496**
Depreciation of property, plant and equipment	**7,108**	**42**	**188**	**7,338**
Bad debts recovered	**1,468**	**–**	**–**	**1,468**
Provision for impairment of trade receivables	**921**	**1**	**–**	**922**
Finance costs	**483**	**1**	**3**	**487**

	Earthworks & ancillary services 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

(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	
	2018	2017
	S$'000	S$'000
Customer A – attributable to Earthworks & ancillary services	**23,312**	n/a
Customer B – attributable to General construction works	**11,281**	n/a
Customer C – attributable to General construction works	**n/a**	10,377
Customer D – attributable to Earthworks & ancillary services	**n/a**	12,663

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 & ancillary services and General construction works. Revenue recognised from the principal activities during the year is as follows:

	Revenue from external customers Year ended 31 December	
	2018	2017
	S$'000	S$'000
Earthworks & ancillary services (note)	**76,827**	71,601
General construction works	**16,649**	15,680
	93,476	87,281

The timing of revenue recognition for the year is as follows:

	2018	2017
	S$'000	S$'000
Transferred over time:		
Earthworks & ancillary services (note)	**76,827**	71,601
General construction works	**16,649**	15,680
	93,476	87,281

Note:

Earthworks & ancillary services include revenue of approximately S$71,780,000 from earthworks and approximately S$5,047,000 from earthwork ancillary services.

7. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

(b) Transaction price allocated to remaining performance obligations

At 31 December 2018, the transaction price allocated to performance obligation that are unsatisfied (or partially unsatisfied) in relation to project works are approximately S$88,523,000 (2017: S$81,590,000). The directors of the Company expect that the unsatisfied performance obligation will be recognised as revenue from 1 to 5 years according to the contract period.

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

	2018 S$'000	2017 S$'000
Other income		
Management service income	160	233
Interest income on financial assets carried at amortised cost	98	225
Bad debts recovered	1,468	62
Rental income from investment property	105	131
Dividend income from financial assets at FVOCI	16	–
Dividend income from available-for-sale financial assets	–	2
Sales of scrap materials and consumables	241	101
Change in fair value of financial assets at FVPL	36	–
Gain on disposal of financial assets at FVOCI	120	–
Others	186	241
	2,430	995
Gains		
Gain on disposals of property, plant and equipment	496	486
Net exchange gain	21	463
	2,947	1,944

8. FINANCE COSTS

	2018 S$'000	2017 S$'000
Interest expenses for financial liabilities carried at amortised cost:		
– Interest on finance leases	484	318
– Interest on bank loans wholly repayable within five years	3	7
	487	325

9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	2018 S$'000	2017 S$'000
Auditor's remuneration	**234**	303
Depreciation of property, plant and equipment *	**7,338**	5,955
Depreciation of investment property **	**12**	12
Direct operating expenses arising from investment property that generated rental income	**19**	24
Net exchange gain	**(21)**	(463)
Operating lease rental expenses in respect of:		
– Office equipment and machineries	**16,337**	9,679
– Warehouses, premises, dormitories and workshops	**2,024**	1,724
	18,361	11,403
Employee benefit expenses (including directors' remuneration *(note 10)*):		
– Salaries, wages and bonuses	**16,476**	15,579
– Defined contribution	**722**	642
– Other short-term benefits	**2,838**	2,377
	20,036	18,598
Provision for impairment of trade receivables	**922**	1,059

* Depreciation of property, plant and equipment amounted to approximately S$7,149,000 (2017: approximately S$5,808,000) has been included in direct costs and approximately S$189,000 (2017: approximately S$147,000) 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

Directors' remuneration for the year, disclosed pursuant to Listing Rules, Section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulations, is as follows:-

(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 2018					
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))*	62	–	–	–	62
	62	1,800	–	42	1,904
Independent non-executive directors:					
Mr. Ng Ka Lok ("**Mr. Ng**") *(note (ii))*	19	–	–	–	19
Mr. Phang Yew Kiat ("**Mr. Phang**")	28	–	–	–	28
Mr. Lee Teck Leng ("**Mr. Lee**") *(note (iii))*	3	–	–	–	3
Mr. Lee Cheung Yuet Horace ("**Mr. Horace Lee**") *(note(iv))*	31	–	–	–	31
	81	–	–	–	81
Total	143	1,800	–	42	1,985

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

(a) Directors' remuneration (Continued)

	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. Alan Lim	–	1,042	–	12	1,054
Mr. Dicky Lau	–	230	–	12	242
Mr. Albert Quek	–	320	–	6	326
Mr. Bijay Joseph	–	208	–	12	220
Mr. Stan Wong *(note(i))*	31	–	–	–	31
	31	1,800	–	42	1,873
Independent non-executive directors:					
Mr. Chow Wing Tung ("**Mr. Chow**") *(note (iii))*	23	–	–	–	23
Mr. Phang	28	–	–	–	28
Mr. Lee *(note (iii))*	26	–	–	–	26
Mr. Horace Lee *(note(iv))*	4	–	–	–	4
	81	–	–	–	81
Total	112	1,800	–	42	1,954

Notes:

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

(ii) Mr. Ng was appointed as an Independent non-executive director of the Company on 8 February 2018.

(iii) 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.

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

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

(b) Five highest paid individuals

The five highest paid individuals of the Group included 4 (2017: 4) directors for the year, whose emoluments are reflected in note (a).

The analysis of the emolument of the remaining 1 (2017: 1) highest paid individuals for the year, are set out below:

	2018 **S$'000**	2017 S$'000
Salaries, allowances and benefits in kind	**106**	146
Discretionary bonuses	**15**	18
Defined contribution	**11**	12
	132	176

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

	Number of individuals	
	2018	2017
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 (2017: 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

	2018 S$'000	2017 S$'000
Current tax – Singapore income tax		
Tax for the year	**580**	632
Over provision for prior year	**(28)**	(375)
	552	257
Deferred tax		
Charged/(credit) to profit or loss for the year	**294**	(87)
Income tax expense	**846**	170

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 (2017: 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:

	2018 S$'000	2017 S$'000
Profit before income tax	**3,901**	5,727
Tax at statutory tax rate of 17%	**663**	974
Enhanced tax allowances, exemptions and rebates	**(258)**	(315)
Effect of non-deductible expenses	**267**	182
Effect of non-taxable income	**(32)**	–
Over provision for prior years	**(28)**	(375)
Effect of temporary differences	**234**	(296)
Income tax expense	**846**	170

11. INCOME TAX EXPENSE (CONTINUED)

(b) Deferred tax

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

	Accelerated tax depreciation	
	2018	2017
	S$'000	S$'000
At beginning of the year	**52**	(35)
(Charged)/credit to profit or loss for the year	**(294)**	87
At end of the year	**(242)**	52

12. DIVIDENDS

No dividend has been declared or paid by the Company during the year ended 31 December 2018 (2017: Nil).

13. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2018 is based on the profit attributable to owners of the Company of approximately S$3,055,000 (2017: approximately S$5,557,000) and on the weighted average number of 1,036,456,000 (2017: weighted average number of 1,037,282,619) 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 2018 and 2017.

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 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
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 and 1 January 2018				
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

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 2018				
Opening net book amount	9,067	436	11,811	21,314
Additions	5,002	466	7,249	12,717
Depreciation	(3,056)	(189)	(4,093)	(7,338)
Disposal	(473)	(58)	(23)	(554)
Closing net book amount	10,540	655	14,944	26,139
At 31 December 2018				
Cost	23,798	1,058	35,186	60,042
Accumulated depreciation	(13,258)	(403)	(20,242)	(33,903)
Net book amount	10,540	655	14,944	26,139

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

	2018 S$'000	2017 S$'000
Cost	**33,030**	22,519
Accumulated depreciation	**(10,054)**	(7,172)
Net book value	**22,976**	15,347

15. INVESTMENT PROPERTY

	S$'000
At 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 and 1 January 2018	
Cost	1,546
Accumulated depreciation	(200)
Net book amount	1,346
Year ended 31 December 2018	
Opening net book amount	1,346
Depreciation	(12)
Closing net book amount	1,334
At 31 December 2018	
Cost	1,546
Accumulated depreciation	(212)
Net book amount	1,334
Fair value	
At 31 December 2018	6,200
At 31 December 2017	6,000

15. INVESTMENT PROPERTY (CONTINUED)

The investment property of the Group consists of a four-storey industrial building used for rental income generation purpose. It is 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$41,000. 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 banking facilities (2017: mortgage loan) (note 25).

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. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/FINANCIAL ASSETS AT AMORTISED COST/ AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Notes	2018 S$'000	2017 S$'000
Investment in life insurance policy at fair value	*(a)*	**1,409**	1,373
Listed equity securities at fair value			
– Inside Hong Kong		**26**	26
– Outside Hong Kong		**1,047**	558
		1,073	584
Investment in corporate bond		**250**	–
Investment in property development project		**1,000**	–
		3,732	1,957
Classified as:			
Available-for-sale financial assets		**–**	1,957
Financial assets at FVPL			
– Investment in life insurance policy at fair value		**1,409**	–
Financial assets at FVOCI			
– Listed equity securities at fair value	*(b)*	**1,073**	–
Financial assets at amortised cost:			
– Investment in corporate bond		**250**	–
– Investment in property development project		**1,000**	–
		1,250	–

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/FINANCIAL ASSETS AT AMORTISED COST/ AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

(a) 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.

(b) The equity investments were irrevocably designated at FVOCI as the Group considers these investments to be strategic in nature.

Below are the amounts denominated in currencies other than the functional currency:

	2018	2017
	S$'000	S$'000
HK$	**26**	26
United States dollar ("**US$**")	**1,409**	1,522
	1,435	1,548

18. CONTRACT ASSETS AND CONTRACT LIABILITIES

	2018	2017
	S$'000	S$'000
Contract assets	**18,292**	–
Contract liabilities	**(2,124)**	–
	16,168	–

18. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

The timing of revenue recognition, progress billings to customers and payments received from customers would affect the amount of trade receivables, contract assets and contract liabilities recognised as at the reporting date on the consolidated statements of the financial position.

The Group's contract assets represent the Group's right to consideration for work completed but not yet billed to customers at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional, that is, when the Group issue progress billings to customers based certified amount agreed with customer. All contract assets are expected to be recovered/settled within one year.

The Group's contract liabilities represent advanced payment received from customers while revenue is recognised based on measure of progress.

Significant changes in the contract assets and the contract liabilities during the year are as follows:

	2018 **S$'000**	2017 S$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of year	**2,324**	–
Transfers from the contract assets recognised at the beginning of year to trade receivables	**14,367**	–

The Group has initially applied HKFRS 15 using the cumulative effect method. Upon the adoption of HKFRS 15, amounts previously included as "Amounts due from customers for contract work" and "Amounts due to customers for contract work" (note 19) have been reclassified to "Contract assets" and "Contract liabilities" (note 18) respectively.

18. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

Included in the Group's contract assets of approximately S$3,087,000 is a balance with a related party who is the spouse of Mr. Alan Lim ("**Mrs. Lim**"), a shareholder and director of the Company. The amount with the related party included in the above balance was unsecured and interest free.

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

	2018 **S$'000**	2017 S$'000
Contract costs incurred plus recognised profits less recognised losses	–	220,551
Less: Progress billings	–	(201,070)
	–	19,481
Analysed for reporting purposes as:		
Amounts due from customers for contract work	–	21,862
Amounts due to customers for contract work	–	(2,381)
	–	19,481

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

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 and director of the Company. The amount with the related party included in the above balance was unsecured and interest free, and detailed as follows:

	2018 **S$'000**	2017 S$'000
Contract costs incurred plus recognised profits less recognised losses	–	4,755
Less: Progress billings received and receivable	–	(1,845)
	–	2,910
Analysed for reporting purposes as:		
Amounts due from customers for contract work	–	2,910

20. TRADE RECEIVABLES

	Notes	2018 S$'000	2017 S$'000
Trade receivables		**16,112**	20,632
Retention receivables	*(a)*	**7,284**	6,497
		23,396	27,129
Less: Provision for impairment of trade receivables		**(3,254)**	(3,013)
		20,142	24,116
Total trade receivables, net			
– Third parties		**14,575**	17,451
– Related parties	*(d)*	**5,567**	6,665
		20,142	24,116

(a) 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. Retention receivables is unsecured and interest-free.

(b) During the year, credit period granted to the Group's customers generally within 30 (2017: 30) days from invoice date of the relevant contract revenue.

20. TRADE RECEIVABLES (CONTINUED)

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

	2018 S$'000	2017 S$'000
0 to 30 days	**5,856**	6,404
31 to 90 days	**4,149**	5,044
91 to 180 days	**1,230**	3,574
181 to 365 days	**1,798**	2,475
Over 365 days	**753**	775
	13,786	18,272
Retention receivables	**6,356**	5,844
	20,142	24,116

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

	2018 S$'000	2017 S$'000
Neither past due nor impaired	**5,856**	6,596
1 to 30 days past due	**1,717**	2,979
31 to 90 days past due	**3,202**	3,859
91 to 180 days past due	**485**	2,062
181 to 365 days past due	**1,791**	2,123
Over 365 days past due	**735**	653
	13,786	18,272
Retention receivables	**6,356**	5,844
	20,142	24,116

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.

20. TRADE RECEIVABLES (CONTINUED)

(c) (Continued)

Movement in the provision for impairment of trade receivables:

	2018	2017
	S$'000	S$'000
Balance at beginning of the year	**3,013**	2,016
Impact of initial application of HKFRS 9 *(note 2(a)A(II)(i))*	**787**	–
Restated balance at 1 January	**3,800**	2,016
Impairment losses	**922**	1,059
Bad debts recovered	**(1,468)**	(62)
	3,254	3,013

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 35.

(d) The receivables from these related parties were unsecured and interest free. The trading transactions with these related parties and corresponding relationship with the Group are detailed in note 30.

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Notes	2018 S$'000	2017 S$'000
Deposits		695	12,818
Prepayments		526	637
Other receivables	(a)	12,932	434
	(b)	14,153	13,889
Classified as:			
Non-current assets		308	346
Current assets		13,845	13,543
		14,153	13,889

Notes:

(a) Included in other receivables, a balance of RMB60,000,000 (equivalent to approximately S$12,201,000) which was paid for the acquisition of a company during the financial year ended 31 December 2017 and has been reclassified from deposits to the receivables after the lapse of the acquisition transaction as at 31 December 2018.

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

	Note	2018 S$'000	2017 S$'000
– Third parties		13,947	13,683
– Related parties	(d)	206	206
		14,153	13,889

(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 30.

22. CASH AND CASH EQUIVALENTS

	2018 S$'000	2017 S$'000
Cash and bank balances	**39,992**	27,488
Time deposits with an original maturity of less than three months	**–**	10,128
	39,992	37,616
Less: Pledged deposits *(note)*	**(3,328)**	(3,307)
Cash and cash equivalents	**36,664**	34,309

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 2018 and 2017, pledged deposits are restricted bank balances to secure:

(i) the guarantee arrangement and the issuance of performance bonds (note 31); and

(ii) the banking facilities including letter of credit, overdraft and bank guarantee amounting to approximately S$20,500,000, respectively (note 25(d)).

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

	2018 S$'000	2017 S$'000
HK$	**15,089**	15,039
US$	**112**	199

23. TRADE PAYABLES

	Notes	2018 S$'000	2017 S$'000
Trade payables		**5,844**	9,250
Retention payables		**392**	720
	(b)	**6,236**	9,970
Total trade payables			
– Third parties		**5,751**	9,275
– Related parties	*(c)*	**485**	695
		6,236	9,970

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 date, is as follows:

	2018 S$'000	2017 S$'000
0 to 30 days	**2,765**	5,312
31 to 90 days	**1,223**	2,498
91 to 180 days	**498**	451
Over 180 days	**1,750**	1,709
	6,236	9,970

(c) The trading transactions with these related parties and corresponding relationship with the Group are detailed in note 30.

24. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2018 S$'000	2017 S$'000
Current liabilities:		
Other payables	**886**	3,829
Accruals	**2,089**	2,220
Deposits received	**15**	29
	2,990	6,078
Non-current liabilities:		
Deposits received	**–**	11

25. BANK BORROWINGS

	Notes	2018 S$'000	2017 S$'000
Current liabilities			
Amounts payable within one year			
– Secured mortgage loan	*(a)*	**–**	62
– Secured term loans	*(b)*	**–**	–
		–	62
Non-current liabilities			
Amounts payable in second to fifth year			
– Secured mortgage loan	*(a)*	**–**	65
– Secured term loans	*(b)*	**–**	–
		–	65
Total balance of bank borrowings		**–**	127

25. BANK BORROWINGS (CONTINUED)

Notes:

(a) At 31 December 2017, the mortgage loan was pledged by the Group's investment property (note 15). The mortgage loan has been fully repaid during the year ended 31 December 2018.

	2018	2017
Range of floating interest rate of the mortgage loan per annum	**4.2%-6.4%**	3.4%-3.6%

(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
Fixed interest rate of the Secured Term Loans per annum	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:

	2018 **S$'000**	2017 S$'000
Within one year	–	62
In the second year	–	65
	–	127

As at 31 December 2017, the investment property and deposits pledged to bank borrowings were approximately S$1,346,000 and S$3,307,000 respectively. As at 31 December 2018, the bank borrowings have been fully settled.

(d) The Group's aggregate banking facilities amounted to S$58,840,000 (2017: S$52,906,000), of which S$39,368,000 (2017: S$32,073,000) have been utilised as at 31 December 2018. The banking facilities of the Group were pledged by the Group's investment property and bank deposits as set out in notes 15 and 22. The summary of banking facilities is as follows:

	2018 **S$'000**	2017 S$'000
Banking facilities for:		
– Mortgage loan	–	172
– Letter of credit, bank overdraft and bank guarantee	**20,500**	20,500
– Hire purchase	**38,340**	32,234
	58,840	52,906

26. FINANCE LEASE OBLIGATIONS

At 31 December 2018, the total future minimum lease payments under finance leases and their present values were as follows:

	2018		2017	
	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	7,446	7,023	4,830	4,541
In the second to fifth years, inclusive	12,715	12,333	9,019	8,753
After five years	–	–	8	8
	20,161	19,356	13,857	13,302
Less: future finance charges	(805)	n/a	(555)	n/a
Present value of lease obligations	19,356	19,356	13,302	13,302
Less: Amounts due for settlement within 12 months (shown under current liabilities)		(7,023)		(4,541)
Amounts due for settlement after 12 months but contain a repayment on demand clause (shown under current liabilities)		(6,918)		(1,507)
		(13,941)		(6,048)
Amounts due for settlement after 12 months		5,415		7,254

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 5.3% (2017: 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.

27. SHARE CAPITAL AND RESERVES

Share capital

	Notes	Number of shares	Amount S$'000
Authorised:			
At 1 January 2017 and 31 December 2017 and 2018		10,000,000,000	17,430
Issued and fully paid:			
At 1 January 2017 and 31 December 2017		1,037,500,000	1,808
Cancellation of shares	*(a)*	(1,044,000)	(1)
At 31 December 2018		1,036,456,000	1,807

(a) The Company cancelled 1,044,000 shares, which were repurchased last year, on the Stock Exchange on 8 January 2018.

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 in prior period which were cancelled during the year ended 31 December 2018.

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.

28. 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:

	2018 **S$'000**	2017 S$'000
Within one year	**15**	87
Within second to fifth year	**–**	31
	15	118

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:

	2018 **S$'000**	2017 S$'000
Within one year	**–**	1,802
Within second to fifth year	**–**	–
	–	1,802

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

29. COMMITMENTS

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

	2018 **S$'000**	2017 S$'000
Contracted but not provided for, in respect of acquisition of		
– property, plant and equipment	**3,100**	4,439
– acquisition of a company	**–**	65,937

30. 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

30. 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:

	2018 **S$'000**	2017 S$'000
Construction contract work and earthwork ancillary services income received from related parties		
– Chuan Marine SNK	**3**	1,532
– Golden Empire#	**2,120**	1,016
– Golden Empire-Huationg	**460**	290
– United E&P	**154**	1,400
	2,737	4,238
Sales of property, plant and equipment to a related party		
– Golden Empire-Huationg	**35**	–
Construction costs and related supporting service fees charged by related parties		
– Autoworld Hub	**16**	19
– Cheng Yap	**234**	819
– Golden Empire	**26**	9
– Hulett Construction#	**2,085**	1,759
– United E&P#	**207**	26
– Golden Empire-Huationg	**299**	–
	2,867	2,632
Rental expenses charged by a related party		
– Hulett Construction#	**96**	96

.# 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.

30. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Remuneration of key management personnel

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

	2018 S$'000	2017 S$'000
Short-term employee benefits	**2,019**	2,155

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

	Maximum amount outstanding during the year	
	2018 **S$'000**	2017 S$'000
Mrs. Lim	**3,640**	4,803
Autoworld Hub	**(1)**	–
Cheng Yap	**(98)**	(147)
Chuan Marine SNK	**10**	1,109
Golden Empire	**1,835**	1,757
Golden Empire-Huationg	**220**	218
Hulett Construction	**3,407**	3,503
United E&P	**826**	1,995
We Lim Builders	**26**	27

31. CONTINGENT LIABILITIES

Performance bonds provided for in the ordinary course of business

At 31 December 2018, the Group had contingent liabilities in respect of performance bonds of construction contracts in its ordinary course of business of approximately S$8,791,000 (2017: approximately S$7,177,000). The guarantees in respect of performance bonds issued by banks, which are secured by pledged deposits (note 22).

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Bank borrowings *(note 25)* S$'000	Finance lease obligations *(note 26)* S$'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 and 1 January 2018	127	13,302	13,429
Major non-cash transactions *(note (b))*	–	9,043	9,043
Financing cash outflows	(127)	(2,989)	(3,116)
Interest paid/interest element on finance lease obligations	(3)	(484)	(487)
Interest expense	3	484	487
At 31 December 2018	**–**	**19,356**	**19,356**

Major non-cash transactions

(a) During the year, deposits of approximately S$260,000 (2017: approximately S$332,000) 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$9,043,000 (2017: approximately S$6,771,000) at the inception of the finance leases.

(c) During the year, amounts of approximately S$267,000 (2017: approximately S$3,145,000) in relation to the acquisition of property, plant and equipment were not yet settled and included in other payables.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 S$'000	2017 S$'000
ASSETS AND LIABILITIES		
Non-current assets		
Investment in a subsidiary	**45,790**	45,790
Current assets		
Deposits, prepayments and other receivables	**12,247**	12,071
Amount due from intra group companies	**704**	689
Cash and cash equivalents	**15,133**	15,673
	28,084	28,433
Current liabilities		
Other payables and accruals	**239**	325
Amount due to intra group companies	**2**	2
	241	327
Net current assets	**27,843**	28,106
Net assets	**73,633**	73,896
EQUITY		
Equity attributable to the owners of the Company		
Share capital	**1,807**	1,808
Reserves *(note)*	**71,826**	72,088
Total equity	**73,633**	73,896

33. 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 2017	27,929	–	45,790	1,606	(434)	74,891
Transactions with owners:						
Shares repurchased *(note 27)*	–	(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 and 1 January 2018	**27,929**	**(70)**	**45,790**	**(933)**	**(628)**	**72,088**
Transactions with owners:						
Shares repurchased *(note 27)*	(69)	70	–	–	–	1
Loss for the year	–	–	–	–	(812)	(812)
Other comprehensive income:						
Exchange differences arising on translation	–	–	–	549	–	549
Total comprehensive income for the year	–	–	–	549	(812)	(263)
At 31 December 2018	**27,860**	**–**	**45,790**	**(384)**	**(1,440)**	**71,826**

* 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.

34. 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 Pte Ltd. ("**Chuan Lim Construction**")	Singapore 27 January 1996	S$6,500,000	100%	Provision of Earthworks & ancillary services and General construction works
CLC Machinery Pte. Ltd. ("**CLC Machinery**")	Singapore 3 November 2017	S$1,000,000	100%	General Contractors; Renting of construction and civil engineering machinery and equipment
Trade Best Ventures Limited ("**Trade Best Ventures**")	British Virgin Islands 13 June 2017	US$1	100%	Investment holding
Vastway Asia Investment Limited ("**Vastway Asia**")	Hong Kong S.A.R. 12 July 2017	HK$1	100%	Investment holding
Top Fast Holdings Limited ("**Top Fast**")	Hong Kong S.A.R. 11 August 2017	HK$1	100%	Investment holding

35. 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			
	2018	2017	**2018**	2017
			S$'000	S$'000
Fixed-rate time deposits	**1.2%**	1.2%	**–**	10,128
Fixed-rate pledged deposits	**0.8%-1%**	0.3%-0.8%	**3,328**	3,307
			3,328	13,435
Fixed-rate borrowings	**2.1%-5.3%**	2.1%-5.2%	**19,356**	13,302
Floating-rate borrowings	**6.0%**	3.5%	**–**	127
			19,356	13,429

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 (2017: approximately S$4,000) for the year.

35. 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 and Singapore, 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 financial assets through other comprehensive income had been 10% higher/lower, the FVOCI reserve for the year would increase/decrease by approximately S$107,000 (2017: approximately S$58,000) as a result of the changes in fair value of the 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 2018, the Group's assets and liabilities denominated in other currencies other than S$ are disclosed in notes 17, 21 and 22. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group is mainly exposed to the foreign currency risk of HK$, RMB and US$. 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.

	2018 **S$'000**	2017 S$'000
HK$ to S$	**745**	742
US$ to S$	**75**	86
RMB to S$	**610**	–

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.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

As at 31 December 2018, 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, contract assets, pledged deposits, cash and cash equivalents and the contingent liabilities in relation to guarantee issued by the Group as disclosed in note 31. The Group has a credit policy in place and exposures to these credit risks are monitored on an ongoing basis.

The Group applied simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses below also incorporate forward looking information.

As at 31 December 2018, the Group recognised lifetime ECL for its trade receivables based on individually significant customer, including individual and related companies, or the ageing of customers collectively that are not individually significant as follow:

	Weighted average lifetime ECL	**Gross carrying amount** S$'000	**Loss allowance** S$'000
Neither past due nor impaired	0.5%	5,471	27
1 to 30 days past due	1.5%	1,456	22
31 to 90 days past due	3%	2,546	76
91 to 180 days past due	8%	155	12
181 to 365 days past due	10%	1,990	199
Over 365 days past due	42%	252	106
		11,870	442
Individual assessment			
– Individual companies	100%	2,474	2,474
– Related companies	3%	5,731	172
– Retention receivables	5%	3,321	166
		11,526	2,812
Total		23,396	3,254

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Expected loss rates are based on actual loss experience of the Group in the past. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 4.10B(i)). At 31 December 2017, trade receivables of S$3,013,000 was determined to be impaired. Ageing analysis of the Group's trade receivables that are not impaired is as follows:

	2017 S$'000
Neither past due nor impaired	6,596
1 to 30 days past due	2,979
31 to 90 days past due	3,859
91 to 180 days past due	2,062
181 to 365 days past due	2,123
Over 365 days past due	653
	18,272
Retention receivables	5,844
	24,116

The directors of the Company considered that the ECL for contract assets is insignificant as at 31 December 2018.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

As at 31 December 2018, the management of the Group takes into account the historical default experience and forward-looking information, as appropriate, for example the Group considers the consistently low historical default rates of counterparties, and concludes that credit risk inherent in the Group's outstanding other receivables is insignificant. The management of the Group has assessed that other receivables do not have a significant increase in credit risk since initial recognition and risk of default is insignificant, therefore the ECL for these receivables were immaterial under the 12 months expected losses method and no loss allowance provision was recognised in the consolidated financial statements.

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 2018, approximately 0.1% (2017: approximately 17%) of the total trade debtors was due from the Group's largest customer and approximately 19% (2017: approximately 39%) of the total trade debtors was due from the Group's five largest customers.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair value measurements recognised in the consolidated statement of financial position

The following table presents financial assets and liabilities measured at fair value in the consolidated 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		
	2018 S$'000	2017 S$'000	**Fair value hierarchy**
Available-for-sale investments			
Investment in life insurance policy	**–**	1,373	Level 2
Listed equity securities	**–**	584	Level 1
Financial assets at FVPL			
Investment in life insurance policy at fair value	**1,409**	–	Level 2
Financial assets at FVOCI			
Listed equity securities at fair value	**1,073**	–	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.

35. 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 2018							
Trade payables	**6,236**	**6,236**	**6,236**	**–**	**–**	**–**	**–**
Other payables and accruals	**2,975**	**2,975**	**2,975**	**–**	**–**	**–**	**–**
Finance lease obligations	**19,356**	**20,161**	**10,464**	**4,145**	**3,536**	**2,016**	**–**
	28,567	**29,372**	**19,675**	**4,145**	**3,536**	**2,016**	**–**
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

36. 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

	2018 S$'000	2017 S$'000
Available-for-sale financial assets	–	1,957
Financial assets at FVPL:		
– Investment in life insurance policy at fair value	1,409	–
Financial assets at amortised cost:		
– Investment in corporate bond	250	–
– Investment in property development project	1,000	–
– Trade receivables	20,142	–
– Other receivables	12,932	–
– Pledged deposits	3,328	–
– Cash and cash equivalents	36,664	–
Financial assets at FVOCI:		
– Listed equity securities at fair value	1,073	–
Loans and receivables		
Trade receivables	–	24,116
Other receivables	–	434
Pledged deposits	–	3,307
Cash and cash equivalents	–	34,309
	76,798	64,123

36. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Financial liabilities

	2018 S$'000	2017 S$'000
At amortised costs		
Trade payables	6,236	9,970
Other payables and accruals	2,975	6,049
Bank borrowings	–	127
Finance lease obligations	19,356	13,302
	28,567	29,448

37. 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 2018 amounted to approximately S$92,657,000 (2017: approximately S$90,024,000), which the management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.