# Chuan Holdings Limited
# 川控股有限公司*

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


## Annual Report
# 2019

* For identification purposes only

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# 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. Ng Ka Lok
(passed away on 25 November 2019)
Mr. Wee Hian Eng, Cyrus
(appointed on 17 December 2019)

## AUDIT COMMITTEE

Mr. Lee Cheung Yuet, Horace *(Chairman)*
Mr. Phang Yew Kiat
Mr. Ng Ka Lok
(passed away on 25 November 2019)
Mr. Wee Hian Eng, Cyrus
(appointed on 17 December 2019)

## 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

## AUTHORISED 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

Conyers 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 54 Hopewell Centre
183 Queen's Road East
Hong Kong

## PRINCIPAL BANKERS

Maybank Singapore Limited
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 | | | | |
|---|---|---|---|---|---|
| | **2019** | 2018 | 2017 | 2016 | 2015 |
| | **S$'000** | S$'000 | S$'000 | S$'000 | S$'000 |
| Revenue | **77,658** | 93,476 | 87,281 | 111,479 | 99,322 |
| Gross profit | **5,949** | 8,733 | 11,160 | 14,979 | 19,923 |
| Profit before income tax | **1,246** | 3,901 | 5,727 | 9,741 | 14,041 |
| Profit for the year | **998** | 3,055 | 5,557 | 7,716 | 11,536 |
| Total comprehensive income for the year attributable to the owners of the Company | **686** | 3,420 | 2,975 | 9,382 | 11,210 |
| Earnings per share – basic and diluted (S cents)[1] | **0.10** | 0.29 | 0.54 | 0.81 | 1.39 |

## Highlights of consolidated statements of financial position

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | **2019** | 2018 | 2017 | 2016 | 2015 |
| | **S$'000** | S$'000 | S$'000 | S$'000 | S$'000 |
| **Assets** | | | | | |
| Non-current assets | **33,667** | 31,886 | 25,388 | 19,995 | 11,859 |
| Current assets | **97,672** | 92,271 | 97,137 | 93,804 | 67,095 |
| Total assets | **131,339** | 124,157 | 122,525 | 113,799 | 78,954 |
| **Liabilities** | | | | | |
| Non-current liabilities | **8,024** | 5,657 | 7,330 | 4,292 | 1,935 |
| Current liabilities | **29,972** | 25,843 | 25,171 | 22,388 | 29,019 |
| Total liabilities | **37,996** | 31,500 | 32,501 | 26,680 | 30,954 |
| **Total equity** | **93,343** | 92,657 | 90,024 | 87,119 | 48,000 |
| **Net assets per share (S cents)[2]** | **9.01** | 8.94 | 8.68 | 8.40 | 5.78 |

# FIVE YEARS FINANCIAL SUMMARY

## Key financial ratios

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | **2019** | 2018 | 2017 | 2016 | 2015 |
| Current ratio (times) | **3.3** | 3.6 | 3.9 | 4.2 | 2.3 |
| Gearing ratio (times) | **0.2** | 0.2 | 0.1 | 0.1 | 0.1 |
| Gross profit margin (%) | **7.7%** | 9.3% | 12.8% | 13.4% | 20.1% |
| Profit for the year margin (%) | **1.3%** | 3.3% | 6.4% | 7.0% | 11.6% |
| Return on equity (%) | **1.1%** | 3.3% | 6.2% | 8.9% | 24.0% |

*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 year ended 31 December 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 years 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 years ended 31 December 2018 and 2019 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 ends. As at 31 December 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 and 2019, the number of ordinary shares in issue is 1,036,456,000 ordinary shares since 1,044,000 repurchased shares were cancelled by the Company on 8 January 2018.

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**"), I am delighted to present the annual report of Chuan Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**" or "**our Group**" or "**we**") for the year ended 31 December 2019 (the "**Year**" or the "**reporting year**" or "**2019**").

Overall market conditions remained challenging in the past year. The protracted trade tensions exacerbated the cyclical slowdown in global economic activities, where Singapore was no exception in these dynamics. Although construction demand appeared to be robust in 2019, the operating environment within the construction industry was gruelling as it was hampered by keen competition arising from the suspension of certain mega infrastructure projects and supply glut in residential property market.

Amidst a multitude of market factors, the Group experienced its transitional period. While the Group effectively maintained its business by leveraging its distinctive edge, the intense competition in the construction segment and consistently hefty operating cost exerted mounting pressure on the Group's profitability, thereby adversely impacting our results performance during the reporting year. Notwithstanding, the financial position of the Group remains healthy with cash and cash equivalents of S$44.8 million as of 31 December 2019.

During the reporting year, we continued to be driven by our abiding commitment to enhancing the Group's competitiveness by strategically shifting our focus to public infrastructure tendering and continuously boosting our operational efficiency. The Group consequently managed to expand its capabilities and secure rewarding and sizeable projects particularly from the public sector. The significant projects won include the Tuas Water Reclamation Plant project and design and construction of North-South Corridor Tunnel for earthworks and ancillary services segment, and the upgrading projects by the Housing and Development Board and additions and alterations to existing Stamford and Admiralty substations for the general construction works segment. The success in securing mega projects is a testimonial of the Group's competence and further bolsters its market position.

Looking ahead, the operating environment is likely to remain challenging with stiff market headwinds in 2020. The fallout from trade war and the outbreak of novel coronavirus (COVID-19) are set to weigh on the global economy. Nevertheless, the management is cautiously optimistic towards the construction industry in Singapore which is believed to hold steady in near term.

Despite the pandemic, the Group's projects were proceeded on schedule in the first quarter drawing on our highly skilled workforce from Asian countries. With our employees' health as paramount, numerous precautionary measures have been implemented on construction sites and our office, including supply of appropriate Personal Protection Equipment (PPE) and medical equipment such as thermometers, disposable gloves, surgical masks, N-95 masks and disinfectants. Regular temperature checks are conducted twice a day and disinfection of the Group's premises is conducted twice a week. Office staff are segregated into two teams and are deployed at different work place to avoid the risk of infection. Temperature screening with travel and health declarations are required for all visitors entering office building and sites.

Mindful of the evolving market development, the Group will adhere to its prudent approach by closely monitoring the situation and flexibly reallocating its resources to seize business opportunities.

# CHAIRMAN'S STATEMENT

Tremendous effort has been placed on building a strong business foundation. The Group has implemented various measures to improve efficiency and safeguard profitability, including acquiring environmentally friendly machineries, adopting a flexible mechanism for diesel consumption, launching efficiency reward programme and taking strategic tendering approaches such as avoiding projects with very minimal or no profit.

While a number of project tenders and pitching submitted in the first quarter of 2020 are mostly under active negotiation, the Board and management team are pleased that we have already secured 7 projects since the beginning of 2020. Apart from tendering for potential projects, the Group will continue to maintain close ties and strengthen partnerships with clients for better opportunities on private projects. With the Group's proven track record and established reputation in the industry, the Group is honing its capability to tender more projects with its strategic bidding approach while ensuring steady business and revenue growth.

Despite difficulties, we believe the foundation of the Group remain sound. Reckoning that strategic initiatives are necessary to further unlock its potential, the Group will continue to undertake comprehensive assessment of the prevailing market situation and devise coping measures to ward off challenges so as to maintain profitability.

## APPRECIATION

On behalf of the Board, I wish to take this opportunity to express my sincere gratitude to the management team and all our employees for their contributions, hard work and dedication under such highly challenging market condition. I also wish to extend my appreciation to all our valuable shareholders and business partners for their unwavering support along the way. Through strictly aligning the execution of our strategic initiatives, the Group remains confident about the future of our business and that we will achieve our goal of achieving sustainable profitability and delivering long-term shareholder value.

On behalf of the Board

**Chuan Holdings Limited**
**Lim Kui Teng**
*Chairman*

30 March 2020

# MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to present the annual results of the Group for the year ended 31 December 2019 together with its comparative figures for the previous year ended 31 December 2018.

## INDUSTRY REVIEW

In 2019, global economy has recorded its weakest growth since the 2008 global financial crisis. Rising trade barriers and associated uncertainties weighed heavily on business sentiment and inhibited economic activities globally, and therefore magnified cyclical and structural slowdowns. Meanwhile, the drawn-out trade war between China and the United States ("**U.S.**") alongside weak local manufacturing dragged Singapore's economic growth to a meagre 0.7% in 2019, a marked slowdown from the 3.1% growth in 2018 and its slowest in a decade.

While the construction demand in Singapore hit a five-year high in 2019 supported mainly by major infrastructure projects; some of them, such as Johor Bahru-Singapore Cross-Border Rapid Transit System (RTS) Link and the Kuala Lumpur-Singapore High Speed Rail (HSR), have been put on hold. On the residential front, the property cooling measures introduced by Singapore government such as the Additional Buyer's Stamp Duty (ABSD) further elevated property supply glut. According to the Urban Redevelopment Authority (URA), there was a total supply of 49,173 uncompleted private residential units in the pipeline with planning approvals as at the end of the fourth quarter in 2019. Developers generally adopt a disciplined approach in land replenishment and tend to focus on clearing inventory.

Subsequent to the postponements or cancellations of megaprojects, coupled with a slower property market, the competition in project tenders intensified and posed challenges to all industry players during the reporting year. The intense competition resulted in peers sacrificing margins to secure new projects. In response to such complex market environment, the Group has drawn on its expertise and experience to prudently monitor and concentrate its resources on seizing business opportunities.

## OVERALL PERFORMANCE

During the reporting year, the Group has recorded a revenue of S$77.7 million (31 December 2018: approximately S$93.5 million), representing a year-on-year decrease of approximately 16.9%. The contraction was principally due to the substantial completion of work relating to Kuala Lumpur-Singapore High Speed Rail (HSR) project and intense competition within the sector.

Capitalising on its formidable reputation and professional expertise, the Group successfully secured 33 projects during the Year, with sizeable projects such as the Tuas Water Reclamation Plant and design and construction of North-South Corridor Tunnel for earthworks and ancillary services segment, and the upgrading projects by the Housing and Development Board as well as the additions and alternations to existing Stamford and Admiralty Substations for the general construction works segment, respectively.

During the reporting year, gross profit and gross profit margin were approximately S$5.9 million and 7.7%, as compared to approximately S$8.7 million and 9.3% in 2018. The decrease was mainly attributable to the fall in revenue and increase in operating cost such as dumping expenses and diesel cost. With consistently high administrative and other operating expenses and the increase of finance costs as a result of the increase in interest on lease liabilities, net profit consequently declined by approximately 67.3% to approximately S$1.0 million (31 December 2018: approximately S$3.1 million). Net profit margin was approximately 1.3% for the reporting year.

# MANAGEMENT DISCUSSION AND ANALYSIS

The Group always seeks to employ better cost control measures to bring down costs while raising efficiency. Well aware of the impact of rising diesel price, the Group directed resources and acquired 13 excavation machines and 23 tipper trucks with Euro 6 standards amounting to approximately S$6.6 million during the reporting year. The new environmental-friendly tipper trucks consume less fuel and are expected to alleviate the impacts by the diesel price hike on operational costs going forward.

## Earthworks and ancillary services

Earthworks and ancillary services business continued to be the key revenue generator of the Group, contributing approximately S$67.6 million (31 December 2018: approximately S$76.8 million) in segmental revenue, which represented a year-on-year decrease of approximately 12.0% and accounted for approximately 87.1% of the Group's total revenue.

During the Year, the Group stepped up its efforts in reallocating more resources on tenders and strategically targeting public infrastructure projects with relatively higher profitability but lower risks. Reflecting its favourable market position and strategic tendering approach, the Group successfully secured 30 new projects with a total contract value of approximately S$141.8 million during the Year, including the Tuas Water Reclamation Plant and design and construction of North-South Corridor Tunnel in this segment.

With continued endeavours to boost operational capacity, the Group acquired more machineries totalling approximately S$6.8 million during the Year. Notwithstanding, 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 4.4% to approximately S$7.1 million, and segmental profit consequently decreased to approximately S$6.3 million during the reporting year.

As at 31 December 2019, the Group had a total of 91 ongoing earthworks and ancillary services projects. It has also secured 7 new projects since 1 January 2020.

## General construction works

The general construction works segment generated approximately S$10.0 million (31 December 2018: S$16.6 million) in revenue, accounting for approximately 12.9% of the Group's total revenue. Due to fierce market competition, the Group's aggressive pricing strategy exerted downward pressure on the segment performance. This segment recorded a loss amounting to approximately S$36,000 for the Year (31 December 2018: profit of approximately S$0.7 million).

The Group continued to tender sizable projects so as to bolster its business. As at 31 December 2019, the Group secured 3 new general construction works projects with a total contract value of approximately S$41.0 million. In respect of ongoing projects, the Group is presently conducting 7 projects, including the additions and alteration to existing Stamford and Admiralty Substations, as well as other upgrading projects by the Housing and Development Board.

## PROSPECTS

Global economic growth is expected to remain sluggish. After slashing this year's projected global growth by 0.1 percentage point to 3.3% in January 2020, the International Monetary Fund (IMF) now warns that the growth will be slower than the 2.9% rate in 2019. Although certain risks have partially receded with the announcement of the U.S.-China Phase I trade deal and the lower likelihood of a no-deal Brexit, the possible emergence of further trade tensions and the outbreak of novel coronavirus disease (COVID-19) since the beginning of 2020 present additional challenges to the recovery of global economy.

In Singapore, the Ministry of Trade and Industry (MTI) further downgraded its economic growth forecast to between –0.5% and 1.5% in 2020, given that the COVID-19 outbreak is likely to dampen the economic outlook at different levels. In the building sector, the virus outbreak has exacerbated the existing manpower crunch particularly to construction players who are heavily dependent on Chinese workers and caused possible project delays. The Group, however, with strong and diverse base of foreign workers from other Asian countries and effective scheduling plan, managed to keep projects on track in the first quarter. Precautionary measures have also been taken by offering protective gears such as face masks, hand sanitisers and thermometer to employees on and off sites for better prevention. Temperature screening and travel and health declarations are required for all visitors entering office building and sites.

Despite the economic headwinds and global uncertainties, the Group expects that the construction demand will continue to hold steady in near term. The Building and Construction Authority (BCA) projects construction demand in 2020 range from S$28 billion to S$33 billion, mainly led by public infrastructure megaprojects such as Changi Airport Terminal 5, Jurong Region MRT Line and Cross Island Line (CRL), developments of Jurong Lake District and public housing projects; as well as projects from private sector such as the continued redevelopment of en-bloc residential sites, berth facilities at Jurong Port and Tanjong Pagar Terminal, recreational developments at Mandai Park and Changi Airport new taxiway and so on.

To catch the demand momentum, the Group will continue to cautiously identify suitable projects and adopt strategic tendering approach with a stronger focus on infrastructure projects. The Group will strive with great exertion to complete the upgrading of contractor grade from level B1 to A2 and continue to focus on promising operations, including the possibility of working with other reputable companies on tendering for new projects with higher contract value.

Constant bolstering of business operations is also essential for realising growth. As an industry veteran, the Group will continue to develop and expand its principal business activities, earthworks and ancillary services and general construction work. In order to enhance the performance of earthworks and ancillary services segment, the Group has diverted considerable resources to replenish advanced equipment, and recruit and retain talents for the Group's near to long-term development. In addition, the Group will continue to strengthen its close partnership with clients and suppliers, complete projects with professionalism and ingenuity, and maintain its renowned, highest level of integrity in the business.

# MANAGEMENT DISCUSSION AND ANALYSIS

Cost control will be an ongoing endeavour of the Group as well. Correspondingly, the Group will seek to optimise its operational capacity and mitigate the impact of rising diesel cost. To further raise operational efficiency, the Group has plans to launch an efficiency reward programme under which employees will be awarded for every efficiency milestone achieved. The Group believes, with the acquisition of environmentally friendly machineries and efficiency enhancement measures, that it will be able to derive greater efficiencies and cost savings, while playing a part in evolving Singapore into a greener and more sustainable built-up environment.

With constant progress of the Group's operational improvement initiatives, coupled with strategic bidding approach, the management will persist in seeking growth momentum in the coming year. Given its impressive track record, depth of professional experience and unwavering commitment to delivering quality works with safety, workmanship and on-time delivery, the Group will continue to advance its market position while creating values and better returns for its shareholders.

## FINANCIAL REVIEW

### Results for the Year

*Revenue and segment results*

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **Revenue** | **Segment results** | Revenue | Segment results |
| | **S$'000** | **S$'000** | S$'000 | S$'000 |
| Earthworks and ancillary services | **67,625** | **6,344** | 76,827 | 8,556 |
| General construction works | **10,033** | **(36)** | 16,649 | 717 |
| **Total** | **77,658** | **6,308** | 93,476 | 9,273 |

Under the weight of heavy competition during the Year, the overall revenue of the Group decreased to approximately S$77.7 million from approximately S$93.5 million in 2018, representing a decline of approximately 16.9%.

### *Earthworks and ancillary services*

The Group has continued its major focus on nurturing its the key revenue generator, earthworks and ancillary services segment. In order to maintain stable revenue stream, the Group placed tremendous efforts in tendering projects as a main contractor during the Year. However, the competition remained stiff and added pressure to the Group's tender price, while the contract values of certain projects had not been recognised as revenue during the Year due to early stage of project period, revenue in the segment decreased by approximately 12.0% from approximately S$76.8 million in 2018 to approximately S$67.6 million for the year ended 31 December 2019. The revenue contribution from this segment to the Group's total revenue was about 87.1%.

Owing to the decline in revenue as well as the increase in diesel cost and dumping expenses and other persistently high operating cost, the segmental profit reduced to approximately S$6.3 million, an approximately 25.9% decrease compared to last year (31 December 2018: S$8.6 million).

As at 31 December 2019, the Group had 91 ongoing earthwork and related projects (31 December 2018: 82 projects), with an aggregate contract sum of approximately S$341.4 million (31 December 2018: approximately S$216.0 million). Leveraging its track record and capabilities, the Group was able to secure 7 new earthworks projects since 1 January 2020.

### *General construction works*

During the reporting year, the general construction works segment accounted for approximately 12.9% of the Group's revenue. The revenue of this segment decreased to approximately S$10.0 million for the year ended 31 December 2019 from approximately S$16.6 million in 2018, primarily due to the keen market competition in securing new general construction works projects and the contract values of certain projects had not been recognised as revenue in 2019 due to early stage of project period.

With the decline in segmental revenue, coupled with the high overall operating cost, this segment consequently recorded a loss for the year amounting to approximately S$36,000 (31 December 2018: profit of approximately S$717,000).

The Group secured 3 new general construction works projects (31 December 2018: 6 new projects) with a total contract value of approximately S$41.0 million during the year ended 31 December 2019 (31 December 2018: approximately S$22.7 million) and had 7 ongoing general construction works projects as at 31 December 2019 (31 December 2018: 10 ongoing projects).

## Gross profit and gross profit margin

Gross profit decreased to approximately S$5.9 million for the year ended 31 December 2019 mainly attributable to the increase in overall expenditure, particularly for diesel cost and dumping expenses, representing an approximate 31.9% decrease from approximately S$8.7 million for the year ended 31 December 2018. Gross profit margin was approximately 7.7% for the year ended 31 December 2019 (31 December 2018: approximately 9.3%).

## Administrative and other operating expenses

Administrative and other operating expenses for the year ended 31 December 2019 remained stable, slightly dipped by approximately 0.9% to approximately S$6.3 million from approximately S$6.4 million in 2018.

### Other income and gains

For the year ended 31 December 2019, other income and gains decreased by approximately 12.9% to approximately S$2.6 million, mainly contributed by the bad debts recovered, interest income on financial assets carried at amortised cost and gains on disposal of property, plant and equipments.

### Other expenses

For the year ended 31 December 2019, other expenses decreased by approximately 68.9%, from approximately S$922,000 for the year ended 31 December 2018 to approximately S$287,000; primarily attributable to a decrease in provision for loss allowance.

### Finance costs

For the year ended 31 December 2019, finance costs increased from approximately S$487,000 for the year ended 31 December 2018 to approximately S$669,000, mainly contributed by interest on lease liabilities.

### Income tax expense

For the year ended 31 December 2019, income tax expense reduced by approximately 70.7% from approximately S$846,000 in 2018 to approximately S$248,000, in line with the decrease in profit before tax.

### Profit for the year and net profit margin

Based on the combined effect of the above factors, the Group recorded a profit for the Year of approximately S$1.0 million (31 December 2018: approximately S$3.1 million). Meanwhile, net profit margin was approximately 1.3% for the Year (31 December 2018: approximately 3.3%).

### Earnings per share

For the year ended 31 December 2019, the basic earnings per share was S$0.10 cent, with the calculation based on the profit for the Year of approximately S$998,000 and the weighted average number of 1,036,456,000 ordinary shares in issue during the Year.

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

Diluted earnings per share was the same as the basic earnings per share because the Group had no potential dilutive ordinary shares outstanding as at year end.

## 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 internally generated funds, cash in flows from operating activities and borrowings as the major sources of liquidity.

### Cash flows analysis

The table below summaries the Group's cash flows for the years ended 31 December 2019 and 2018:

| | **2019** | 2018 |
|---|---|---|
| | **S$'000** | S$'000 |
| Net cash generated from operating activities | **17,057** | 9,216 |
| Net cash used in investing activities | **(1,529)** | (3,772) |
| Net cash used in financing activities | **(9,242)** | (3,624) |

### Operating activities

As at 31 December 2019, the Group generated net cash inflow from operating activities of approximately S$17.1 million (31 December 2018: net cash inflow from operating activities of approximately S$9.2 million).

The approximate S$6.9 million difference between the operating profit before working capital changes and net cash generated from operating activities was mainly attributable to (i) the increase in contract assets of approximately S$8.4 million; (ii) the decrease in trade receivables of approximately S$7.0 million; (iii) the decrease in deposits, prepayments and other receivables of approximately S$3.8 million; (iv) the increase in contract liabilities of approximately S$964,000; (v) the increase in trade payables of approximately S$4.5 million; and (vi) the decrease in other payables, accruals and deposits received of approximately S$461,000.

### Investing activities

For the year ended 31 December 2019, the net cash used in investing activities was approximately S$1.5 million (31 December 2018: net cash outflow in investing activities of approximately S$3.8 million), mainly attributable to (i) the increase in time deposits with maturity over three months of approximately S$2.0 million; (ii) the proceeds from disposal of property, plant and equipment amounting to approximately S$505,000; (iii) the purchase of property, plant and equipment of approximately S$423,000; (iv) the purchase of right-of-use assets amounting to approximately S$541,000; (v) the proceeds from disposal of right-of-use assets of approximately S$393,000; and (vi) the interest and dividend received of approximately S$537,000.

### Financing activities

For the year ended 31 December 2019, the net cash used in financing activities was approximately S$9.2 million (31 December 2018: net cash outflow in financing activities of approximately S$3.6 million), which was principally attributable to (i) the interest portion of the lease liabilities amounted to approximately S$669,000; (ii) the repayment of principal portion of the lease liabilities of approximately S$8.5 million; and (iii) the increase in pledged deposits of approximately S$31,000.

## Use of proceeds

The net proceeds from the global offering of the shares of the Company in 2016 (the "**Global Offering**") was approximately S$26.5 million (after deducting underwriting fees, commissions and listing expenses), out of which approximately S$15.1 million had been utilised as at 31 December 2019.

| Intended applications | Net proceeds | 1st re-allocation | Further re-allocation | Amount utilised as at 31 December 2019 | Balance as at 31 December 2019 |
|---|---|---|---|---|---|
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| 1. Purchase of excavation machines and tipper trucks | 11,129 | – | 6,607 | 7,725 | 10,011 |
| 2. Purchase of softwares | 2,085 | – | – | 715 | 1,370 |
| 3. Secure earth filling projects | 6,607 | (6,607) | – | – | – |
| 4. Expand workforce | 4,414 | – | – | 4,414 | – |
| 5. Working capital | 2,247 | – | – | 2,247 | – |
| 6. Acquisition | – | 6,607 | (6,607) | – | – |
| Total | 26,482 | – | – | 15,101 | 11,381 |

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

## Borrowings and gearing ratio

As at 31 December 2019, the Group had no current and non-current bank borrowings but lease liabilities of approximately S$20.0 million (31 December 2018: finance lease liabilities of approximately S$19.4 million).

As at 31 December 2019, the Group's gearing ratio was approximately 0.21 times (31 December 2018: approximately 0.21 times). Gearing ratio was calculated by dividing lease liabilities by total equity as at the end of the Year.

## Cash and cash equivalents

As at 31 December 2019, the Group had cash and cash equivalents of approximately S$44.8 million (31 December 2018: approximately S$36.7 million). The Group had cash and cash balances of approximately S$48.1 million but the amount was reduced by the 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 $25.2 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 was denominated in U.S. 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 2019, the Group's bank facilities were secured by (i) the pledge of the Group's deposits of approximately S$3.4 million (31 December 2018: 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 2018: approximately S$1.3 million), while the Group's lease liabilities were secured by the charge over the leased assets of net book value of approximately S$22.1 million (31 December 2018: approximately S$23.4 million).

## Contingent liabilities

As at 31 December 2019, the Group had contingent liabilities in respect of performance bonds of construction contracts in its ordinary course of business of approximately S$2.8 million (31 December 2018: approximately S$8.8 million).

## Capital expenditures and capital commitments

For the year ended 31 December 2019, the Group invested approximately S$7.0 million in the purchase of property, plant and equipment and right-of-use assets, which was mainly funded by finance lease liabilities and proceeds from the Global Offering.

As at 31 December 2019, the Group's capital commitments in respect of acquisition of property, plant and equipment amounted to approximately S$2.6 million (31 December 2018: approximately $3.1 million).

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

The proposed acquisition agreement dated 11 December 2017 (the "**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 amount of S$6,607,000 which was originally designated to be the partial settlement of the second refundable 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.

The first refundable deposit of RMB60,000,000 (the "**First Deposit**") would be refunded to the Group by the vendor. During the reporting year, HK$20,000,000 (approximately RMB17,100,000) has been refunded by vendor as partial repayment of the First Deposit under Acquisition Agreement.

### Further refund of part of First Deposit after the reporting year

On 16 March 2020, a further refund of HK$20,000,000 was received by the Group from the vendor as partial refundable deposit of the First Deposit.

### Major connected transactions

*Continuing Connected Transactions*

During the Year, eight continuing connected transactions were carried out by the Company pursuant to Chapter 14A of the Listing Rules. Details of the major connected transactions are set out in the section headed "Connected Transactions" mentioned in the "Report of the Directors" on pages 56 to 60 of this annual report.

### Off-balance sheet transactions

As of 31 December 2019, the Group did not enter into any material off-balance sheet transactions.

## EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2019, the Group had 550 (2018: 492) 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$19.7 million for the year ended 31 December 2019 (31 December 2018: approximately S$20.0 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 and lease liabilities. The cash flow interest rate risk was mainly concentrated on variable rate bank balances. Lease liabilities issued at fixed rates exposed the Group to fair value interest-rate risk. For the year ended 31 December 2019, the effective interest rate on lease liabilities was approximately 2.1% to 5.3% per annum.

### Foreign currency risk

The Group's transactions were mainly denominated in Singapore Dollars which was the functional currency of the principal subsidiary. The Group was mainly exposed to the foreign currency risk of Hong Kong Dollars and U.S. Dollars. 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 it is deemed necessary.

### Credit risk

As at 31 December 2019, 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, contract assets, 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 conducted based on the customer's past history of making payments when due and current ability to pay, and the Group 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.

### Shares Option Scheme

A share option scheme (the "**Share Option Scheme**") was adopted pursuant to the written resolutions of the Shareholders of the Company passed on 10 May 2016. The purpose of the Share Option Scheme is to enable the Company to grant options to the eligible participants, as incentives or rewards for their contribution to the Group. As at 31 December 2019, no options were granted or agreed to be granted pursuant to the Share Option Scheme. Details of the Share Option Scheme are disclosed in the "Report of the Directors" on pages 51 to 52 and Note 33 to the Consolidated Financial Statement of this annual report.

## DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2019.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Lim Kui Teng（林桂廷）**, aged 51, founder of the 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 the Group's overall management, strategic planning and business development. He has over 24 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. Lim is the sole director and the sole member of Brewster Global Holdings Limited, both of which have an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

**Mr. Quek Sze Whye（郭斯淮）**, aged 64, 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 the operating subsidiary, Chuan Lim Construction Pte Ltd since January 2014. Mr. Quek joined the 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 24 years of experience in project management and contract negotiations in the earthwork industry. Prior to joining our Group, Mr. Quek held several senior professional positions as Quantity Surveyor, Acting Assistant Contracts Manager, Contract Manager, Contract Director in various construction companies. He has extensive professional experience in the construction business.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Bijay Joseph**, aged 51, 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 24 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 54, 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 18 years of working experience in the construction industry.

**Mr. Wong Kee Chung (黃紀宗)**, aged 62, 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 32 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 38, 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 15 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 9 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) and Asia Television Holdings Limited (Stock Code: 707), both of which shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") respectively. He was an executive director of Aurum Pacific (China) Group Limited (Stock Code: 8148), which shares listed on GEM of the Stock Exchange from 5 February 2018 to 1 April 2019.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Phang Yew Kiat (彭耀傑)**, aged 51, was appointed as an Independent Non-Executive Director of the Company on 10 May 2016. He is also the chairman of the remuneration committee, a member of each of the audit committee and the 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 Chong Sing Holdings FinTech Group Limited (formerly known as Credit China Fintech Holdings Limited) (Stock Code: 8207, a company listed on GEM of 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 20 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. Mr. Phang is a member to United Nation – Economic and Social Commission for Asia and the Pacific (ESCAP) Business Advisory Council.  Mr. Phang graduated in July 1993 from the faculty of technology of the 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 the University of Bristol.

**Mr. Wee Hian Eng, Cyrus (黃獻英)**, aged 52, was appointed as an Independent Non-Executive Director and a member of the audit committee of the Company on 17 December 2019. Mr. Wee has over 20 years of management experience and over 13 years of real estate industry experience covering a broad spectrum across sales & marketing, project development and investment. Mr. Wee started his real estate career in 2001 with Isshin Realty as a General Manager. Mr. Wee proceeded to join Surbana International Consultants Pte. Ltd. ("**Surbana**") in 2007 as Vice President, where he was responsible for spearheading the opening up of Surbana's consultancy business in Singapore. Mr. Wee was then promoted to Senior Vice President, CEO's Office in 2011 and as Deputy Managing Director, Singapore in 2014. Mr. Wee is currently an executive director and deputy chief executive officer of ZACD Group Ltd. (Stock Code: 8313), which shares are listed on GEM of the Stock Exchange. Mr. Wee obtained his Bachelor's Degree of Engineering (Electrical) from the National University of Singapore in June 1992.

## SENIOR MANAGEMENT

**Ms. Ong Sok Hun**, aged 47, joined our Group in October 2005 and is currently Chief Financial Officer of the Company. Ms. Ong is responsible for financial, accounting, taxation, secretarial affairs, treasury and banking matters of the 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 14 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 establishing and maintaining 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 2019 (the "**Year**"), except for the following Code Provisions:–

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

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

– During the period from 25 November 2019, the date of passing away of Mr. Ng Ka Lok, a then Independent Non-executive Director, to 17 December 2019, the date of appointment of an Independent Non-executive Director, Mr. Wee Hian Eng Cyrus, the composition of the Board was not in compliance with Rule 3.10(I) of the Listing Rules which requires the Board to include at least three independent non-executive Directors, Rule 3.10A of the Listing Rules which requires at least one third of the Board must be independent non-executive Directors, and Rule 3.21 of the Listing Rules which requires majority of the audit committee members must be independent non-executive Directors. Save as aforesaid, the Board, during the Year, had three Independent Non-executive Directors, being one-third of the Board and at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

# CORPORATE GOVERNANCE REPORT

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

## BOARD OF DIRECTORS

### Board composition

As at 31 December 2019, 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 comprise 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. Ng Ka Lok (passed away on 25 November 2019)
Mr. Wee Hian Eng, Cyrus (appointed on 17 December 2019)

### Board committees composition

**Audit Committee Members**
Mr. Lee Cheung Yuet, Horace *(Chairman)*
Mr. Phang Yew Kiat
Mr. Ng Ka Lok (passed away on 25 November 2019)
Mr. Wee Hian Eng, Cyrus (appointed on 17 December 2019)

**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 or 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 (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") and approved by the Board based on a formal written procedure and policy for the appointment of new Directors. When the Board selects 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 on 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 regularly and board meetings (the "**Board Meetings**") are held at least four times a year at approximately quarterly intervals. Regular Board Meetings are scheduled 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 |
| Mr. Wong Kee Chung | 4 |
| *Independent Non-executive Directors* | |
| Mr. Lee Cheung Yuet, Horace | 4 |
| Mr. Phang Yew Kiat | 4 |
| Mr. Ng Ka Lok (passed away on 25 November 2019) | 3 |
| Mr. Wee Hian Eng, Cyrus (appointed on 17 December 2019) | N/A |

All the Directors have access to relevant and timely information. They also have access to the advice and services of the Company Secretary, 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 respectively.

## 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 a 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 2019 and the final results for the year ended 31 December 2019, approved the Group's major acquisitions and other critical business operations, appointment 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 was 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.

As at the date of this report, the Board comprises 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. Except during the period when Mr. Ng Ka Lok, (a then Independent Non-executive Director), passed away on 25 November 2019 and Mr. Wee Hian Eng Cyrus was appointed as an Independent Non-executive Director on 17 December 2019 which resulted in the Company not to be in compliance with Rules 3.10(1), 3.10(2) and 3.10(A) of the Listing Rules, 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 3.10(A) of the Listing Rules in the appointment of a sufficient number of three independent non-executive Directors, representing 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. Mr. Wee Hian Eng, Cyrus, who was appointed as an Independent Non-Executive Director on 17 December 2019, has attended a directors' training program.

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 2019 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. Ng Ka Lok (passed away on 25 November 2019) | ✓ | ✓ |
| Mr. Wee Hian Eng, Cyrus (appointed on 17 December 2019) | ✓ | ✓ |

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 Securities and Futures Ordinance.

## 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 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. The service agreement of Mr. Lim has been renewed for further 3 years with effect from 1 June 2019, the terms and conditions of the service agreement remained unchanged. 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. The service agreement of Mr. Quek has been renewed for further 3 years with effect from 1 June 2019, the terms and conditions of the service agreement remained unchanged. 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. The service agreement of Mr. Bijay Joseph has been renewed for further 3 years with effect from 1 June 2019, the terms and conditions of the service agreement remained unchanged except the salary. His basic salary is revised to S$230,400 per annum plus a discretionary bonus to be determined by the Board with reference to the performance of the Group, with effect from 1 June 2019.

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. The service agreement of Mr. Lau has been renewed for further 3 years with effect from 1 June 2019, the terms and conditions of the service agreement remained unchanged. 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 with the Company 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 with the Company 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. The letter of appointment has been renewed for further 3 years with effect from 8 June 2019, the terms and conditions of the letter of appointment remained unchanged. Mr. Phang is currently entitled to receive a director's fees of S$27,600 per annum (equivalent to approximately HK$157,714.00).

The appointment letter of Mr. Ng Ka Lok 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. Ng is HK$120,000 per annum. Mr. Ng passed away on 25 November 2019.

Mr. Wee Hian Eng, Cyrus, an Independent Non-executive Director of the Company, has entered into a letter of appointment with the Company for a term of three years commencing from 17 December 2019 and may be terminated by either party by giving at least three months' notice in writing. Mr. Wee is currently entitled to receive a director's fees of S$21,000 (equivalent to approximately 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**").

Pursuant to Article 83(3) of the Company's Articles, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then eligible for re-election at that forthcoming annual general meeting. Therefore, Mr. Wee Hian Eng, Cyrus shall retire from the office at the conclusion of the forthcoming annual general meeting. According to Article 84(1) of the Company's Articles, at each annual general meeting of the Company, 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, including those appointed for a specific term, shall be subject to retirement at an annual general meeting at least once every three years. Accordingly, Messrs. Wong Kee Chung, Lee Cheung Yuet, Horace, and Phang Yew Kiat shall retire from the office at the conclusion of the forthcoming annual general meeting. Pursuant to Article 84(2) of the Company's Articles of Association. Messrs. Wong Kee Chung, Lee Cheung Yuet, Horace, Phang Yew Kiat and Wee Hian Eng, Cyrus, shall retire and, are eligible to 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 and/or final dividends as appear to the directors to be justified by the profits of the Group.

## AUDIT COMMITTEE

The Audit Committee of the Company was established on 10 May 2016 which comprises three independent non-executive directors namely, Mr. Lee Cheung Yuet, Horace (Chairman) ("**Mr. Lee**"), Mr. Phang Yew Kiat and Mr. Wee Hian Eng, Cyrus.

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, 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 86 to 89 of this annual report.

– The Audit Committee was required to ensure that the systems of risk management and internal control of the Group are 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 2019. 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 four meetings and performed duties including reviewing the Group's interim 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)* | 4 |
| Mr. Phang Yew Kiat | 4 |
| Mr. Ng Ka Lok (passed away on 25 November 2019) | 3 |
| Mr. Wee Hian Eng, Cyrus (appointed on 17 December 2019) | N/A |

## 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 is 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 respectively, 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. 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 make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(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 make recommendations 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 to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(vi) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

(vii) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(viii) to ensure that no director or any of his/her associates is involved in deciding his/her own remuneration;

(ix) with respect to any service agreement or any letter of appointment of directors that require shareholders' approval under Rule 13.68 of the the Listing Rules, to advise the Board as to whether the terms are fair and reasonable, whether such contracts are in the interests of the Company and its shareholders as a whole;

(x) to appraise the Board of significant developments in the course of performing the above duties;

(xi) to ensure the Company discloses details of any remuneration payable to members of senior management by band in the annual reports of the Company;

(xii) to do any such things to enable the Remuneration Committee to perform its functions conferred on it by the Board; and

(xiii) in determining any specific package, the Remuneration Committee shall take into account factors such as salaries paid by comparable companies, time commitment, responsibilities, employment conditions elsewhere in the Group and whether any part of the remuneration package should be performance-based.

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 2019 was in accordance with the terms of reference of the Remuneration Committee and is summarised as 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) adjusting the Director's is remuneration of Mr. Bijay Joseph;

(iv) recommending the Board to accept the proposal of director's remuneration of the Company's newly appointed independent non-executive Director, Mr. Wee Hian Eng, Cyrus;

(v) 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

(vi) 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 2019 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 note 10 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 is 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 respectively, 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 changes to the Board to complement the Company's corporate strategy;

(ii) to identify individuals suitably qualified to become Board members and select or 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;

(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;

- the process used for identifying the individual and why the Board believes the individual should be elected and the reasons why it considers the individual to be independent;

- if the proposed independent non-executive director will be holding their seventh (or more) listed company directorship, why the Board believes the individual would still be able to devote sufficient time to the Board;

- the perspectives, skills and experience that the individual can bring to the Board; and

- how the individual contributes to diversity of the Board;

(xi) to review the Board Diversity Policy and any measurable objectives for implementing such Board Diversity Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives; and to make disclosures of its progress its review results in the annual report of the Company annually; and

(xii) to review the policy for nomination of directors and to make disclosure of the summary of nomination policy in annual report of the Company annually.

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;

– approved the proposal of the appointment of Mr. Wee Hian Eng, Cyrus as an independence non-executive Director and made recommendation to the Board to accept the relevant appointment; and

– made recommendation on the retiring Directors at the 2020 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 on compliance with legal and regulatory requirements;

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

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

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

– review of the compliance with the CG Code; and

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

## COMPANY SECRETARY

The present Company Secretary of the Company is an external service provider, and her primary corporate contact person is Mr. Lim, an executive Director and the Chairman of the Board, for the purpose of code provision F1.1 of the CG Code. The Company Secretary is to ensure a good information flow within the Board and between the Board and senior management of the Company, to provide advice to the Board in relation to the Directors' obligations under the Listing Rules and applicable laws and regulations and to assist the Board in implementing the corporate governance practices. Ms. Ngan Chui Wan, 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 and adequate 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, are 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 ensuring that information contained in announcements or circulars is 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, 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.

## CONSTRUCTIVE USE OF ANNUAL GENERAL MEETING ("AGM") AND EXTRAORDINARY GENERAL MEETING ("EGM")

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 31 May 2019 and the EGM was held on 30 October 2019. The attendance record of the Directors at the AGM and EGM are set out below:–

| Executive Directors | Attendance in person/ telephone conference AGM | EGM |
|---|---|---|
| Mr. Lim Kui Teng *(Chairman of the Board and chairman of Nomination Committee)* | 1 | 1 |
| Mr. Quek Sze Whye | 1 | 1 |
| Mr. Bijay Joseph | 1 | 1 |
| Mr. Lau Yan Hong | 1 | 1 |
| Mr. Wong Kee Chung | 1 | 1 |
| **Independent Non-Executive Directors** | | |
| Mr. Lee Cheung Yuet Horace *(Chairman of Audit Committee)* | 1 | 1 |
| Mr. Phang Yew Kiat *(Chairman of Remuneration Committee)* | 1 | 0 |
| Mr. Ng Ka Lok (passed away on 25 November 2019) | 1 | 1 |
| Mr. Wee Hian Eng, Cyrus (appointed on 17 December 2019) | NA | NA |

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, while notice of EGM and related papers were posted at least 10 clear business days prior to the EGM.

## 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.

# CORPORATE GOVERNANCE REPORT

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 86 to 89 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 auditors to perform audit services for the Group for the Year.

During the Year, total fees paid to BDO amounted to HK$1.14 million, of which approximately HK$75,000, or 6.6%, 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.

# REPORT OF THE DIRECTORS

It is the pleasure of the directors of the Company (the "**Directors**" or the "**Board**") to present to the shareholders their report (the "**Director Report**") together with the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**" or the "**Company**") for the year ended 31 December 2019 (the "**Year**").

## PRINCIPAL ACTIVITIES

The principal business activities of the Company are the provision of earthworks and ancillary services, and general construction works in Singapore. 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 GLOBAL OFFERING

The shares of the Company were listed on the Main Board of the Stock Exchange on 8 June 2016 by way of Global Offering. The net proceeds from the Global Offering amounted to approximately S$26.5 million ("**Net Proceeds**"), out of which approximately S$15.1 million had been utilised as at 31 December 2019.

Details of the Use of the Net Proceeds are disclosed in the section headed "Use of proceeds" on page 14 of this annual report.

## REFUND OF FIRST DEPOSIT FROM THE LAPSE OF THE MAJOR TRANSACTION

Details of the refund of the First Deposit from the lapse of the Major Transaction and the use of the Net Proceeds are set out in the sections headed "Use of proceeds" and "Significant investments held, material acquisitions and disposal of subsidiaries, associates and joint ventures"on page 14 and page 15 of this annual report, respectively.

# REPORT OF THE DIRECTORS

## 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 90 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 and analysis using financial key performance indicators 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 25 to the Consolidated Financial Statements in this report.

## FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2019 are set out in the Consolidated Statement of Comprehensive Income on page 90. The financial position of the Group as at 31 December 2019 is set out in the Consolidated Statement of Financial Position of the Group on pages 91 to 92. The financial position of the Company as at 31 December 2019 is set out in Note 31 to the Consolidated Financial Statements on pages 160 to 161. The cash flows of the Group for the year ended 31 December 2019 are set out in the Consolidated Statement of Cash Flows on pages 94 to 95.

## 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.

## RIGHT-OF-USE ASSETS

Movements in the right-of-use assets of the Group during the Year are set out in Note 15 to the Consolidated Financial Statement of the Group.

## INVESTMENT PROPERTY

Details of movements in the investment property of the Group during the year are set out in Note 16 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 25 and 31 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. As at 31 December 2019, the reserves available for distribution to shareholders is approximately S$71.7 million which represents the aggregate of share premium and contributed surplus of approximately S$73.7 million net of accumulated losses approximately S$2.0 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.

The Directors consider that environmental protection is essential to the longterm development of the Group and will constantly improve a management practice 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 its 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 63 to 85 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 the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). Its 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, the Board is not aware of any incident of non-compliance with the relevant laws and regulations that has 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 reasonably remunerated and regularly reviews and improves its 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 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. Ng Ka Lok (passed away on 25 November 2019)
Mr. Wee Hian Eng, Cyrus (appointed on 17 December 2019)

Pursuant to Article 83(3) of the Company's Articles, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting the Company and shall then eligible for re-election at that forthcoming annual general meeting. Therefore, Mr. Wee Hian Eng, Cyrus shall retire from the office at the conclusion of the forthcoming annual general meeting. In according to Articles 84(1), 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. Wong Kee Chung, Lee Cheung Yuet, Horace and Phang Yew Kiat shall retire from the office at the conclusion of the forthcoming annual general meeting.

In pursuant to Article 84(2) of the Company's Articles, Messrs. Wong Kee Chung, Lee Cheung Yuet, Horace, Phang Yew Kiat and Wee Hian Eng, Cyrus, shall also retire 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 AGREEMENTS

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. The service agreements of Mr. Lim Kui Teng, Mr. Quek Sze Whye, Mr. Bijay Joseph and Mr. Lau Yan Hong (all of them are executive Directors) have been renewed for further three years with effect from 1 June 2019 and the letter of appointment of Mr. Phang Yew Kiat (an independent non-executive Director) has been renewed for further three years with effect from 8 June 2019. No other Director (including any Director proposed for re-election at the forthcoming annual general meeting) has a service agreement 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 were 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 2019, the interests of the Directors and the chief executives 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**") of 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 | Total shares of the Company | Approximate percentage of interest in the issued share capital of the Company as at 31 December 2019 |
|---|---|---|---|---|
| Mr. Lim Kui Teng ("**Mr. Alan Lim**") | Interest of controlled corporation *(Note 1)* | 529,125,000 (L) | 543,085,000 (L) | 52.40% |
| | Personal interest *(Note 2)* | 13,960,000 (L) | | |

*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, an executive Director and the Chairman of the Company.

(2) During the Year, Mr. Alan Lim increased his shareholdings by 13,960,000 shares of the Company in his personal capacity, representing approximately 1.35% of the issued share capital of the Company. As a result, Mr. Alan Lim's interests have been increased to 543,085,000 shares, representing approximately 52.40% of the issued share capital of the Company.

Save as disclosed above, none of the Directors or chief executives 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 2019.

## SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") was adopted pursuant to the written resolutions of the Shareholders passed on 10 May 2016 for the purpose of providing incentives or rewards to employees and other eligible persons, and will be effective for 10 years and expire on 9 May 2026. Under the Share Option Scheme, the Board may grant options to employees and eligible persons, including suppliers and customers, to subscribe for shares of the Company.

### (1) Purpose

The purpose of the Share Option Scheme is to enable the Board to grant options to eligible persons as incentives or rewards for their contribution or potential contribution to our Group and to recruit and retain high calibre eligible persons and attract human resources that are valuable to the Group.

### (2) Eligible participants

Eligible participants include any employee or proposed employee (whether full time or part time, including any director) of any member of the Group or invested entity; and any supplier of goods or services, any customer, any person or entity that provides research, development or other technological support, any shareholder or other participants who contributes to the development and growth of the Group or any invested entity.

### (3) Total number of Shares available for issue

The maximum number of shares in respect of which options may be granted under the Share Option Scheme is 100,000,000 shares, representing approximately 9.65% of the issued share capital of the Company as at the date of this annual report.

### (4) Total maximum entitlement of each eligible person

No option shall be granted to any eligible person if any further grant of options would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including such further grant would exceed 1% of the total number of Shares in issue from time to time (the "**Participant Limit**"), unless: (i) such grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, by resolution of the Shareholders in general meeting, at which the eligible person and his close associates shall abstain from voting; (ii) a circular regarding the grant has been dispatched to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules (including the identity of the eligible person, the number and terms of the options to be granted and options previously granted to such eligible person); and (iii) the number and terms (including the subscription price) of such option are fixed before our Shareholders' approval is sought.

### (5) Option period and payment on acceptance of the option

An offer of grant of an option may be accepted by an eligible person within 21 days from the date of grant upon payment of HK$1.00 dollar. Option may be exercised in whole or in part by the grantee at any time before the expiry of the period to be determined and notified by the Board to the grantee which in any event shall not be longer than 10 years commencing on the date of the offer letter and expiring on the last day of such ten-year period.

### (6) Minimum period for which an option must be held before it can be exercised

There is no minimum period for which an option must be held before it can be exercised unless otherwise determined by the Board at the time of grant.

### (7) Subscription price of shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as determined by the Board, and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant (the "**Offer Date**"), which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the Offer Date; and (iii) the nominal value of a Share on the Offer Date. Where an option is to be granted, the date of the Board meeting at which the grant was proposed shall be taken to be the date of the offer of such option.

From the adoption of the Share Option Scheme and up to the end of the Year, the Company did not issue any option to any participant under the Share Option Scheme. As such, no options have been exercised, cancelled nor lapsed during the Year.

## 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 2019 of the Company and up to the date of this annual report, which is required to be disclosed pursuant to Rule 13.51 B(1) of the Listing Rules, is set out below:

Mr. Lee Cheung Yuet, Horace, an independent non-executive Director of the Company, has been appointed as an independent non-executive director of Asia Television Holdings Limited (Stock Code: 707, which shares are listed on the Main Board of the Stock Exchange).

Save as disclosed 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 2019, 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 2019 |
|---|---|---|---|
| Brewster Global | Beneficial owner *(Note 1)* | 529,125,000 (L) ("**529,125,000 shares**") | 51.05% |
| Ms. Yee Say Lee ("**Ms. Yee**") | Interest of spouse *(Notes 1, 2 and 3)* | 543,085,000 (L) | 52.40% |
| Excel Precise International Limited ("**EPI**") | Person having a security interest in shares *(Note 4)* | 529,125,000 (L) | 51.05% |
| True Promise Investments Limited ("**TPI**") | Interest in controlled corporation *(Note 4)* | 529,125,000 (L) | 51.05% |
| Mr. Law Fei Shing ("**Mr. Law**") | Interest in controlled corporation *(Note 4)* | 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, an Executive Director and the chairman of the Company.

(2) Mr. Alan Lim increased his shareholding by 13,960,000 Shares in his personal capacity during the Year, representing approximately 1.35% of the issued share capital of the Company. As a result, his total interest has increased to 543,085,000 shares, representing approximately 52.40% of the issued share capital of the Company.

(3) Ms. Yee is the spouse of Mr. Alan Lim and deemed to be interested in the shares of the Company interested by Mr. Alan Lim.

(4) 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, pursuant to the SFO, TPI and Mr. Law are deemed to be interested in 529,125,000 shares 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 2019.

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

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

| Remuneration Band | Number of individual |
|---|---|
| HK$1,000,000 – HK$1,500,000 | 1 |

## DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Year, none of the 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, an executive Director and the controlling shareholder of the Company, declared that he did not engage in business which 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 28 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 a 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 Company's 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 41.1% (2018: 52.7%) of the Group's total revenue and the largest customer of the Group accounted for approximately 11.7% (2018: 24.9%) of the Group's total revenue.

The five largest suppliers of the Group accounted for approximately 83.1% (2018: 86.3%) of the Group's total purchases and the largest supplier of the Group accounted for approximately 33.5% (2018: 35.3%) of the Group's total purchases.

The five largest subcontractors of the Group accounted for approximately 56.4% (2018: 25.8%) of the Group's total subcontractor fees and the largest subcontractor of the Group accounted for approximately 28.4% (2018: 7.8%) of the Group's total subcontractor fees.

None of the Directors of the Company or any of their close associate (as defined in the Listing Rules) 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.

## CONNECTED TRANSACTIONS

During the Year, the Group had the following continuing connected transactions as stated in Note 28 to the Consolidated Financial Statements, which are required to be disclosed in accordance with Chapter 14A of the Listing Rules:

(A) A framework construction materials purchase agreement was entered into between the Company and United E&P Pte. Ltd. ("**United E&P**") on 10 December 2018 (as supplemented by its first supplemental agreement dated 29 March 2019 and second supplemental agreement dated 6 September 2019) (the "**Framework Construction Materials Purchase Agreement**"). Pursuant to the Framework Construction Material Purchase Agreement, United E&P has agreed to provide construction materials to the Group according to actual needs. The principal terms of the Framework Construction Materials Purchase Agreement include: (1) pricing policy of each type of material supplied having regards to the actual materials, quantity etc.; and (2) the Framework Construction Materials Purchase Agreement would be effective from 1 January 2019 until 31 December 2021, subject to annual caps of S$770,000, S$770,000 and S$1,460,000 for the three years ending 31 December 2021. United E&P, a company incorporated in Singapore, 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. Alan Lim, the Chairman and an executive Director and 66.67% by an independent third party. As such, United E&P is a connected person of the Company for the purpose of the Listing Rules.

Details of the continuing connected transactions under the Framework Construction Materials Purchase Agreement have been disclosed in the circular of the Company dated 13 September 2019 and these transactions have been approved by independent shareholders at the extraordinary general meeting on 30 October 2019, details of which are set out in the announcement of the Company dated 30 October 2019.

For the reporting year, the total amount of construction materials purchased by the Group from United E&P was approximately S$411,000.

(B) A rental services framework agreement was entered into between the Company and Golden Empire Civil Engineering Pte. Ltd. ("**Golden Empire**") on 10 December 2018 (as supplemented by its first supplemental agreement dated 31 December 2018 and second supplemental agreement dated 29 March 2019) (the "**Rental Services Framework Agreement 1**"). Pursuant to the Rental Services Framework Agreement 1, the Group has agreed to provide construction-related services such as rental of trucks and supply of labour to Golden Empire according to actual needs. The principal terms of the Rental Services Framework Agreement 1 include: (1) pricing policy of rental fee for each truck and quantity of labour provided; (2) the Group and Golden Empire must enter into specific agreements to stipulate specific terms and conditions, including specific scope of service, form of service and payment method, in respect of the relevant services based on the principles as set out in the Rental Services Framework Agreement 1; and (3) the Rental Services Framework Agreement 1 would be effective from 1 January 2019 until 31 December 2021, subject to annual cap of S$3,000,000 for each of the three years ending 31 December 2021. Golden Empire, a company incorporated in Singapore, is owned as to 50% by Mr. Alan Lim, the Chairman and an executive Director, and 50% by an independent third party. As such, Golden Empire is a connected person of the Company for the purpose of the Listing Rules.

Details of the continuing connected transactions under the Rental Services Framework Agreement 1 have been disclosed in the circular of the Company dated 13 September 2019 and these transactions have been approved by independent shareholders at the extraordinary general meeting on 30 October 2019, details of which are set out in the announcement of the Company dated 30 October 2019.

For the reporting year, the total amount of rental services and labour supply provided by the Group to Golden Empire was approximately S$1,861,000.

(C) A master lease agreement was entered into between Chuan Lim Construction Pte. Ltd, a wholly-owned subsidiary of the Company and Hulett Construction (S) Pte. Ltd. ("**Hulett Construction**") on 10 December 2018 (the "**Master Lease Agreement**"), pursuant to which, Hulett Construction has agreed, with effect from 1 January 2019, to lease the followings to the Group, including: (a) offices with aggregate floor area of approximately 4,700 square feet and management services; and (b) workers dormitory (approximately 360 beds), workshops (approximately 38,000 square feet) and parking lots for heavy vehicles (approximately 80 lots). The term of the 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, subject to an annual cap of S$2,600,000 for each of the three years ending 31 December 2021. Hulett Construction, a company incorporated in Singapore, is owned as to 65% by Mr. Alan Lim, the Chairman and an executive Director, and 35% by Ms. Yee Say Lee, the spouse of Mr. Alan Lim. As such, Hulett Construction is a connected person of the Company for the purpose of the Listing Rules.

As all the applicable percentage ratios are less than 5%, the transactions under the Master Lease Agreement are subject to the reporting, announcement and annual review but exempt from circular and shareholders' approval requirements under the Listing Rules.

Details of the continuing connected transactions under the Master Lease Agreement have been disclosed in the announcements of the Company dated 10 December 2018 and 31 December 2018.

For the reporting year, the total amount of rental services provided by Hulett Construction to the Group was approximately S$2,218,000.

(D) A transportation framework agreement (as supplemented by its first supplemental agreement dated 31 December 2018, second supplemental agreement dated 29 March 2019 and third supplemental agreement dated 6 September 2019) was entered into between the Company and United E&P on 10 December 2018 (the "**Transportation Framework Agreement**"), pursuant to which, the Group 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, subject to an annual cap of S$1,275,000 for each of the three years ending 31 December 2021. United E&P, a company incorporated in Singapore, 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. Alan Lim, the Chairman and an Executive Director, and 66.67% by an independent third party. As such, United E&P is a connected person of the Company for the purpose of the Listing Rules.

Details of the continuing connected transactions under the Transportation Framework Agreement have been disclosed in the circular of the Company dated 13 September 2019 and these transactions have been approved by independent shareholders at the extraordinary general meeting on 30 October 2019, details of which are set out in the announcement of the Company dated 30 October 2019.

For the reporting year, the total amount of transportation services provided by the Group to United E&P was approximately S$35,000.

(E) A rental services framework agreement 2 (as supplemented by its first supplemental agreement dated 31 December 2018 and second supplemental agreement dated 29 March 2019) was entered into between the Company and Golden Empire-Huationg Pte. Ltd. ("**GEHT**") on 10 December 2018 (the "**Rental Services Framework Agreement 2**"), pursuant to which, the Group 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 subject to an annual cap of S$1,000,000 for each of the three years ending 31 December 2021. GEHT, a company incorporated in Singapore, 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. Alan Lim, the Chairman and an executive Director, and 50% by an independent third party. As such, GEHT is a connected person of the Company for the purpose of the Listing Rules.

Details of the continuing connected transactions under the Rental Services Framework Agreement 2 have been disclosed in the circular of the Company dated 13 September 2019 and these transactions have been approved by independent shareholders at the extraordinary general meeting on 30 October 2019, details of which are set out in the announcement of the Company dated 30 October 2019.

For the reporting year, the total amount of rental services and labour supply provided by the Group to GEHT was approximately S$637,000.

(F) An earth disposal framework agreement (as supplemented by its supplemental agreement dated 6 September 2019) was entered into between the Company and GEHT on 29 March 2019 (the "**Earth Disposal Framework Agreement**"), pursuant to which, GEHT has agreed to allow the Group to dispose of excavated earth and soil at the construction sites of GEHT according to actual needs. The principal terms of the Earth Disposal Framework Agreement include: (1) the pricing policy for the quantity of earth and soil disposed of; (2) the Group and GEHT must enter into specific agreements to stipulate specific terms and conditions and payment method based on the principles as set out in the Earth Disposal Framework Agreement; and (3) the Earth Disposal Framework Agreement would be effective from 1 January 2019 to 31 December 2021, subject to annual caps of S$770,000, S$1,000,000 and S$1,000,000 for each of the three years ending 31 December 2021. GEHT, a company incorporated in Singapore, 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. Alan Lim, the Chairman and and executive Director, and 50% by an independent third party. As such, GEHT is a connected person of the Company for the purpose of the Listing Rules.

Details of the continuing connected transactions under the Earth Disposal Framework Agreement have been disclosed in the circular of the Company dated 13 September 2019 and these transactions have been approved by independent shareholders at the extraordinary general meeting on 30 October 2019, details of which are set out in the announcement of the Company dated 30 October 2019.

For the reporting year, the total amount of disposal services from GEHT was approximately S$300,000.

(G) A subcontract agreement (as supplemented by its supplemental agreement dated 6 September 2019) was entered into between the Company and Golden Empire on 29 March 2019 (the "**Subcontract Agreement**"), pursuant to which, Golden Empire has agreed to provide surcharge rehandling works for reclamation and marine work at Tuas Western Coast Project to the Group including the supply of manpower and construction equipment resources including maintenance provisions and a stock of spare parts and consumables, procurement of materials and equipment, spare parts/components and consumables as necessary, checking the operability of the works (as applicable), inspecting and testing resources, making good any deficiencies during the construction period, for the successful completion of the facilities and its operation as well as the provision everything whether of a temporary or permanent nature to permit the successful completion and maintenance of the work. The principal terms of the Subcontract Agreement include: (1) pricing policy for the provision of surcharge rehandling works for reclamation and marine work; (2) the specific scope of services, general obligations, ownership and title to the works, and such other terms and conditions as set out in the Subcontract Agreement; and (3) the Subcontract Agreement would be effective from 9 March 2019 to 31 December 2021, subject to annual caps of S$3,170,000, S$7,567,000 and S$1,263,000 for each of the three years ending 31 December 2021. Golden Empire, a company incorporated in Singapore, is owned as to 50% by Mr. Alan Lim, the Chairman and an executive Director, and 50% by an independent third party. As such, Golden Empire is a connected person of the Company for the purpose of the Listing Rules.

Details of the continuing connected transactions under the Subcontract Agreement have been disclosed in the circular of the Company dated 13 September 2019 and these transactions have been approved by independent shareholders at the extraordinary general meeting on 30 October 2019, details of which are set out in the announcement of the Company dated 30 October 2019.

From 9 March 2019 to 31 December 2019, the Group recognised subcontract services of approximately S$2,700,000 from Golden Empire.

(H) A machinery rental framework agreement was entered into between the Company and Cheng Yap Construction Pte. Ltd. ("**Cheng Yap**") on 29 March 2019 (the "**Machinery Rental Framework Agreement**"), pursuant to which, Cheng Yap has agreed to lease construction machinery such as tipper trucks, excavators and hydraulic breakers to the Group. The principal terms of the Machinery Rental Framework Agreement include (1) pricing policy of rental fee for each machinery provided; (2) the Group and Cheng Yap 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 Machinery Rental Framework Agreement; and (3) the Machinery Rental Framework Agreement would be effective from 1 January 2019 to 31 December 2021, subject to an annual cap of S$1,000,000 for each of the 3 years ending 31 December 2021. Cheng Yap, a company incorporated in Singapore, is owned as to 100% by Mr. Lim Cheng Yap, who is a brother of Mr. Lim. As such, Cheng Yap is a connected person of the Company for the purpose of the Listing Rules.

As the applicable percentages are less than 5%, the transactions under the Machinery Rental Framework Agreement are subject to reporting, announcement and annual review but exempt from circular and shareholders' approval requirements under the Listing Rules.

Details of the continuing connected transactions under the Machinery Rental Framework Agreement have been disclosed in the announcement of the Company dated 29 March 2019.

For the reporting year, the total amount of rental services and labour supply provided by Cheng Yap was approximately S$109,000.

Except for the Master Lease Agreement and the Machinery Rental Framework Agreement, all of the aforesaid continuing connected transactions are non-exempt continuing connected transactions for each of the three financial years ending 31 December 2021, as the highest applicable percentage ratio for each of the continuing connected transactions exceeds 5%. Accordingly, these non-exempt continuing connected transactions are subject to the reporting, announcement, circular, Shareholders' approval and annual review requirements under the Listing Rules.

## RELATED PARTY TRANSACTIONS

The transactions with subsidiaries or fellow subsidiaries as disclosed in "Related Party Transactions" under Note 28 to the Consolidated Financial Statements of the Group constituted connected transactions or continuing connected transactions and are subject to 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 28 to the Consolidated Financial Statements of the Group do not constitute connected transactions or continuing connected transactions under the Listing Rules.

## ANNUAL REVIEW

The Independent Non-executive Directors have reviewed all the continuing connected transactions above during the Year and confirm that the transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to their respective agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditors 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 auditors 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 32 to the Consolidated Financial Statements of the Group.

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

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries 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.

## DONATIONS

During the Year, the details about the Group's donations to charity and other purposes are disclosed in the "ESG Report" on page 85 of this annual report.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

## CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, save as disclosed on page 21 of this annual report, 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.

## 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.

## AUDITORS

The consolidated financial statements for the year ended 31 December 2019 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 auditors of the Company. There has been no change in the Company's auditors in any of the preceding three years.

## SUBSEQUENT EVENTS AFTER THE REPORTING YEAR

Details of subsequent events after the reporting year are set out in the section headed "Further refund of part of First Deposit after the reporting year" on page 16 of this annual report.

On behalf of the Board

**Mr. Lim Kui Teng**
*Chairman*

30 March 2020

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Chuan Holdings Limited ("**Chuan**" or the "**Company**", together with its subsidiaries, "**the Group**" or "**we**") is one of the contractors in Singapore whose core businesses are principally engaged in the provision of earthwork and ancillary services and general construction works. Sustainability has long been an integral part of the strategy of the Group to develop, serve and create value for its stakeholders.

The Environmental, Social and Governance Report (the "**ESG Report**" or the "**Report**") summarises the initiatives, programs and performances of the Group and demonstrates its commitment to sustainability development. The Group organises its approach and sustainability initiatives guided by its **Green** and **Gracious** principles to protect the environment:

**G**iving training to our staff to ensure adequate knowledge of Green and Gracious Practices
**R**educing, reusing and recycling of our materials and wastes
**E**nsuring efficient usage of our electricity, diesel and water
**E**nsuring air and water pollution are managed
**N**eatness at sites for good housekeeping

**G**iving a safe work environment to all staff and the public
**R**educing traffic obstruction to the public
**A**ccess that is safe, clean and unobstructed
**C**ommunicating with neighbours on major project milestones
**I**nitiating feedback from neighbours
**O**nboard training to new staff
**U**sing technology and measures to reduce noise and vibration
**S**ystem in place to manage manpower recruitment, welfare, performance, rewards and compensation

## THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") GOVERNANCE STRUCTURE

The Group is committed to operating its business in a responsible and transparent manner while meeting the needs of the clients and community we serve. In order to address sustainability issues and managing ESG-related risk effectively and systematically, the Group has set up an ESG working taskforce (the "**Taskforce**") which comprises core members from relevant departments to carry out the duty of collecting information and data on the Group's ESG aspects for the ESG Report. The Taskforce would timely report to the Board of Directors (the "**Board**"), assist in the assessment and identify the risk management of the Group on the ESG aspects, examine the implementation and effectiveness of internal control system, and review the Group's ESG performance.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## REPORTING YEAR AND SCOPE

The ESG Report covers the ESG activities, challenges and measures taken by the Group during the year ended 31 December 2019 (the "**Reporting Year**").

This ESG Report describes the Group's business activities in the realm of earthworks and ancillary services as well as general construction works in Singapore, which represents the Group's major sources of revenue, unless specified otherwise. The ESG Report discloses the Group's policies, compliance issue as well as key performance indicators ("**KPIs**") which are gathered and included under the Group's direct operational control companies and subsidiaries.

## REPORTING FRAMEWORK

The ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") as set out in the Appendix 27 of the Rules Governing the Listing of Securities on Main Board of the Stock Exchange of Hong Kong Limited.

In addition, the Corporate Governance Report section on page 21 to page 44 of 2019 Annual Report makes further disclosures on corporate governance.

## STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

During the Reporting Year, the Group continues to formulate operational strategies and measures towards sustainable and eco-friendly business development. We always attach great importance to the opinions of our stakeholders related to business and ESG issues. The Group acknowledges that a variety of external perspectives are relevant to identifying material issues. In order to understand and address stakeholders' expectations on both our ESG performance as well as risks and opportunities, we communicate with our key stakeholders, including but not limited to shareholders and investors, clients and business partners, employees, suppliers and subcontractors through various channels such as annual general meeting, staff meetings, electronic platform and interviews.

To ensure that this Report covers material ESG issues in the Group's business and presents appropriate response to the concerns of stakeholders, the Group has compiled a questionnaire in reference to the identified material ESG issues to collect information from relevant departments and business units of the Group to collect feedback from stakeholders. Their opinions will help us identify and prioritise the relative material ESG-related issues, which will enable the Group to identify the risks associated with our businesses and to develop policies and measures to cope with the challenges.

The table below summarises the material ESG issues identified through communication activities:

**The Group's Material ESG Topics**

| Environmental aspect | Social Aspect |
|---|---|
| Emissions | Employment<br>Health and safety |
| Use of resources | Development and training<br>Labour standards |
| The environment and natural resources | Supply chain management<br>Product responsibility<br>Anti-corruption<br>Community investment |

## COMPLIANCE WITH LAWS AND REGULATIONS

The Compliance Officer, as assisted by the Company Secretary, reviews and monitors the policies and practices relating to compliance with legal and regulatory requirements that have significant impacts on the Group. The Group also works with its 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.

## A. ENVIRONMENTAL

### Aspect A1: Emissions

The Group principally engages in the provision of earthwork and ancillary services and general construction works. As a socially responsible corporation, the Group recognises its responsibilities towards potential direct and indirect negative environmental impacts associated with our business operation and has imposed effective mechanism to reduce emissions and resource consumption.

The Group has also established an Integrated Management System ("**IMS**") which comprises (i) ISO 9001 (Quality Management System); (ii) OHSAS 18001 (Occupational Health and 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 the operations, including but not limited to procedures for air pollution control, construction waste management, and water pollution control. Meanwhile, the Group educates and encourages our employees to contribute towards sustainability by adopting environmentally friendly fit out methods and planning their works to efficiently eliminate waste to the maximum extent with the view of achieving long-term cost savings.

During the Reporting Year, the Group has not identified any material non-compliance with related environmental laws and regulations, including but not limited to "Environmental Protection and Management Act" and "Environmental Public Health Act", in relation to exhaust gas and greenhouses gas ("**GHG**") emissions, water and land discharge, and the generation of hazardous and non-hazardous waste that have a significant impact on the Group.

### *Air Pollution Control*

*Air and GHG emissions*

In the provision of earthworks, the Group generates air emissions from fuel combustion of machineries and equipment at construction sites, therefore the Group actively adopts a set of procedures to control air emissions as much as possible.

*(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 as soon as possible, disposal 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.

The diesel consumption for the vehicles, consumption of electricity at the office and disposal of paper are the largest source of GHG emissions of the Group. During the Reporting Year, the Group's total GHG emissions amounted to approximately 21,729.0 tonnes of carbon dioxide equivalent ("**$tCO_2e$**") and the total GHG emissions per employee was approximately 39.52 $tCO_2e$. The detailed summary is shown as below:

| **GHG Scope**[1] | **Quantity – $tCO_2e$** | | **Intensity – $tCO_2e$ per employee**[2] | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Direct GHG emissions – diesel consumption | 21,408.6 | 21,487.6 | 38.9 | 42.6 |
| Energy indirect GHG emissions – electricity consumption | 308.6 | 323.2 | 0.6 | 0.6 |
| Other indirect GHG emissions – paper disposal | 11.8 | 12.5 | 0.02 | 0.02 |
| **Total GHG emissions** | **21,729.0** | **21,823.3** | **39.52** | **43.22** |

*Note:*

1. *GHG emissions data is presented in carbon dioxide equivalent and was in reference to, including but not limited to, the reporting requirements of the "GHG Protocol Corporate Accounting and Reporting Standard" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG Report? – Appendix II: Reporting Guidance on Environmental KPIs" published by the Stock Exchange of Hong Kong Limited, the statistics report published by the Singapore Energy Market Authority and "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5).*

2. *As at 31 December 2019, the number of employees of the Group was 550; as at 31 December 2018, the number of employees of the Group was 504. The numbers are also used to calculate other intensity figures in the ESG Report.*

The Group has adopted the following measures to reduce the direct GHG emissions from diesel consumption in our operations:

- Optimise time schedule for machinery usage;
- Conduct regular maintenance service on the machinery to ensure engine performance and the efficient use of diesel;
- Promote and adopt high efficiency or energy-saving equipment e.g. environmentally friendly tipper trucks with Euro 6 standards; and
- Promote energy-saving and emission reduction to raise energy-saving and environmental awareness among most staff.

The direct GHG emissions of the Reporting Year declined slightly year-on-year, while the energy indirect GHG emissions of the Reporting Year declined by approximately 4.6% year-on-year, which was a direct result of less electricity consumption from our successful energy saving measures and practices.

Electricity and paper disposal are the only sources of indirect GHG emissions. The Group has implemented measures as stated in "Waste Management" of Aspect A1 and "Energy Consumption" of Aspect A2 below in order to reduce energy consumption and paper waste generation, and thereby minimising carbon footprint.

### *Water Pollution Control*

Although the Group does not consume significant volume of water through our business activities, we have established 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 locations 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 quarters (if applicable). No washing water from cooking and laundry activities should be discharged to open drain.

***Waste Management***

The Group's wastes mainly generate from construction sites, a set of procedures has been set up to ensure all waste materials are properly handled, stored and disposed to prevent contamination. We require our employees to clean up the wastes and maximise re-use and recycling.

*(i) Segregation of construction waste*

Our construction wastes are sorted 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 numbers 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.

Additionally, for the wastes coming from office operation, especially paper, we strive to reduce paper usage and carry out procedures to encourage employees to participate in consumption reduction management in office:

- Use electronic media for circulation/communication to minimise using paper;
- Use double-sided printing or photocopying whenever possible;
- Print limit is set to each user; and
- Recycle or reuse single-sided documents for printing or as draft paper.

The summary of the Group's disposal in paper is shown as below:

| | **Paper Disposal Amount and Intensity** | | | |
|---|---|---|---|---|
| | **Quantity – kilogram** | | **Intensity – kilogram per employee** | |
| | **2019** | 2018 | **2019** | 2018 |
| Paper | **2,466.0** | 2,604.0 | **4.5** | 5.2 |

During the Reporting Year, paper disposal from the office was 2,466.0 kilogram; the intensity was approximately 4.5 kilogram per employee, witnessing a decline of 138 kilogram year-on-year, which was a direct result of the Group's saving measures and practices. We did not recognise any hazardous waste during our business operation. The Group also encourages its suppliers and subcontractors to minimise their waste generation, use recyclable materials for packing and reuse them wherever possible.

## Aspect A2: Use of Resources

The Group strives to optimise resource usage in our business operations and takes initiatives to introduce measures on promoting resource efficiency and adopting eco-friendly approaches in our operations. During the operation, the Group mainly consumes water, electricity, diesel, raw materials and paper. As mentioned in Aspect A1, the Group is committed to reducing wastage and has adopted related environmental protection, energy conservation and water saving mechanism. Depending on the types of our project, we set specific wastage and consumption goals and KPIs as a benchmark to better control usage of resources.

### *Energy Consumption*

Our environmental control procedures also incorporate measures to save resources at our head office. All employees must implement the adopted measures, including the purchase of energy-efficient products and services, and be responsible for the Group's overall energy efficiency. We also designate a worker responsible for switching off all machines and equipment by the end of the day.

The summary of the Group's consumption in diesel and electricity is shown as below:

| Energy Type | Energy Consumption Amount and Intensity | | | |
|---|---|---|---|---|
| | Quantity – kWh | | Intensity – kWh per employee | |
| | **2019** | 2018 | **2019** | 2018 |
| Diesel | **82,615,173.8** | 82,920,066.7 | **150,209.4** | 164,523.9 |
| Electricity | **736,256.3** | 771,637.6 | **1,338.6** | 1,531.0 |
| **Total energy consumption** | **83,351,403.1** | 83,691,704.3 | **151,548.0** | 166,054.9 |

The Reporting Year's energy consumption was slightly lower than that of the previous year, showing another success of our energy saving measures and practices.

The Group has performed the following measures to enhance energy efficiency:

- Use timer to auto switch on and off lights for common area;
- Post notices at office area to office staff to switch off light and air-conditioning when not using;
- Use eco-friendly electronic appliances such as LED and T5 light, energy saving refrigerators to reduce energy; and
- Install the roller blind to reduce the heat in the office and reduce the use of air-conditioning.

### *Water Consumption*

The Group relies totally on city water for product and general use. It is also the only source for both production and general use in construction. Due to the Group's operation location, there is no issue in sourcing water that is fit for purpose. The Group regularly monitors and reviews its performance on water usage. Its major initiatives to reduce water consumption include the installation of water-saving taps and regular inspection to prevent water leakage.

We keep track on the water consumption, measures are introduced to minimise the water usage:

- Use water taps for all toilet washing bays;
- Post notice next to water taps to raise employee awareness of water conservation and to remind employees and visitors to turn off the water tap after use; and
- The faucet is designed as a water-saving faucet to reduce water output.

The summary of the Group's consumption in water for head office is shown as below:

| | **Water Consumption Amount and Intensity** | | | |
|---|---|---|---|---|
| | **Quantity – cubic metre** | | **Intensity – cubic metre per employee** | |
| | **2019** | 2018 | **2019** | 2018 |
| Water | **18,698.0** | 19,682.0 | **34.0** | 39.1 |

The Reporting Year's water consumption was approximately 5.0% lower than that of the previous year, showing a success of our water conservation measures and practices.

### *Packaging Materials*

The Group has no industrial production or any factory facilities. Therefore, we do not consume significant amounts of product packaging materials.

### Aspect A3: The Environment and Natural Resources

Although the core business of the Group has limited impact on the environment and natural resources, Chuan pursues the best practices in environmental protection and focuses on the impacts of its businesses to the environment and natural resources. During the Reporting Year, the Group continued to promote environmental awareness internally among our employees, aiming to drive positive changes to our planet.

*Noise Management*

The Group is aware of the noise generated from our construction site. We have laid down procedures to ensure compliance with relevant laws and regulations. Moreover, we avoid carrying out noisy operations during restricted hours, and enclose noisy operation area.

## B. SOCIAL

### Aspect B1: Employment

As a responsible employer, we recognise the importance of employment and labour standards. We value our employees as our greatest assets who are the key in driving the success and maintaining the sustainable development of the Group. Hence, we have established relevant polices to fulfil our vision on respect, teamwork and people-oriented management and realising the full potential of employees.

The Group strives to address the issues in the way we manage our human resources, a strict human resource policy has adopted serving as the guideline. The Group's Employee's Handbook strictly adheres to the applicable employment laws and regulations, and lists out in details the general terms and conditions of employment as well as certain employment procedures within the Group. It is formally documented and includes but not limited to the general working hours for office and site staff, probation period, overtime allowance, termination procedures, medical benefits, various types of leave and performance review.

During the Reporting Year, the Group was not aware of any material non-compliance with related laws and regulations, including but not limited to "Employment Act", relating to employment and labour practices that have a significant impact on the Group.

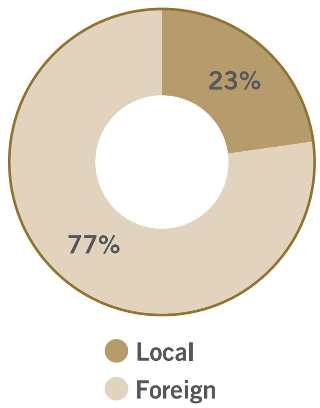
### *Recruitment and Promotion*

Since Singapore relies on foreign workers heavily so as the construction industry players, as an employer of foreign workers, the Group strictly complies with the laws and regulations stipulated by the Ministry of Manpower of Singapore ("**MOM**") and conducts a specific policy to secure our manpower. We have also created a diverse working environment with equal opportunities and anti-discrimination to stimulate the competitiveness and personal development as well as mutual trust among our employees.

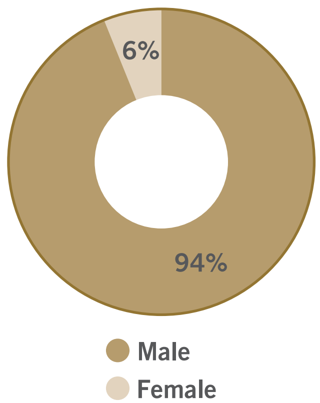
During the Reporting Year, the Group employed 550 employees (local and foreign workers) and all employees were based in Singapore. The turnover rate was approximately 9.0%, the detailed breakdown of our employee by local (Singaporean and Singapore permanent residents) and foreign employees, gender, age group and full– and part-time employees are set forth below:

| | Employee Headcount | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Gender | | Age Group | | Local/Foreign | |
| | Total | Male | Female | Below 30 years old | 30 years old or above | Local | Foreign |
| Full time | 547 | 519 | 28 | 133 | 414 | 121 | 426 |
| Part time | 3 | 0 | 3 | 0 | 3 | 3 | 0 |
| **Total** | **550** | **519** | **31** | **133** | **417** | **124** | **426** |

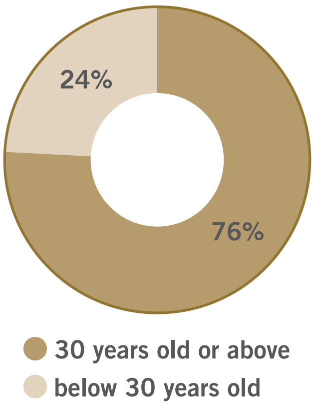
**Local and Foreign Employees**



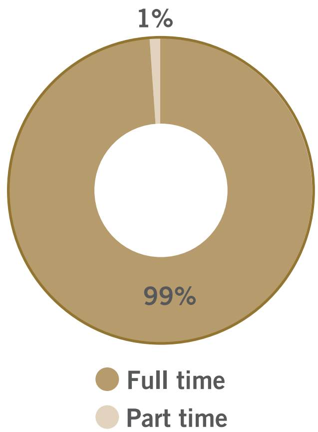

**Employees by Gender**



Employees by Age Group




Full Time and Part Time Employees




Chuan is committed to creating a working environment that is free from discrimination against its current and potential employees. To ensure fair and equitable recruitment and career advancement procedures, we prohibit discrimination or harassment on any grounds including gender, ethnicity, age, religion, sexual orientation, disability, education and nationality. The Group adopts a set of formal and transparent procedures to conduct its recruitment plan based on merit selection against the job criteria, and promotes individuals based on their appraisal and suitability for the position and potential to fulfil the Group's current and future needs. The Group constantly reviews its compensation and salary package to ensure that all employees can be recognised by the Group appropriately with respect to their efforts and contributions.

*Employees Welfare and Working Condition*

The Group takes out employment injury insurance for its employees and has formulated policy based on local employment laws for determining enough working hours and rest time for the employees. The Group also doubles its efforts to ensure that complaints, grievances and concerns, including whistle-blowing, are dealt with promptly and confidentially. We have zero tolerance on sexual harassment or abuse in the workplace in any form.

In addition to competitive remuneration packages, the Group offers various benefits and facilities to accommodate the needs of its employees, including flexible working hours and medical benefits. Endeavouring to build an engaging working environment, various teambuilding activities, such as annual celebration events, outings, and other engagement activities, for our employees to get together and enhance their sense of belonging, enabling the Group to establish a communication platform to better implement its people-oriented management strategy.

Chuan continued to promote work-life balance and foster the well-being of employees through the following activities in 2019:

### January 2019 – 23rd Anniversary Celebration Party of Chuan Lim

Staff celebrated the 23rd Anniversary of Chuan Lim and significant achievements made over the past years.

### February 2019 – Chinese New Year Luncheon

As part of Chuan's annual tradition, we celebrated Chinese New Year together with our staff via a bonding luncheon to aspire for more records and achievements in the new year.

### March 2019 – Chinese New Year Dinner with Drivers

This gathering offered an opportunity for our hard-working drivers to chill and relax.

### May 2019 – Board Meeting 2019

With the efforts of the management and all our staff, the Group is committed to fostering further business growth in the future.

### July 2019 – Jogging Teambuilding Programme

This kind of outing activities improve the well-being of our employees and build better team sprits.

### July 2019 – Durian Carving Teambuilding Programme

We love sharing the famous tropical fruit durians in its best season.

### August 2019 – National Day BBQ Celebration

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

## Aspect B2: Health and Safety

At Chuan, employee's health and safety is of utmost importance. The Group pledges to provide healthy and safe working condition that involves both the prevention of harm and the promotion of well-being for all employees, subcontractors and other associated with our business activities, striving for zero occurrences of hazards, incidents, non-compliance and accidents.

The Group has formulated a full set of monitoring and management policies regarding health and safety according to OHSAS 18001 requirements and our IMS. Our IMS objectives in relation to the health and safety aspects of our projects are as follows:

- Less than 5 or less reportable incidents and occupation disease; and

- Zero fatality.

In order to effectively implement health and safety-related measures, the Group has established a monitoring team with project supervisors, engineers, managers and safety officers to ensure our operations, including but not limited to backfilling works, earthworks, drain diversion, lifting operations and driving, are conducted in a safe manner. For each criteria 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.

In view of the novel coronavirus (COVID-19) outbreak across the globe and Singapore, precautionary measures have also been taken by offering protective gears such as face masks, hand sanitisers and thermometer to employees on and off sites for better prevention. Temperature screening, travel and health declarations are required for all visitors entering office building and sites.

### COVID-19 Prevention Action

Disinfection in the office is conducted by professional cleaning squad.


We have placed hand sanitisers to necessary employees on and off sites for better prevention.


Office staff is segregated into different floors to keep appropriate social distance.


川 林 建 築
CHUAN LIM
CHUAN LIM CONSTRUCTION PTE LTD

NOVEL CORONAVIRUS ("nCov")
DECLARATION FORM
* Does not apply to land & sea crossings with Malaysia
* Required

Name *
Your answer

Contact No. *
Your answer

Visitors have to complete travel declaration form before entering office building.



Temperature monitoring for the all staff and screening for visitors are carried out.

Qualified quarantine room and SHN room are set up for employees in need.

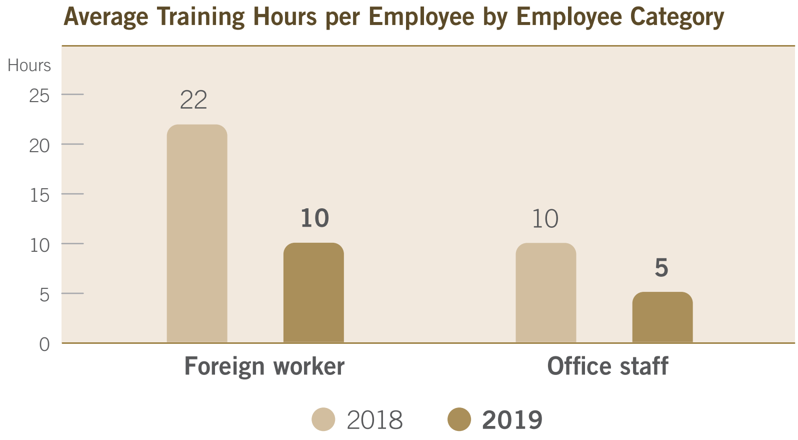
Temporary collection and meeting point for visitors is set up to prevent intensive contact.

We believe that the employees are important assets to the Group. All employees at the sites must attend the training organised by the Group on occupational safety and environmental control. During the Reporting Year, the Group recorded 7 workplace injuries and no non-compliance with applicable workplace health and safety regulations that have a significant impact on the Group, including but not limited to “Workplace Safety and Health Act”, witnessing a decline compared to 27 workplace injuries and 1 non-compliance with applicable workplace health and safety regulations for the year ended 31 December 2018, and 3 non-compliance with applicable workplace health and safety regulations for the year ended 31 December 2017. All recertification works have been carried out to rectify the issues identified.

## Aspect B3: Development and Training

The Group recognises the valuable contribution of talents for the productivity enhancement and sustainable growth. Committed to inspiring our human capital towards delivering excellence, the Group has implemented a training procedure which forms part of our IMS to continuously identify the training needs for the employees, allowing them to have a better understanding of our business model and strengthen their basic skills and expertise.

During the Reporting Year, our employees were sent to various types of trainings and courses such as first aid course; apply workplace safety and health in construction sites course, registered earthworks supervisor course. The average training hours per employee by category are as follows:




We also encourage the culture of sharing of knowledge and experience. The Group reviews relevant policies and employee's development activities annually to improve the provision.

## Aspect B4: Labour Standards

The Group is dedicated to finding practical, meaningful and culturally appropriate responses to labour employment. Child and forced labour are strictly prohibited during the recruitment process as defined by laws and regulations. The Group rigorously complies with laws and has zero tolerance towards the issues. We do not employ any persons below the age of eighteen and forced or compulsory labour at our workplace. Our human resource department and the site foreman are responsible for the implementation of the policies, keeping all employment contracts and relevant documentation on the details of the employees. The Board undertakes random check of the records annually as well. Besides, the Group also avoids engaging vendors and contractors which are already known to employ child labour or forced labour in their operations.

During the Reporting Year, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations, including but not limited to "Employment Act" that have a significant impact on the Group.

## Aspect B5: Supply Chain Management

Chuan always works closely with its suppliers and subcontractors to mitigate risks associated from supply chain. All our suppliers and subcontractors are based in Singapore. In order to guarantee the quality, timely and reliable execution of our projects as well as consistency of project requirements of our customers, the Group, as the main contractor, selects the subcontractors and suppliers based on our IMS policy.

As an enterprise attaching high importance to sustainable development and social responsibility, we maintain and manage a reliable supply chain that takes environmental and societal impact into consideration. The Group performs 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.

To create a risk-free worksite, our contractors and subcontractors are required to adhere to all relevant ordinances and rules governing safety standards.

During the Reporting Year, the Group was not aware of any key suppliers that had any actions or practices which have a significant negative impact on business ethics, environmental protection, human rights and labour practices.

### *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 services 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 be satisfactory, they will be removed from our approved vendors list.

## Aspect B6: Product Responsibility

### *General Disclosure*

The Group aims at completing works that meet or exceed our customers' requirements and has been committed to providing its customers with quality products and services. 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).

During the Reporting Year, we were not aware of any incidents of non-compliance with laws and regulations, including but not limited to "Personal Data Protection Act", that have a significant impact on the Group, concerning health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

### *Quality Management*

The quality management system of the Group applies to the plan, supply and construction or work and has achieved ISO 9001 Quality Management System certification. Regular internal audits on the effectiveness and level of compliance of quality management system are carried out annually.

To ensure our services meet the required standards, our quality control procedures detail the inspection and testing required for incoming purchases, in-process inspection during the project and final inspection and testing prior to handover to customers.

For incoming purchases, our site supervisors 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, rust or coating defects. Non-conforming materials are 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 the 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, discoloration, 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 Service*

The Group places great emphasis on the opinions of its customers and has established procedures to handle customer's feedback or complaints in a professional manner. 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.

The Group also has 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, and will take corrective action according to the circumstances so as to prevent the recurrence of the non-compliance. During the Reporting Year, we did not receive any complaints from our customers or the public.

### *Privacy Protection*

As a responsible service provider, the Group respects the values and rights of the customers' information assets, and in the process of providing our customers with products and service, we strictly comply with the customers' information security management systems and standards. The Group has classified the business-related information as highly confidential and requires employees not to disclose confidential information to third parties to ensure that the data will not be leaked.

### *Protection of Intellectual Property Rights*

To safeguard 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 2021. 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.

In addition, to protect third party intellectual property rights and comply with relevant licensing terms when software is used, employees are prohibited from duplicating, installing, or using software in violation of its copyright or license terms as part of the Group's information security policy.

### *Advertising and Labelling*

Due to the Group's business nature, the business operation of the Group does not involve in any advertising and labelling related matters. Our customers typically come to know us either by word-of-mouth or are repeat customers. We also closely monitor the Singapore government's online public tender system (GeBIZ) for any relevant tenders.

## Aspect B7: Anti-Corruption

To maintain a fair, ethical and efficient business and working environment, the Group strictly abides by the local laws and regulations relating to anti-corruption and bribery, irrespective of the area or country where the Group conducts its business. 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 whistle-blowing 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. The Group's whistle-blowing policy is easily accessible to all employees through intranet and staff handbook. Any unethical or improper practices should be promptly reported directly to Mr. Alan Lim, 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, ("**Mr. Horace Lee**"), an independent non-executive Director and the Chairman of the Audit Committee. An investigation will then be initiated and details of the investigation will be reported to Mr. Horrace 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.

During the Reporting Year, the Group complied with the relevant laws and regulations, including but not limited to "Prevention of Corruption Act", relating to bribery, extortion, fraud and money laundering, and was not aware of any non-compliance cases that have a significant impact on the Group. There were no concluded legal cases regarding corrupt practices and complaints.

## Aspect B8: Community Investment

While devoting ourselves to business development, the Group also shoulders the responsibility of contributing society. As a responsible corporate citizen, we are committed to emboldening and supporting the public by the means of social participation as part of our strategic development. The Group also actively encourages employees to support the community by giving them opportunities to learn more about social and environmental issues and enhance the Group's corporate value.

We participate in community activities, such as Community Educational Awards Presentation 2019 and donation for a non-governmental organisation in Siem Reap, Cambodia Rural Students Trust, to support the education and community projects in Cambodia. During the Reporting Year, the Group had contributed S$66,037 for the causes as explained above.

# INDEPENDENT AUDITOR'S REPORT

BDO

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永安中心25樓

**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 90 to 174, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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 4.5, 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$72,434,000 and S$5,224,000 respectively, for the year ended 31 December 2019. 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, 30 March 2020

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

| | Notes | 2019<br>S$'000 | 2018<br>S$'000 |
|---|---|---|---|
| **Revenue** | *7* | **77,658** | 93,476 |
| Direct costs | | **(71,709)** | (84,743) |
| **Gross profit** | | **5,949** | 8,733 |
| Other income and gains | *7* | **2,567** | 2,947 |
| Administrative and other operating expenses | | **(6,314)** | (6,370) |
| Other expenses | | **(287)** | (922) |
| Finance costs | *8* | **(669)** | (487) |
| **Profit before income tax** | *9* | **1,246** | 3,901 |
| Income tax expense | *11(a)* | **(248)** | (846) |
| **Profit for the year attributable to owners of the Company** | | **998** | 3,055 |
| **Other comprehensive income for the year** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences arising on translation | | **(178)** | 535 |
| *Items that will not be reclassified subsequently to profit or loss:* | | | |
| Changes in fair value of financial assets at fair value through other comprehensive income | | **(134)** | (170) |
| Other comprehensive income for the year, net of tax | | **(312)** | 365 |
| **Total comprehensive income for the year attributable to the owners of the Company** | | **686** | 3,420 |
| Earnings per share attributable to owners of the Company – Basic and diluted (S$ cents) | *13* | **0.10** | 0.29 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

| | Notes | 2019 S$'000 | 2018 S$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | *14* | **2,360** | 26,139 |
| Right-of-use assets | *15* | **25,412** | – |
| Investment property | *16* | **1,322** | 1,334 |
| Other assets | *17* | **364** | 373 |
| Deposits and other receivables | *21* | **296** | 308 |
| Financial assets at fair value through profit or loss | *18* | **1,398** | 1,409 |
| Financial assets at fair value through other comprehensive income | *18* | **939** | 1,073 |
| Financial assets at amortised costs | *18* | **1,250** | 1,250 |
| Deferred tax assets | *11(b)* | **326** | – |
| | | **33,667** | 31,886 |
| **Current assets** | | | |
| Contract assets | *19* | **26,399** | 18,292 |
| Trade receivables | *20* | **13,195** | 20,142 |
| Deposits, prepayments and other receivables | *21* | **9,947** | 13,845 |
| Pledged deposits | *22* | **3,359** | 3,328 |
| Cash and cash equivalents | *22* | **44,772** | 36,664 |
| | | **97,672** | 92,271 |
| **Current liabilities** | | | |
| Contract liabilities | *19* | **3,088** | 2,124 |
| Trade payables | *23* | **10,695** | 6,236 |
| Other payables, accruals and deposits received | *24* | **3,385** | 2,990 |
| Finance lease liabilities | *26* | **–** | 13,941 |
| Lease liabilities | *26* | **12,229** | – |
| Income tax payable | | **575** | 552 |
| | | **29,972** | 25,843 |
| **Net current assets** | | **67,700** | 66,428 |
| **Total assets less current liabilities** | | **101,367** | 98,314 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

| | Notes | 2019<br>S$'000 | 2018<br>S$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Deposits received | *24* | **16** | – |
| Finance lease liabilities | *26* | **–** | 5,415 |
| Lease liabilities | *26* | **7,763** | – |
| Deferred tax liabilities | *11(b)* | **245** | 242 |
| | | **8,024** | 5,657 |
| **Net assets** | | **93,343** | 92,657 |
| **EQUITY** | | | |
| **Equity attributable to the owners of the Company** | | | |
| Share capital | *25* | **1,807** | 1,807 |
| Reserves | *25* | **91,536** | 90,850 |
| **Total equity** | | **93,343** | 92,657 |

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 2019

| | Share capital S$'000 *(note 25)* | Share premium* S$'000 *(note 25)* | Treasury shares reserve* S$'000 *(note 25)* | Merger reserve* S$'000 *(note 25)* | Translation reserve* S$'000 *(note 25)* | Investment revaluation reserve* S$'000 | Fair value through other comprehensive income reserve* S$'000 | Retained profits* S$'000 | Total S$'000 |
|---|---|---|---|---|---|---|---|---|---|
| **At 1 January 2018** | 1,808 | 27,929 | (70) | 5,166 | (913) | (411) | – | 56,515 | 90,024 |
| Initial application of HKFRS 9 | – | – | – | – | – | 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 2018 | (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 fair value through other comprehensive income | – | – | – | – | – | – | (29) | 29 | – |
| **At 31 December 2018 and 1 January 2019** | 1,807 | 27,860 | – | 5,166 | (378) | – | (170) | 58,372 | 92,657 |
| Profit for the year | – | – | – | – | – | – | – | 998 | 998 |
| Other comprehensive income | | | | | | | | | |
| Changes in fair value of financial assets at fair value through other comprehensive income | – | – | – | – | – | – | (134) | – | (134) |
| Exchange differences arising on translation | – | – | – | – | (178) | – | – | – | (178) |
| Total comprehensive income for the year | – | – | – | – | (178) | – | (134) | 998 | 686 |
| **At 31 December 2019** | 1,807 | 27,860 | – | 5,166 | (556) | – | (304) | 59,370 | 93,343 |

* *These reserve accounts comprise the consolidated reserves of approximately S$91,536,000 (2018: approximately S$90,850,000) in the consolidated statement of financial position as at 31 December 2019.*

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

| | Notes | 2019<br>S$'000 | 2018<br>S$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before income tax | | **1,246** | 3,901 |
| Adjustments for: | | | |
| Interest income | *7(c)* | **(483)** | (98) |
| Interest expense | *8* | **669** | 487 |
| Dividend income from financial assets at FVOCI | *7* | **(54)** | (16) |
| Depreciation of property, plant and equipment | *9* | **768** | 7,338 |
| Depreciation of right-of-use assets | *9* | **8,106** | – |
| Depreciation of investment property | *9* | **12** | 12 |
| Gain on disposals of financial assets at FVOCI | *7* | **–** | (120) |
| Gain on disposals of property, plant and equipment | *7* | **(299)** | (496) |
| Gain on disposals of right-of-use assets | *7* | **(92)** | – |
| Provision for impairment of contract assets | *9* | **255** | – |
| (Reversal)/provision for impairment of trade receivables | *9* | **(93)** | 922 |
| Provision for impairment of other receivables | *9* | **114** | – |
| Impairment loss on other assets | *9* | **9** | – |
| Changes in fair value of financial assets at FVTPL | *9* | **11** | (36) |
| Operating profit before working capital changes | | **10,169** | 11,894 |
| (Increase)/decrease in contract assets | | **(8,362)** | 3,570 |
| Decrease in trade receivables | | **7,040** | 2,265 |
| Decrease/(increase) in deposits, prepayments and other receivables | | **3,796** | (524) |
| Increase/(decrease) in contract liabilities | | **964** | (257) |
| Increase/(decrease) in trade payables | | **4,459** | (3,734) |
| Decrease in other payables, accruals and deposits received | | **(461)** | (3,366) |
| Cash generated from operations | | **17,605** | 9,848 |
| Income tax paid, net | | **(548)** | (632) |
| **Net cash generated from operating activities** | | **17,057** | 9,216 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

| | 2019<br>S$'000 | 2018<br>S$'000 |
|---|---|---|
| **Cash flows from investing activities** | | |
| Increase in time deposits with maturity over three months | **(2,000)** | – |
| Proceeds from disposals of financial assets at FVOCI | **–** | 1,350 |
| Proceeds from disposals of property, plant and equipment | **505** | 1,032 |
| Purchases of property, plant and equipment | **(423)** | (3,129) |
| Proceeds from disposals of right-of-use assets | **393** | – |
| Purchases of right-of-use assets | **(541)** | – |
| Purchase of finance asset at amortised costs | **–** | (1,250) |
| Purchase of finance asset at FVOCI | **–** | (1,889) |
| Interest received | **483** | 98 |
| Dividend received | **54** | 16 |
| **Net cash used in investing activities** | **(1,529)** | (3,772) |
| **Cash flows from financing activities** | | |
| Interest portion of the lease liabilities | **(669)** | – |
| Repayment of principal portion of the lease liabilities | **(8,542)** | – |
| Interest element on finance lease liabilities paid | **–** | (484) |
| Capital element of finance lease liabilities paid | **–** | (2,989) |
| Repayment of bank borrowings | **–** | (127) |
| Increase in pledged deposits | **(31)** | (21) |
| Interests paid | **–** | (3) |
| **Net cash used in financing activities** | **(9,242)** | (3,624) |
| **Net increase in cash and cash equivalents** | **6,286** | 1,820 |
| **Cash and cash equivalents at beginning of the year** | **36,664** | 34,309 |
| **Effect of foreign exchange rate changes, net** | **(178)** | 535 |
| **Cash and cash equivalents at end of the year** | **42,772** | 36,664 |
| **Analysis of balances of cash and cash equivalents** | | |
| Cash and bank balances | **23,103** | 36,664 |
| Time deposits with maturity less than three months | **19,669** | – |
| | **42,772** | 36,664 |

## 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 32 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 2019 were approved and authorised for issue by the board of directors on 30 March 2020.

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

### (a) Adoption of new/revised HKFRSs effective 1 January 2019

In current year, the Group has applied for the first time the following new or revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") which are relevant to and effective for the Group's consolidated financial statements for the annual year beginning on 1 January 2019.

| | |
|---|---|
| HKFRS 16 | Leases |
| HK(IFRIC)-Int 23 | Uncertainty over Income Tax Treatments |
| Amendments to HKFRS 9 | Prepayment Features and Negative Compensation |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures |
| Annual Improvements to HKFRSs 2015-2017 Cycle | Amendments to HKFRS 3, Business Combinations |
| Annual Improvements to HKFRSs 2015-2017 Cycle | Amendments to HKFRS 11, Joint Arrangements |
| Annual Improvements to HKFRSs 2015-2017 Cycle | Amendments to HKAS 12, Income Taxes |
| Annual Improvements to HKFRSs 2015-2017 Cycle | Amendments to HKAS 23, Borrowing Costs |

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

### (a) Adoption of new/revised HKFRSs effective 1 January 2019 (Continued)

The impact of the adoption of HKFRS 16 Leases have been summarised in below.

#### *(i) Impact of the adoption of HKFRS 16*

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("**HKAS 17**"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balances of right-of-use assets and lease liabilities at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

As at 31 December 2018, the Group had no future minimum rental payables under non-cancellable operating lease. No corresponding right-of-use assets nor lease liabilities were recognised as at 1 January 2019.

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

### (a) Adoption of new/revised HKFRSs effective 1 January 2019 (Continued)

#### *(i) Impact of the adoption of HKFRS 16 (Continued)*

The measurement of lease liabilities as at 1 January 2019 is as follow:

| | **S$'000** |
|---|---|
| Reclassifying finance lease liabilities recognised as at 31 December 2018 | 19,356 |
| Total lease liabilities as at 1 January 2019 | 19,356 |
| Of which are: | |
| Current | 13,941 |
| Non-current | 5,415 |
| Total lease liabilities as at 1 January 2019 | 19,356 |

The following tables summarised the impact of the adoption of HKFRS 16 on the consolidated statement of financial position as at 1 January 2019 as follows:

| | **Carrying amount as at 31 December 2018** S$'000 | **Reclassification of HKFRS 16** S$'000 | **Carrying amount as at 1 January 2019** S$'000 |
|---|---|---|---|
| **Assets:** | | | |
| Property, plant and equipment | 26,139 | (23,362) | 2,777 |
| Right-of-use assets | – | 23,362 | 23,362 |
| **Liabilities** | | | |
| Finance lease liabilities (current) | 13,941 | (13,941) | – |
| Lease liabilities (current) | – | 13,941 | 13,941 |
| Finance lease liabilities (non-current) | 5,415 | (5,415) | – |
| Lease liabilities (non-current) | – | 5,415 | 5,415 |

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

### (a) Adoption of new/revised HKFRSs effective 1 January 2019 (Continued)

#### *(ii) The new definition of a lease*

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

#### *(iii) Accounting as a lessee*

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the consolidated statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets (the Group has leased printers and copiers) and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

The accounting policies have been applied to the Group's right-of-use assets and lease liabilities are detailed in Note 4.6.

#### *(iv) Accounting as a lessor*

As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these financial statements.

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

### (a) Adoption of new/revised HKFRSs effective 1 January 2019 (Continued)

*(v) Transition*

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of right-of-use assets and lease liabilities at the date of initial application (1 January 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 and measure at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019; and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

The Group has also leased majority of its plant and machinery, office equipment and motor vehicle which previously were classified as finance leases under HKAS 17. For these leases previously classified as finance leases under HKAS 17, the Group recognised the carrying amount of the lease assets and finance lease liabilities immediately before transition as the carrying amount of the right-of-use assets and the lease liabilities at the date of initial application of HKFRS 16.

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

### (a) Adoption of new/revised HKFRSs effective 1 January 2019 (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 HKAS 19 – Plan amendments, curtailment or settlement***

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

***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 clarifies 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.

***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.

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

### (a) Adoption of new/revised HKFRSs effective 1 January 2019 (Continued)

***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 clarifies 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.

Except for the adoption of HKFRS 16, the other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

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

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

| | |
|---|---|
| Amendments to HKFRS 3 | Definition of a Business[1] |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material[1] |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform[1] |
| HKFRS 17 | Insurance Contracts[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 2020
[2] Effective for annual periods beginning on or after 1 January 2021
[3] The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. 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)

***Amendments to HKFRS 3 – Definition of a business***

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits 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***

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

***Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform***

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

***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.

***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. When 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.

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

## 3. BASIS OF PREPARATION

### (a) Basis of compliance

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

### (b) Basis of measurement

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

### (c) Functional and presentation currency

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Basis of consolidation

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

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

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.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.3 Property, plant and equipment (Continued)

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.

### 4.4 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 Revenue recognition

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.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.5 Revenue recognition (Continued)

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.

*Contract assets and liabilities*

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 (i) the Group completes the construction works under such services contracts but yet certified by architects, surveyors or other representatives appointed by customers, or (ii) the customers retain retention money to secure the due performance of the contracts.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.5 Revenue recognition (Continued)

#### *(i) Revenue from construction contracts (Continued)*

*Contract assets and liabilities (Continued)*

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.

*Contract costs*

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 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.

#### *(ii) Revenue from earthwork ancillary services income*

Revenue from earthwork ancillary services income is recognised 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.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.5 Revenue recognition (Continued)

#### *(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.

### 4.6(A) Leasing (accounting policies applied from 1 January 2019)

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

***Right-of-use asset***

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. Right-of-use assets are depreciated on a straight-line basis, as follows:

| | |
|---|---|
| Properties leased for own use | Over the lease terms plus extension option period |
| Plant and machinery | 5 years |
| Office equipment | 5 years |
| Motor vehicles | 5 years |

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.6(A) Leasing (accounting policies applied from 1 January 2019) (Continued)

***Lease liability***

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

### 4.6(B) Leasing (accounting policies applied until 31 December 2018)

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)

### 4.6(B) Leasing (accounting policies applied until 31 December 2018) (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.

### 4.7 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.

### 4.8 Financial instruments

***(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 FVTPL, 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)

### 4.8 Financial instruments (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.

Fair value through other comprehensive income ("**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.

Fair value through profit or loss ("**FVTPL**"): Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, 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 FVTPL, 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 FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

*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. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.8 Financial instruments (Continued)

#### *(ii) Impairment loss on financial assets*

The Group recognises loss allowances for expected credit loss ("**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.

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.8 Financial instruments (Continued)

***(iii) Financial liabilities***

The Group classifies its financial liabilities depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL 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, other payables, accruals and deposits received, and lease liabilities 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.

***(iv) 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 relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

***(v) Equity instruments***

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.

***(vi) Financial guarantee contracts***

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee 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 4.8(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.8 Financial instruments (Continued)

#### *(vii) 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.

### 4.9 Fair value measurement

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

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

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

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

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.10 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.

### 4.11 Foreign currency

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

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.11 Foreign currency (Continued)

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

### 4.12 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.

### 4.13 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;
- right-of-use assets;
- other assets; and
- investment property

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

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

# 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## 4.14 Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

## 4.15 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.

## 4.16 Provisions and contingent liabilities

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

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.17 Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4.18 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 lease liabilities;

(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, FVTPL, 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 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 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$575,000 (2018: approximately S$552,000) as at 31 December 2019.

## 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**").

### (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 2019 and 2018. Operating revenue, direct costs, gain on disposals of property, plant and equipment (including plant and machinery and motor vehicles), interest expenses on leases liabilities, 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 2019** | | | |
| Revenue from external customers | 67,625 | 10,033 | 77,658 |
| Reportable segment results | 6,344 | (36) | 6,308 |
| Unallocated other income and gains | | | 1,377 |
| Corporate and other unallocated expenses | | | (6,439) |
| Profit before income tax | | | 1,246 |

## 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 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 |

During the year ended 31 December 2019, the corporate and other unallocated expenses mainly included directors' emoluments, employee benefits expenses, depreciation of office equipment and other centralised administrative cost for the Group's headquarter (2018: 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 | |
|---|---|---|
| | **2019 S$'000** | 2018 S$'000 |
| Earthworks & ancillary services | **58,762** | 54,923 |
| General construction works | **7,602** | 9,292 |
| **Total** | **66,364** | 64,215 |
| Additions to non-current segment assets | | |
| Earthworks & ancillary services | **10,794** | 12,233 |
| General construction works | **–** | – |
| **Total** | **10,794** | 12,233 |

## 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 | |
|---|---|---|
| | **2019** | 2018 |
| | **S$'000** | S$'000 |
| Reportable segment assets | **66,364** | 64,215 |
| Unallocated property, plant and equipment | **561** | 618 |
| Unallocated right-of-use assets | **522** | – |
| Financial assets at FVTPL | **1,398** | 1,409 |
| Financial assets at amortised cost | **1,250** | 1,250 |
| Financial assets at FVOCI | **939** | 1,073 |
| Investment property | **1,322** | 1,334 |
| Other assets | **364** | 373 |
| Deferred tax assets | **326** | – |
| Pledged deposits | **3,359** | 3,328 |
| Cash and cash equivalents | **44,772** | 36,664 |
| Corporate and other unallocated assets | **10,162** | 13,893 |
| **Group assets** | **131,339** | 124,157 |

Corporate and other unallocated assets mainly included deposits, prepayments, 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 | |
|---|---|---|
| | **2019** | 2018 |
| | **S$'000** | S$'000 |
| Earthworks & ancillary services | **29,308** | 25,835 |
| General construction works | **4,045** | 1,881 |
| **Total** | **33,353** | 27,716 |

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 | |
|---|---|---|
| | **2019** | 2018 |
| | **S$'000** | S$'000 |
| Reportable segment liabilities | **33,353** | 27,716 |
| Deferred tax liabilities | **245** | 242 |
| Corporate and other unallocated liabilities | **4,398** | 3,542 |
| **Group liabilities** | **37,996** | 31,500 |

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 2019** | | | | |
| Gain on disposals of property, plant and equipment | **299** | **–** | **–** | **299** |
| Gain on disposals of right-of-use assets | **92** | **–** | **–** | **92** |
| Depreciation of property, plant and equipment | **584** | **8** | **176** | **768** |
| Depreciation of right-of-use assets | **7,961** | **34** | **111** | **8,106** |
| Bad debts recovered | **705** | **94** | **–** | **799** |
| Provision for impairment of contract assets | **228** | **27** | **–** | **255** |
| Reversal of impairment of trade receivables | **(235)** | **142** | **–** | **(93)** |
| Provision for impairment of other receivables | **–** | **–** | **114** | **114** |
| Finance costs | **668** | **1** | **–** | **669** |

| | 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 |

## 6. SEGMENT INFORMATION (CONTINUED)

### (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.

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

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **S$'000** | S$'000 |
| Customer A – attributable to Earthworks & ancillary services | **n/a** | 23,312 |
| Customer B – attributable to General construction works | **n/a** | 11,281 |
| Customer C – attributable to Earthworks & ancillary services | **9,055** | n/a |

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

## 7. REVENUE, OTHER INCOME AND GAINS

(a) Revenue, which is also the Group's turnover, represents revenue from Earthworks & 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 | |
|---|---|---|
| | **2019** | 2018 |
| | **S$'000** | S$'000 |
| Earthworks & ancillary services (note) | **67,625** | 76,827 |
| General construction works | **10,033** | 16,649 |
| | **77,658** | 93,476 |

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

| | **2019** | 2018 |
|---|---|---|
| | **S$'000** | S$'000 |
| Transferred over time: | | |
| Earthworks & ancillary services (note) | **67,625** | 76,827 |
| General construction works | **10,033** | 16,649 |
| | **77,658** | 93,476 |

Note:

Earthworks & ancillary services include revenue of approximately S$62,401,000 (2018: approximately S$71,780,000) from earthworks and approximately S$5,224,000 (2018: 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 2019, the transaction price allocated to performance obligation that are unsatisfied (or partially unsatisfied) in relation to project works are approximately S$174,593,000 (2018: approximately S$88,523,000). 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:

| | **2019** **S$'000** | 2018 S$'000 |
|---|---|---|
| **Other income** | | |
| Management service income | **234** | 160 |
| Interest income on financial assets carried at amortised cost | **483** | 98 |
| Bad debts recovered | **799** | 1,468 |
| Rental income from investment property | **113** | 105 |
| Dividend income from financial assets at FVOCI | **54** | 16 |
| Sales of scrap materials and consumables | **216** | 241 |
| Change in fair value of financial assets at FVTPL | **–** | 36 |
| Gain on disposal of financial assets at FVOCI | **–** | 120 |
| Others | **274** | 186 |
| | **2,173** | 2,430 |
| **Gains** | | |
| Gain on disposals of property, plant and equipment | **299** | 496 |
| Gain on disposals of right-of-use assets | **92** | – |
| Net exchange gain | **3** | 21 |
| | **2,567** | 2,947 |

## 8. FINANCE COSTS

| | **2019** **S$'000** | 2018 S$'000 |
|---|---|---|
| Interest expenses for financial liabilities carried at amortised cost: | | |
| – Interest on lease liabilities | **669** | – |
| – Interest on finance leases | **–** | 484 |
| – Interest on bank loans wholly repayable within five years | **–** | 3 |
| | **669** | 487 |

## 9. PROFIT BEFORE INCOME TAX

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

| | **2019 S$'000** | 2018 S$'000 |
|---|---|---|
| Auditor's remuneration | **198** | 234 |
| Depreciation of property, plant and equipment *(note 14) (note (i))* | **768** | 7,338 |
| Depreciation of right-of-use-assets *(note 15) (note (i))* | **8,106** | – |
| Depreciation of investment property *(note 16) (note (ii))* | **12** | 12 |
| Direct operating expenses arising from investment property that generated rental income | **28** | 19 |
| Net exchange gain | **(3)** | (21) |
| Operating lease rental expenses in respect of: | | |
| – Office equipment and machineries | **–** | 16,337 |
| – Warehouses, premises, dormitories and workshops | **–** | 2,024 |
| | **–** | 18,361 |
| Employee benefit expenses (including directors' remuneration *(note 10)*): | | |
| – Salaries, wages and bonuses | **16,431** | 16,476 |
| – Defined contribution retirement plan | **742** | 722 |
| – Other short-term benefits | **2,568** | 2,838 |
| | **19,741** | 20,036 |
| Provision for impairment of contract assets | **255** | – |
| (Reversal)/provision for impairment of trade receivables | **(93)** | 922 |
| Provision for impairment of other receivables | **114** | – |
| Impairment loss on other assets | **9** | – |
| Fair value loss on financial assets at FVTPL | **11** | – |

Notes:

(i) Depreciation of property, plant and equipment amounted to approximately S$592,000 (2018: approximately S$7,149,000) has been included in direct costs and approximately S$176,000 (2018: approximately S$189,000) in administrative and other operating expenses during the year.

Depreciation of right-of-use assets amounted to approximately S$7,995,000 has been included in direct costs and approximately S$111,000 in administrative and other operating expenses during the year.

(ii) 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 2019** | | | | | |
| *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 | – | 221 | – | 12 | 233 |
| Mr. Wong Kee Chung ("**Mr. Stan Wong**") | 63 | – | – | – | 63 |
| | 63 | 1,813 | – | 42 | 1,918 |
| *Independent non-executive directors:* | | | | | |
| Mr. Ng Ka Lok ("**Mr. Ng**") *(note (i))* | 19 | – | – | – | 19 |
| Mr. Wee Hian Eng Cyrus ("**Mr. Cyrus Wee**") *(note (ii))* | 1 | – | – | – | 1 |
| Mr. Phang Yew Kiat ("**Mr. Phang**") | 28 | – | – | – | 28 |
| Mr. Lee Cheung Yuet Horace ("**Mr. Horace Lee**") | 31 | – | – | – | 31 |
| | 79 | – | – | – | 79 |
| **Total** | 142 | 1,813 | – | 42 | 1,997 |

## 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 2018** | | | | | |
| 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 | 62 | – | – | – | 62 |
| | 62 | 1,800 | – | 42 | 1,904 |
| Independent non-executive directors: | | | | | |
| Mr. Ng | 19 | – | – | – | 19 |
| Mr. Phang | 28 | – | – | – | 28 |
| Mr. Lee Teck Leng ("**Mr. Lee**") *(note (iii))* | 3 | – | – | – | 3 |
| Mr. Horace Lee | 31 | – | – | – | 31 |
| | 81 | – | – | – | 81 |
| **Total** | 143 | 1,800 | – | 42 | 1,985 |

Notes:

(i) Mr. Ng was appointed as an independent non-executive director of the Company on 8 February 2018. He passed away on 25 November 2019.

(ii) Mr. Cyrus Wee was appointed as an independent non-executive director of the Company on 17 December 2019.

(iii) Mr. Lee has resigned as the independent non-executive director of the Company on 8 February 2018.

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

### (b) Five highest paid individuals

The five highest paid individuals of the Group included 4 (2018: 4) directors for the year, whose emoluments are reflected in note (a).

The analysis of the emolument of the remaining 1 (2018: 1) highest paid individuals for the year, are set out below:

| | **2019** **S$'000** | 2018 S$'000 |
|---|---|---|
| Salaries, allowances and benefits in kind | **202** | 106 |
| Discretionary bonuses | **19** | 15 |
| Defined contribution retirement plan | **–** | 11 |
| | **221** | 132 |

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

| | **Number of individuals** **2019** | 2018 |
|---|---|---|
| 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 (2018: 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

| | Notes | 2019 S$'000 | 2018 S$'000 |
|---|---|---|---|
| **Current tax – Singapore income tax** | | | |
| Tax for the year | | **109** | 580 |
| Under/(over) provision for prior year | | **462** | (28) |
| | | **571** | 552 |
| **Deferred tax** | | | |
| (Credit)/charged to profit or loss for the year | *(b)* | **(323)** | 294 |
| Income tax expense | | **248** | 846 |

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 (2018: 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:

| | 2019 S$'000 | 2018 S$'000 |
|---|---|---|
| Profit before income tax | **1,246** | 3,901 |
| Tax at statutory tax rate of 17% | **212** | 663 |
| Enhanced tax allowances, exemptions and rebates | **(126)** | (258) |
| Effect of non-deductible expenses | **196** | 267 |
| Effect of non-taxable income | **(26)** | (32) |
| Under/(over) provision for prior years | **462** | (28) |
| Effect of temporary differences | **(470)** | 234 |
| Income tax expense | **248** | 846 |

## 11. INCOME TAX EXPENSE (CONTINUED)

### (b) Deferred tax

The movements in deferred tax liabilities and assets during the year are as follow:

***Deferred tax liabilities***

| | Accelerated tax depreciation S$'000 |
|---|---|
| **At 1 January 2018** | (52) |
| Charged to profit or loss for the year (note 11(a)) | 294 |
| **At 31 December 2018** | 242 |
| Charged to profit or loss for the year (note 11(a)) | 3 |
| **At 31 December 2019** | 245 |

***Deferred tax assets***

| | Leases S$'000 | Impairment loss S$'000 | Total S$'000 |
|---|---|---|---|
| **At 1 January 2018 and 31 December 2018** | – | – | – |
| Credit to profit or loss for the year (note 11(a)) | 12 | 314 | 326 |
| **At 31 December 2019** | 12 | 314 | 326 |

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

| | **2019 S$'000** | 2018 S$'000 |
|---|---|---|
| Deferred tax assets | **326** | – |
| Deferred tax liabilities | **(245)** | (242) |

## 12. DIVIDENDS

No dividend has been declared or paid by the Company during the year ended 31 December 2019 (2018: Nil).

## 13. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2019 is based on the profit attributable to owners of the Company of approximately S$998,000 (2018: approximately S$3,055,000) and on the weighted average number of 1,036,456,000 (2018: weighted average number of 1,036,456,000) 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 2019 and 2018.

## 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 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 |
| 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 |

## 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 |
|---|---|---|---|---|
| **At 1 January 2019 (note)** | | | | |
| Cost | 10,851 | 915 | 14,854 | 26,620 |
| Accumulated depreciation | (9,239) | (398) | (14,206) | (23,843) |
| Net book amount | 1,612 | 517 | 648 | 2,777 |
| **Year ended 31 December 2019** | | | | |
| Opening net book amount | 10,540 | 655 | 14,944 | 26,139 |
| Initial application of HKFRS 16 (note) | (8,928) | (138) | (14,296) | (23,362) |
| **Restated balance as at 1 January 2019** | 1,612 | 517 | 648 | 2,777 |
| Additions | 75 | 220 | 128 | 423 |
| Depreciation | (424) | (176) | (168) | (768) |
| Disposal | – | – | (206) | (206) |
| Transfer in for the year | 134 | – | – | 134 |
| Closing net book amount | 1,397 | 561 | 402 | 2,360 |
| **At 31 December 2019** | | | | |
| Cost | 11,423 | 1,019 | 12,948 | 25,390 |
| Accumulated depreciation | (10,026) | (458) | (12,546) | (23,030) |
| Net book amount | 1,397 | 561 | 402 | 2,360 |

Note:

The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 January 2019 to recategorise the carrying amounts of the relevant assets which were held under finance lease as at 1 January 2019 of approximately S$23,362,000 as right-of-use assets.

## 15. RIGHT-OF-USE ASSETS

The analysis of the carrying amount of right-of-use assets by class of underlying asset is as follows:

| | Properties leased for own use S$'000 | Plant and machinery S$'000 | Office equipment S$'000 | Motor vehicles S$'000 | Total S$'000 |
|---|---|---|---|---|---|
| **At 1 January 2019 (note)** | | | | | |
| Cost | – | 12,947 | 143 | 20,332 | 33,422 |
| Accumulated depreciation | – | (4,019) | (5) | (6,036) | (10,060) |
| Net book amount | – | 8,928 | 138 | 14,296 | 23,362 |
| **Year ended 31 December 2019** | | | | | |
| Opening net book amount | – | – | – | – | – |
| Initial application of HKFRS 16 (note) | – | 8,928 | 138 | 14,296 | 23,362 |
| **Restated balance as at 1 January 2019** | – | 8,928 | 138 | 14,296 | 23,362 |
| Additions | 4,032 | 2,551 | – | 4,008 | 10,591 |
| Depreciation | (672) | (2,844) | (29) | (4,561) | (8,106) |
| Transfer out for the year | – | (134) | – | – | (134) |
| Disposal | – | (301) | – | – | (301) |
| Closing net book amount | 3,360 | 8,200 | 109 | 13,743 | 25,412 |
| **At 31 December 2019** | | | | | |
| Cost | 4,032 | 14,023 | 143 | 24,340 | 42,538 |
| Accumulated depreciation | (672) | (5,823) | (34) | (10,597) | (17,126) |
| Net book amount | 3,360 | 8,200 | 109 | 13,743 | 25,412 |

Note:

The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, the comparative information is not restated. Further details on the impact of the transition to HKFRS 16 are set out in note 2(a)(i). These right-of-use assets have been aggregated with the brought forward balances relating to assets held under finance leases and included in property, plant and equipment of approximately S$23,362,000 (note 14).

## 15. RIGHT-OF-USE ASSETS (CONTINUED)

The following are the amounts recognised in profit or loss:

| | 2019 S$'000 |
|---|---|
| Depreciation expense of right-of-use assets | 8,106 |
| Interest expense on lease liabilities | 669 |
| Low value lease expense | 16 |
| Variable lease payments not included in the measurement of lease liabilities (included in cost of sales) | 1,434 |
| | 10,225 |

The weighted average lessee's incremental borrowing rate applied to lease liabilities in relation to properties leased for own use recognised in the consolidated statement of financial position as at 1 January 2019 is 4.34%.

## 16. INVESTMENT PROPERTY

| | S$'000 |
|---|---|
| At 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 and 1 January 2019 | |
| Cost | 1,546 |
| Accumulated depreciation | (212) |
| Net book amount | 1,334 |
| **Year ended 31 December 2019** | |
| **Opening net book amount** | **1,334** |
| **Depreciation** | **(12)** |
| **Closing net book amount** | **1,322** |
| **At 31 December 2019** | |
| **Cost** | **1,546** |
| **Accumulated depreciation** | **(224)** |
| **Net book amount** | **1,322** |
| **Fair value** | |
| **At 31 December 2019** | **6,500** |
| At 31 December 2018 | 6,200 |

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.

## 16. INVESTMENT PROPERTY (CONTINUED)

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$29,000 to S$35,000. 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 Group's aggregate banking facilities amounted to approximately S$63,540,000 (2018: approximately S$58,840,000), of which approximately S$34,287,000 (2018: approximately S$39,368,000) have been utilised as at 31 December 2019. The banking facilities of the Group were pledged by the Group's investment property and bank deposits as set out in note 22. The summary of banking facilities as follows:

| | **2019**<br>**S$'000** | 2018<br>S$'000 |
|---|---|---|
| Banking facilities for: | | |
| – Letter of credit, bank overdraft and bank guarantee | **25,200** | 20,500 |
| – Hire purchase | **38,340** | 38,340 |
| | **63,540** | 58,840 |

## 17. 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 impairment provision of approximately S$9,000 (2018: Nil) was provided.

## 18. FINANCIAL ASSETS – FAIR VALUE THROUGH PROFIT OR LOSS, FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND AMORTISED COST

| | Notes | 2019<br>S$'000 | 2018<br>S$'000 |
|---|---|---|---|
| Investment in life insurance policy at fair value | *(a)* | **1,398** | 1,409 |
| Listed equity securities at fair value | | | |
| – Inside Hong Kong | | **26** | 26 |
| – Outside Hong Kong | | **913** | 1,047 |
| | | **939** | 1,073 |
| Investment in corporate bond | | **250** | 250 |
| Investment in property development project | | **1,000** | 1,000 |
| | | **3,587** | 3,732 |
| **Classified as:** | | | |
| Financial assets at FVTPL | | | |
| – Investment in life insurance policy at fair value | | **1,398** | 1,409 |
| Financial assets at FVOCI | | | |
| – Listed equity securities at fair value | *(b)* | **939** | 1,073 |
| Financial assets at amortised cost: | | | |
| – Investment in corporate bond | | **250** | 250 |
| – Investment in property development project | | **1,000** | 1,000 |
| | | **1,250** | 1,250 |

(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.

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

## 18. FINANCIAL ASSETS – FAIR VALUE THROUGH PROFIT OR LOSS, FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND AMORTISED COST (CONTINUED)

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

| | 2019<br>S$'000 | 2018<br>S$'000 |
|---|---|---|
| HK$ | **26** | 26 |
| United States dollar ("**US$**") | **1,398** | 1,409 |
| | **1,424** | 1,435 |

## 19. CONTRACT ASSETS AND CONTRACT LIABILITIES

| | 2019<br>S$'000 | 2018<br>S$'000 |
|---|---|---|
| Contract assets | **26,399** | 18,292 |
| Contract liabilities | **(3,088)** | (2,124) |
| | **23,311** | 16,168 |

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/invoices to customers based on certified amount agreed with customer.

The contract assets are expected to be recovered or settled within 3 years upon completion of services and acceptance by the customers.

During the year ended 31 December 2019, S$255,000 was recognised as an allowance for expected credit losses on contract assets. Further details on the Group's credit policy and credit risk arising from contract assets are set out in note 34.

## 19. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

Movement in the provision for impairment of contract assets:

| | 2019<br>S$'000 |
|---|---|
| Balance at beginning of the year | – |
| Provision of impairment losses | 255 |
| | 255 |

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

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:

| | 2019<br>S$'000 | 2018<br>S$'000 |
|---|---|---|
| Revenue recognised that was included in the contract liabilities balance at the beginning of year | 1,538 | 2,324 |
| Transfers from the contract assets recognised at the beginning of year to trade receivables | 11,827 | 14,367 |

Included in the Group's contract assets of approximately S$3,102,000 (2018: 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.

## 20. TRADE RECEIVABLES

| | Notes | 2019 S$'000 | 2018 S$'000 |
|---|---|---|---|
| Trade receivables | | **14,663** | 16,112 |
| Retention receivables | | **894** | 7,284 |
| | | **15,557** | 23,396 |
| Less: Provision for impairment of trade receivables | | **(2,362)** | (3,254) |
| | | **13,195** | 20,142 |
| Total trade receivables, net | | | |
| – Third parties | | **11,651** | 14,575 |
| – Related parties | *(c)* | **1,544** | 5,567 |
| | | **13,195** | 20,142 |

(a) During the year, credit period granted to the Group's customers generally within 30 (2018: 30) days from invoice date of the relevant contract revenue. 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) Based on invoice date, ageing analysis of the Group's trade receivables is as follows:

| | 2019 S$'000 | 2018 S$'000 |
|---|---|---|
| 0 to 30 days | **8,879** | 5,856 |
| 31 to 90 days | **2,533** | 4,149 |
| 91 to 180 days | **604** | 1,230 |
| 181 to 365 days | **518** | 1,798 |
| Over 365 days | **449** | 753 |
| | **12,983** | 13,786 |
| Retention receivables | **212** | 6,356 |
| | **13,195** | 20,142 |

## 20. TRADE RECEIVABLES (CONTINUED)

(b) (Continued)

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

| | 2019<br>S$'000 | 2018<br>S$'000 |
|---|---|---|
| Neither past due nor impaired | **8,879** | 5,856 |
| 1 to 30 days past due | **1,705** | 1,717 |
| 31 to 90 days past due | **1,018** | 3,202 |
| 91 to 180 days past due | **440** | 485 |
| 181 to 365 days past due | **879** | 1,791 |
| Over 365 days past due | **62** | 735 |
| | **12,983** | 13,786 |
| Retention receivables | **212** | 6,356 |
| | **13,195** | 20,142 |

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.

Movement in the provision for impairment of trade receivables:

| | 2019<br>S$'000 | 2018<br>S$'000 |
|---|---|---|
| Balance at beginning of the year | **3,254** | 3,013 |
| Impact of initial application of HKFRS 9 | **–** | 787 |
| Restated balance at 1 January | **3,254** | 3,800 |
| (Reversal)/provision of impairment losses | **(93)** | 922 |
| Bad debts recovered | **(799)** | (1,468) |
| | **2,362** | 3,254 |

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 34.

(c) 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 28.

## 21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | Notes | 2019<br>S$'000 | 2018<br>S$'000 |
|---|---|---|---|
| Deposits | | **561** | 695 |
| Prepayments | | **558** | 526 |
| Other receivables | *(a)* | **9,124** | 12,932 |
| | *(b)* | **10,243** | 14,153 |
| **Classified as:** | | | |
| Non-current assets | | **296** | 308 |
| Current assets | | **9,947** | 13,845 |
| | | **10,243** | 14,153 |

Notes:

(a) Included in other receivables represented the outstanding balance of approximately S$8,541,000 (2018: approximately S$12,201,000) due from vendor in respect of the deposit paid for acquisition of a company. Subsequent to the reporting date, the Group received a settlement of HK$20,000,000 (equivalent to approximately S$3,652,000) from the vendor.

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

| | Note | 2019<br>S$'000 | 2018<br>S$'000 |
|---|---|---|---|
| – Third parties | | **9,936** | 13,947 |
| – Related parties | *(d)* | **307** | 206 |
| | | **10,243** | 14,153 |

(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 28.

## 22. CASH AND CASH EQUIVALENTS

| | 2019<br>S$'000 | 2018<br>S$'000 |
|---|---|---|
| Cash and bank balances | **26,462** | 39,992 |
| Time deposits with an original maturity of more than three months | **2,000** | – |
| Time deposits with an original maturity of less than three months | **19,669** | – |
| | **48,131** | 39,992 |
| Less: Pledged deposits *(note)* | **(3,359)** | (3,328) |
| Cash and cash equivalents | **44,772** | 36,664 |

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 2019 and 2018, pledged deposits are restricted bank balances to secure:

(i) the guarantee arrangement and the issuance of performance bonds (note 29); and

(ii) the banking facilities including letter of credit, overdraft and bank guarantee amounting to approximately S$25,200,000 and S$20,500,000, respectively (note 16).

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

| | 2019<br>S$'000 | 2018<br>S$'000 |
|---|---|---|
| HK$ | **9,157** | 15,089 |
| US$ | **8,331** | 112 |

## 23. TRADE PAYABLES

| | Notes | 2019 S$'000 | 2018 S$'000 |
|---|---|---|---|
| Trade payables | | 10,556 | 5,844 |
| Retention payables | | 139 | 392 |
| | *(b)* | 10,695 | 6,236 |
| Total trade payables | | | |
| – Third parties | | 9,573 | 5,751 |
| – Related parties | *(c)* | 1,122 | 485 |
| | | 10,695 | 6,236 |

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:

| | 2019 S$'000 | 2018 S$'000 |
|---|---|---|
| 0 to 30 days | 8,030 | 2,765 |
| 31 to 90 days | 1,351 | 1,223 |
| 91 to 180 days | 472 | 498 |
| Over 180 days | 842 | 1,750 |
| | 10,695 | 6,236 |

(c) The trading transactions with these related parties and corresponding relationship with the Group are detailed in note 28.

## 24. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

| | 2019<br>S$'000 | 2018<br>S$'000 |
|---|---|---|
| **Current liabilities:** | | |
| Other payables | **1,405** | 886 |
| Accruals | **1,978** | 2,089 |
| Deposits received | **2** | 15 |
| | **3,385** | 2,990 |
| **Non-current liabilities:** | | |
| Deposits received | **16** | – |

## 25. SHARE CAPITAL AND RESERVES

### Share capital

| | **Number of shares** | **Amount**<br>S$'000 |
|---|---|---|
| Authorised: | | |
| At 1 January 2018, 31 December 2018 and 1 January 2019 and 31 December 2019 | 10,000,000,000 | 17,430 |
| Issued and fully paid: | | |
| At 1 January 2018, 31 December 2018 and 1 January 2019 and 31 December 2019 | 1,036,456,000 | 1,807 |

### 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.

## 25. SHARE CAPITAL AND RESERVES (CONTINUED)

### Merger reserve

Merger reserve of the Group represented the difference between the nominal value of the Company's shares issued pursuant to the Group's reorganisation prior to the listing of the Company's shares 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.

## 26. LEASES

### (a) As lessor

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

| | **2019** | 2018 |
|---|---|---|
| | **S$'000** | S$'000 |
| Within one year | **97** | 15 |
| Within second to fifth year | **29** | – |
| | **126** | 15 |

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.

## 26. LEASES (CONTINUED)

### (b) As lessee

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

| | 31 December 2019 | | 1 January 2019 (note) | | 31 December 2018 (note) | |
|---|---|---|---|---|---|---|
| | Minimum lease payments | Present values of minimum lease payments | Minimum lease payments | Present values of minimum lease payments | Minimum lease payments | Present values of minimum lease payments |
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| Within one year | **8,714** | **8,228** | 7,446 | 7,023 | 7,446 | 7,023 |
| In the second to fifth years, inclusive | **12,301** | **11,764** | 12,715 | 12,333 | 12,715 | 12,333 |
| | **21,015** | **19,992** | 20,161 | 19,356 | 20,161 | 19,356 |
| Less: future interest expenses | **(1,023)** | | (805) | | (805) | |
| Present value of lease liabilities | **19,992** | | 19,356 | | 19,356 | |
| Analysed into: | | | | | | |
| Current portion | | **(12,229)** | | (13,941) | | (13,941) |
| Non-current portion | | **(7,763)** | | (5,415) | | (5,415) |
| | | **(19,992)** | | (19,356) | | (19,356) |

*Note:*

The Group has initially applied HKFRS 16 using the cumulative approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17, if any. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to HKFRS 16 are set out in note 2(a)(i).

During the year ended 31 December 2019, the Group leases plant and machinery, office equipment and motor vehicles under finance leases. The lease term is ranging from 4 to 7 years, with effective interest rate ranging from approximately 2.1% to 5.3% (2018: approximately 2.1% to 5.3%) per annum. All the leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

## 26. LEASES (CONTINUED)

### (b) As lessee (Continued)

The Group also has certain leases of office equipment with low value. The Group applies the "lease of low-value assets" recognition exemptions for these leases.

As at 31 December 2018, the Group had no future minimum rental payables under non-cancellable operating lease.

## 27. COMMITMENTS

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

| | **2019**<br>**S$'000** | 2018<br>S$'000 |
|---|---|---|
| Contracted but not provided for, in respect of acquisition of | | |
| – property, plant and equipment | **2,580** | 3,100 |

## 28. 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 |
| Golden Empire Civil Engineering Pte. Ltd. ("**Golden Empire**") | A related company partially owned by Mr. Alan Lim |
| Golden Empire-Huationg Pte. Ltd. ("**Golden Empire-Huationg**") | A related company partially owned by Mr. Alan Lim |
| Hulett Construction (S) Pte. Ltd. ("**Hulett Construction**") | A related company wholly owned by Mr. Alan Lim and his spouse |
| United E&P Pte. Ltd. ("**United E&P**") | A related company beneficially partially owned by Mr. Alan Lim |
| We Lim Builders Pte. Ltd. ("**We Lim Builders**") | A related company wholly owned by Mr. Alan Lim and his spouse |

## 28. 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:

| | 2019<br>S$'000 | 2018<br>S$'000 |
|---|---|---|
| Construction contract work and earthwork ancillary services income received from related parties | | |
| – Mrs. Lim | 15 | – |
| – Cheng Yap | 16 | 3 |
| – Golden Empire# | 1,861 | 2,120 |
| – Golden Empire-Huationg# | 637 | 460 |
| – United E&P# | 35 | 154 |
| | 2,564 | 2,737 |
| Sales of property, plant and equipment to a related party | | |
| – United E&P | 100 | – |
| Construction costs and related supporting service fees charged by related parties | | |
| – Autoworld Hub | 5 | 16 |
| – Cheng Yap | 109 | 234 |
| – Golden Empire# | 2,700 | 26 |
| – Golden Empire-Huationg# | 300 | 299 |
| – Hulett Construction# | 2,123 | 2,085 |
| – United E&P# | 411 | 207 |
| | 5,648 | 2,867 |
| 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.

## 28. RELATED PARTY TRANSACTIONS (CONTINUED)

### (c) Compensation of key management personnel

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

| | 2019<br>S$'000 | 2018<br>S$'000 |
|---|---|---|
| Short-term employee benefits | **2,010** | 2,019 |

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

| | Maximum amount outstanding during the year | |
|---|---|---|
| | **2019<br>S$'000** | 2018<br>S$'000 |
| Mrs. Lim | **3,657** | 3,640 |
| Autoworld Hub | **(2)** | (1) |
| Cheng Yap | **(103)** | (98) |
| Golden Empire | **2,366** | 1,835 |
| Golden Empire-Huationg | **(510)** | 220 |
| Hulett Construction | **3,265** | 3,407 |
| United E&P | **(250)** | 826 |
| We Lim Builders | **27** | 26 |

## 29. CONTINGENT LIABILITIES

Performance bonds provided for in the ordinary course of business

At 31 December 2019, the Group had contingent liabilities in respect of performance bonds of construction contracts in its ordinary course of business of approximately S$2,817,000 (2018: approximately S$8,791,000). The guarantees in respect of performance bonds issued by banks, which are secured by pledged deposits (note 22).

## 30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

| | Bank borrowings | Lease liabilities/ Finance lease liabilities (note 26) | Total |
|---|---|---|---|
| | S$'000 | S$'000 | S$'000 |
| **At 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 liabilities | (3) | (484) | (487) |
| Interest expense | 3 | 484 | 487 |
| **At 31 December 2018 and 1 January 2019** | – | 19,356 | 19,356 |
| Major non-cash transactions *(note (b))* | – | 5,146 | 5,146 |
| New lease | – | 4,032 | 4,032 |
| Financing cash outflows | – | (8,542) | (8,542) |
| Interest paid/interest element on lease liabilities | – | (669) | (669) |
| Interest expense | – | 669 | 669 |
| **At 31 December 2019** | – | **19,992** | **19,992** |

## 30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

### Major non-cash transactions

(a) During the year, no deposits (2018: approximately S$260,000) 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 lease arrangements in respect of certain right-of-use assets (2018: property, plant and equipment) with a total capital value of approximately S$5,146,000 (2018: approximately S$9,043,000) at the inception of the leases.

(c) During the year, amounts of approximately S$872,000 (2018: approximately S$267,000) in relation to the acquisition of right-of-use assets (2018: property, plant and equipment) were not yet settled and included in other payables.

(d) During the year, the Group has transferred certain leased plants and machineries with aggregate net book amount amounting to approximately S$134,000 from right-of-use assets to property, plant and equipment upon these plants and machineries were fully redeemed.

## 31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | 2019<br>S$'000 | 2018<br>S$'000 |
|---|---|---|
| **ASSETS AND LIABILITIES** | | |
| **Non-current assets** | | |
| Investment in a subsidiary | **45,790** | 45,790 |
| **Current assets** | | |
| Deposits, prepayments and other receivables | **8,618** | 12,247 |
| Amount due from intra group companies | **1,567** | 704 |
| Cash and cash equivalents | **17,117** | 15,133 |
| | **27,302** | 28,084 |
| **Current liabilities** | | |
| Other payables and accruals | **247** | 239 |
| Amount due to intra group companies | **–** | 2 |
| | **247** | 241 |
| **Net current assets** | **27,055** | 27,843 |
| **Net assets** | **72,845** | 73,633 |
| **EQUITY** | | |
| **Equity attributable to the owners of the Company** | | |
| Share capital | **1,807** | 1,807 |
| Reserves *(note)* | **71,038** | 71,826 |
| **Total equity** | **72,845** | 73,633 |

On behalf of the directors

**Mr. Lim Kui Teng**
*Director*

**Mr. Quek Sze Whye**
*Director*

## 31. 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 |
|---|---|---|---|---|---|---|
| **At 1 January 2018** | 27,929 | (70) | 45,790 | (933) | (628) | 72,088 |
| Transactions with owners: | | | | | | |
| Shares repurchased (note 25) | (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 and 1 January 2019** | **27,860** | **–** | **45,790** | **(384)** | **(1,440)** | **71,826** |
| Loss for the year | – | – | – | – | (600) | (600) |
| Other comprehensive income: | | | | | | |
| Exchange differences arising on translation | – | – | – | (188) | – | (188) |
| Total comprehensive income for the year | – | – | – | (188) | (600) | (788) |
| **At 31 December 2019** | **27,860** | **–** | **45,790** | **(572)** | **(2,040)** | **71,038** |

* 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 Group's reorganisation prior to the listing of the Company's shares.

## 32. 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 | British Virgin Islands 28 June 2017 | US$1 | 100% | Investment holding |
| *Interest held indirectly* | | | | |
| Chuan Lim Construction Pte Ltd | Singapore 27 January 1996 | S$6,500,000 | 100% | Provision of Earthworks & ancillary services and General construction works |
| CLC Machinery Pte. Ltd. | Singapore 3 November 2017 | S$1,000,000 | 100% | General Contractors; Renting of construction and civil engineering machinery and equipment |
| Trade Best Ventures Limited | British Virgin Islands 13 June 2017 | US$1 | 100% | Investment holding |
| Vastway Asia Investment Limited | Hong Kong S.A.R. 12 July 2017 | HK$1 | 100% | Investment holding |
| Top Fast Holdings Limited | Hong Kong S.A.R. 11 August 2017 | HK$1 | 100% | Investment holding |

## 33. SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") was adopted pursuant to written resolutions of the Shareholders passed on 10 May 2016 for the purpose of providing incentives or rewards to employees and other eligible persons, and will expire on 9 May 2026. Under the Share Option Scheme, the board of directors (the "**Board**") may grant options to employees and eligible persons, including suppliers and customers, to subscribe for shares of the Company. No share option was granted or exercised during the years ended 31 December 2019 and 2018.

(i) Purpose

The purpose of the Share Option Scheme is to enable the Board to grant options to eligible persons as incentives or rewards for their contribution or potential contribution to our Group and to recruit and retain high calibre eligible persons and attract human resources that are valuable to the Group.

(ii) Eligible participants

Eligible participants include any employee or proposed employee (whether full time or part time, including any director) of any member of the Group or invested entity; and any supplier of goods or services, any customer, any person or entity that provides research, development or other technological support, any shareholder or other participants who contributes to the development and growth of the Group or any invested entity.

(iii) Total number of Shares available for issue

The maximum number of shares in respect of which options may be granted under the Share Option Scheme is 100,000,000 shares, representing 10% of the shares of the Company in issue immediately upon completion of the public share offering and the capitalisation issue.

(iv) Total maximum entitlement of each eligible person

No option shall be granted to any eligible person if any further grant of options would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including such further grant would exceed 1% of the total number of Shares in issue from time to time (the "**Participant Limit**"), unless: (i) such grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, by resolution of the Shareholders in general meeting, at which the eligible person and his close associates shall abstain from voting; (ii) a circular regarding the grant has been dispatched to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules (including the identity of the eligible person, the number and terms of the options to be granted and options previously granted to such eligible person); and (iii) the number and terms (including the subscription price) of such option are fixed before our Shareholders' approval is sought.

## 33. SHARE OPTION SCHEME (CONTINUED)

(v) Option period and payment on acceptance of the option

An offer of grant of an option may be accepted by an eligible person within 21 days from the date of grant upon payment of HK$1. Option may be exercised in whole or in part by the grantee at any time before the expiry of the period to be determined and notified by the Board to the grantee which in any event shall not be longer than 10 years commencing on the date of the offer letter and expiring on the last day of such ten-year period.

(vi) Minimum period for which an option must be held before it can be exercised

There is no minimum period for which an option must be held before it can be exercised unless otherwise determined by the Board at the time of grant.

(vii) Subscription price of shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as determined by the Board, and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant (the "**Offer Date**"), which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the Offer Date; and (iii) the nominal value of a Share on the Offer Date. Where an option is to be granted, the date of the Board meeting at which the grant was proposed shall be taken to be the date of the offer of such option.

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to bank deposits, pledged deposits and lease liabilities. The cash flow interest rate risk is mainly concentrated on variable rate bank balances. Lease liabilities issued at fixed rates expose the Group to fair value interest-rate risk. The Group estimated that the reasonably possible change of the market interest rates would have an immaterial impact on the Group's profit in 2019 and 2018.

### 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$94,000 (2018: approximately S$107,000) as a result of the changes in fair value of the investments.

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### 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 2019, the Group's assets and liabilities denominated in other currencies other than S$ are disclosed in notes 18 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.

| | **2019**<br>**S$'000** | 2018<br>S$'000 |
|---|---|---|
| HK$ to S$ | **450** | 745 |
| US$ to S$ | **487** | 75 |
| RMB to S$ | **427** | 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.

### Credit risk

As at 31 December 2019, 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 29. 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.

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Credit risk (Continued)

***Trade receivables***

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:

| 2019 | Weighted average lifetime ECL | Gross carrying amount S$'000 | Loss allowance S$'000 |
|---|---|---|---|
| Neither past due nor impaired | 0.5% | 7,676 | 38 |
| 1 to 30 days past due | 1.5% | 1,619 | 24 |
| 31 to 90 days past due | 3% | 876 | 26 |
| 91 to 180 days past due | 8% | 452 | 36 |
| 181 to 365 days past due | 10% | 977 | 98 |
| Over 365 days past due | 42% | 106 | 45 |
| | | 11,706 | 267 |
| Individual assessment | | | |
| – Individual companies | 100% | 2,036 | 2,036 |
| – Related companies | 3% | 1,592 | 48 |
| – Retention receivables | 5% | 223 | 11 |
| | | 3,851 | 2,095 |
| Total | | 15,557 | 2,362 |

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Credit risk (Continued)

*Trade receivables (Continued)*

| 2018 | 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 |

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.

*Contract assets*

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighed outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Credit risk (Continued)

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

As at 31 December 2019

| | Non credit-impaired S$'000 | Credit-impaired S$'000 | Total S$'000 |
|---|---|---|---|
| Gross carrying amount | **26,532** | **122** | **26,654** |
| Expected credit losses | **133** | **122** | **255** |
| Expected credit loss rate | **0.5%** | **100%** | **26,399** |

In respect of other receivables, it mainly includes the amounts due from related parties and vendor in respect of the deposit paid for acquisition of a company. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition by considering available, reasonable and supportive forwarding-looking information.

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Credit risk (Continued)

During the year, the following expected credit losses were recognised in profit or loss in relation to other receivables:

| | 2019<br>S$'000 | 2018<br>S$'000 |
|---|---|---|
| Provision for loss allowance recognised in profit or loss for the year | 114 | – |

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 2019, approximately 13% (2018: approximately 0.1%) of the total trade debtors was due from the Group's largest customer and approximately 27% (2018: approximately 19%) of the total trade debtors was due from the Group's five largest customers.

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Fair value measurements recognised in the 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 | | |
|---|---|---|---|
| | **2019 S$'000** | 2018 S$'000 | **Fair value hierarchy** |
| Financial assets at FVTPL | | | |
| Investment in life insurance policy at fair value | **1,398** | 1,409 | Level 3 |
| Financial assets at FVOCI | | | |
| Listed equity securities at fair value | **939** | 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.

## 34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Liquidity risk

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

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

| | Carrying amount S$'000 | Total contractual undiscounted cash flow S$'000 | On demand S$'000 | Within 1 year S$'000 | More than 1 year but less than 2 years S$'000 | More than 2 years but less than 5 years S$'000 | After 5 years S$'000 |
|---|---|---|---|---|---|---|---|
| **At 31 December 2019** | | | | | | | |
| Trade payables | 10,695 | 10,695 | 10,695 | – | – | – | – |
| Other payables and accruals | 3,383 | 3,383 | 3,383 | – | – | – | – |
| Lease liabilities | 19,992 | 21,015 | 7,248 | 5,564 | 3,669 | 4,534 | – |
| | 34,070 | 35,093 | 21,326 | 5,564 | 3,669 | 4,534 | – |

| | 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 liabilities | 19,356 | 20,161 | 10,464 | 4,145 | 3,536 | 2,016 | – |
| | 28,567 | 29,372 | 19,675 | 4,145 | 3,536 | 2,016 | – |

## 35. FINANCIAL INSTRUMENTS BY CATEGORY

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

### Financial assets

| | 2019<br>S$'000 | 2018<br>S$'000 |
|---|---|---|
| Financial assets at FVTPL: | | |
| – Investment in life insurance policy at fair value | **1,398** | 1,409 |
| Financial assets at amortised cost: | | |
| – Investment in corporate bond | **250** | 250 |
| – Investment in property development project | **1,000** | 1,000 |
| – Trade receivables | **13,195** | 20,142 |
| – Other receivables | **9,124** | 12,932 |
| – Pledged deposits | **3,359** | 3,328 |
| – Cash and cash equivalents | **44,772** | 36,664 |
| Financial assets at FVOCI: | | |
| – Listed equity securities at fair value | **939** | 1,073 |
| | **74,037** | 76,798 |

### Financial liabilities

| | 2019<br>S$'000 | 2018<br>S$'000 |
|---|---|---|
| At amortised costs | | |
| Trade payables | **10,695** | 6,236 |
| Other payables and accruals | **3,383** | 2,975 |
| Lease liabilities | **19,992** | – |
| Finance lease liabilities | **–** | 19,356 |
| | **34,070** | 28,567 |

## 36. CAPITAL MANAGEMENT

The Group's capital management objectives include:

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

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

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

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

Management regards total equity as capital. The amount of capital as at 31 December 2019 amounted to approximately S$93,343,000 (2018: approximately S$92,657,000), which the management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

## 37. EVENT AFTER THE REPORTING PERIOD

The coronavirus outbreak ("**COVID-19**") since early 2020 has brought additional uncertainties in the global macroeconomic situation. Up to the date of these financial statements, COVID-19 has not resulted in material impact to the Group. The Group has taken all possible effective measures to limit and keep the impact in control. The Group will keep continuous attention on the change of situation and make timely response and adjustments in the future.