Chuan Holdings Limited
川控股有限公司*

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

Annual Report
2020

* For identification purposes only

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Lim Kui Teng *(Chairman)*
(relinquished as the Chairman of the Board on 16 October 2020)
Mr. Quek Sze Whye
Mr. Bijay Joseph
Mr. Lau Yan Hong
Mr. Wong Kee Chung (resigned on 31 July 2020)

Non-executive Director

Mr. Phang Yew Kiat *(Chairman)*
(re-designated from an independent non-executive director to a non-executive director, appointed as the Chairman of the Board and ceased as a member of the audit committee, a member of the nomination committee and the chairman of the remuneration committee on 16 October 2020)

Independent Non-executive Directors

Mr. Lee Cheung Yuet, Horace
(resigned on 16 June 2020)
Mr. Chan Po Siu (appointed on 16 June 2020)
Mr. Wee Hian Eng, Cyrus
Mr. Xu Fenglei (appointed on 16 October 2020)

AUDIT COMMITTEE

Mr. Chan Po Siu *(Chairman)*
(appointed on 16 June 2020)
Mr. Lee Cheung Yuet, Horace *(Chairman)*
(resigned on 16 June 2020)
Mr. Phang Yew Kiat
(resigned on 16 October 2020)
Mr. Wee Hian Eng, Cyrus
Mr. Xu Fenglei (appointed on 16 October 2020)

NOMINATION COMMITTEE

Mr. Lim Kui Teng *(Chairman)*
Mr. Chan Po Siu (appointed on 16 June 2020)
Mr. Lee Cheung Yuet, Horace
(resigned on 16 June 2020)
Mr. Phang Yew Kiat
(resigned on 16 October 2020)
Mr. Xu Fenglei (appointed on 16 October 2020)

REMUNERATION COMMITTEE

Mr. Xu Fenglei *(Chairman)*
(appointed on 16 October 2020)
Mr. Phang Yew Kiat *(Chairman)*
(resigned on 16 October 2020)
Mr. Lim Kui Teng
Mr. Lee Cheung Yuet, Horace
(resigned on 16 June 2020)
Mr. Chan Po Siu
(appointed on 16 June 2020)

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

CORPORATE INFORMATION

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				
	2020	2019	2018	2017	2016
	S$'000	S$'000	S$'000	S$'000	S$'000
Revenue	**72,401**	77,658	93,476	87,281	111,479
Gross (loss)/profit	**(4,074)**	5,949	8,733	11,160	14,979
(Loss)/profit before income tax	**(8,959)**	1,246	3,901	5,727	9,741
(Loss)/profit for the year	**(8,369)**	998	3,055	5,557	7,716
Total comprehensive income for the year attributable to the owners of the Company	**(8,694)**	686	3,420	2,975	9,382
(Loss)/earnings per share – basic and diluted (S cents)[1]	**(0.81)**	0.10	0.29	0.54	0.81

Highlights of consolidated statements of financial position

	As at 31 December				
	2020	2019	2018	2017	2016
	S$'000	S$'000	S$'000	S$'000	S$'000
Assets					
Non-current assets	**25,321**	33,667	31,886	25,388	19,995
Current assets	**96,788**	97,672	92,271	97,137	93,804
Total assets	**122,109**	131,339	124,157	122,525	113,799
Liabilities					
Non-current liabilities	**10,259**	8,024	5,657	7,330	4,292
Current liabilities	**27,034**	29,972	25,843	25,171	22,388
Total liabilities	**37,293**	37,996	31,500	32,501	26,680
Total equity	**84,816**	93,343	92,657	90,024	87,119
Net assets per share (S cents)[2]	**8.18**	9.01	8.94	8.68	8.40

Key financial ratios

	As at 31 December				
	2020	2019	2018	2017	2016
Current ratio (times)	**3.6**	3.3	3.6	3.9	4.2
Gearing ratio (times)	**0.2**	0.2	0.2	0.1	0.1
Gross (loss)/profit margin (%)	**(5.6%)**	7.7%	9.3%	12.8%	13.4%
(Loss)/profit for the year margin (%)	**(11.6%)**	1.3%	3.3%	6.4%	7.0%
(Loss)/return on equity (%)	**(9.9%)**	1.1%	3.3%	6.2%	8.9%

Notes:

(1) The calculation of basic earnings per share is based on the profit attributable to owners of the Company and the weighted average number of ordinary shares in issue. For the financial years ended 31 December 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 to 2020 is 1,036,456,000. The basic loss per share for the year ended 31 December 2020 is the same as diluted loss per share. There are no dilutive effect on the impact of the exercise of the share option as they are anit-dilutive during the year.

(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 2016 and 2017, the number of ordinary shares in issue was 1,037,500,000 ordinary shares. As at 31 December 2018, 2019 and 2020, the number of ordinary shares in issue was 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 ("**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 2020 (the "**Year**" or the "**Reporting Year**" or "**2020**").

In 2020, our Group's business was severely hit by the unprecedented circuit breaker (the "**CB**") measures imposed by the Singapore government between April and June, a complete business shut down on non-essential activities across the island arising from the Coronavirus Disease 2019 ("**Covid-19**"). Under the stringent public health and safety measures implemented by the government, overall construction output in 2020 dropped by 30% in the wake of the suspension of non-essential construction activities during the CB period. It was an appalling moment for the Group, our professional management teams including all executive Directors had to work tirelessly mapping out the plans and formulate different operation plans and methods in line with the different regulatory measures issued by the government from time to time to maintain the Group's business operation, subject to this, our workers had patiently remained indoor in their respective accommodations waiting for instructions from their division managers. Operating under the strict guidelines during the CB period, a small selective group of our mechanics and supervisors had to travel periodically to various worksites across the island to maintain all our deployed equipment in the fields to ensure their operational readiness.

While the ordeal lasted for close to 122 days, it has also created the first loss in the Group's 25 years of history. Walking out the new measures from the CB, we had to adapt to new ways of workings and the Group also made every possible effort to resume its construction activities. However, the additional works put on the compliance with strict safe management measures at construction worksites brought about a slow recovery of construction activities, and resulted in lower revenue recognition. Against the backdrop of this difficult operating environment of the Group, which was aggravated by the consistently high operating costs and additional costs incurred from prolongation of projects, the Group recorded a loss for the Reporting Year. Notwithstanding, the financial position of the Group remains sound and healthy with cash and cash equivalents of approximately S$46.2 million as at 31 December 2020.

The Group will continue to strengthen its close partnership with customers, subcontractors and suppliers, complete projects with professionalism and ingenuity, and maintain its highest level of integrity in the business. While vaccinations have been rolled out in Singapore, the Group remains vigilant of the potential environment volatility and taking the necessary cautious steps to keep abreast of the latest pandemic development, while necessitating feasible, contingency measures to protect its staff and operation from relevant impact.

EMERGING STRONGER

The "lock down" period has also given an opportunity for the Board to evaluate its existing business and operations. The management team always holds the belief that perseverance and foresight are essential in times of challenges. Driven by our abiding commitment to enhancing the Group's competitiveness, we placed tremendous efforts in strategically shifting our focus to public infrastructure tendering during the Reporting Year. Leveraging our proven and solid track record in the industry, the Group managed to secure mega projects such as the design and construction of Singapore's longest Transit Priority Corridor North-South Corridor ("**NSC**") project in 2020, which was a strong testimony to our capability in handling sizeable infrastructure projects.

Meanwhile, the Group stepped up its efforts in completing the upgrading of the contractor grade from level B1 to A2, giving the Group higher project tender limits bid for public works. The Group also continued to focus on promising operations by exploring opportunities to work with more reputable companies and tendering for new projects with higher contract value and margins.

As part of the Group's continued endeavours to better control costs and boost operational efficiency, capital will be allocated in 2021 to acquire advanced and environmentally friendly machineries and equipment. The Group believes that we have a critical role to play in helping Singapore construction industry to evolve into a more sustainable built environment.

The Group will remain committed to fortifying its business foundation and raising its competitiveness to achieve greater project differentiation and market leadership in going "Green". Through strictly aligning our business strategies to operational excellence, the Board firmly believes that the Group has and will emerge stronger with more competitive services after the pandemic is over.

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 take this opportunity to express my sincere gratitude to all our valuable shareholders and business partners for their steadfast support over the years. While the road of recovery will be repleted with great challenges and complications, the agility and stringent execution of our strategic initiatives will pave way for restoring profitability and enhancing long-term competitiveness of the Group, thereby maximising the returns to shareholders.

Chuan Holdings Limited
Phang Yew Kiat
Chairman and Non-executive Director

30 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

The board is pleased to present the annual results of the Group for the year ended 31 December 2020 together with its comparative figures for the previous year ended 31 December 2019.

INDUSTRY REVIEW

In 2020, the Coronavirus Disease 2019 ("**Covid-19**" or the "**pandemic**") has been declared a global public health emergency. The outbreak of the pandemic has had profound impact on the lives of people and brought upon unprecedented challenges to global economy, with business and trade activities coming to a grinding halt due to various lockdown measures across different countries. The International Monetary Fund ("**IMF**") estimated a global contraction of 3.9% in 2020, the biggest peacetime decline since the Great Depression. In Singapore, to stem the community spread of Covid-19, the government implemented "circuit breaker" (the "**CB**") measures from 7 April to 1 June 2020, ordering the closure of most physical workplace premises in the country. With business not being able to operate following the stay-at-home order and the implementation of cordon sanitaire, the country's economy was inevitably impeded as its annual real GDP was estimated to reduce by 2.2% during the CB period. The Ministry of Trade and Industry ("**MTI**") announced that the economy in Singapore shrank by 5.4% in 2020, marking its worst ever recession since independence.

For construction industry, the total construction demand in Singapore fell by 37% to S$21 billion on account of the disrupted project implementation schedules caused by the pandemic. Some of the major infrastructure projects in the public sector required more time to assess the pandemic's impact on resource management, leading to a drop of 33% in public sector construction demand. Meanwhile, the private sector construction demand registered a notable decline of 43% given the contraction in demand for residential and industrial building works. Overall construction output of 2020 dropped by 30% to S$19.7 billion in the wake of the suspension of construction activities during the CB period. This was further aggravated by the need to implement safe management measures at construction worksites under the pandemic, which brought about a slow recovery of construction activities. As a result, contractors in the industry continue to suffer from tight cash flow and decreasing margins.

Since Singapore uplifted the CB measures in June 2020 and embarked on a three-phased approach to resume economic activities, operations within the construction sector began to pick up with stringent safety measures. Meanwhile, the Building and Construction Authority ("**BCA**") rolled out a new S$1.36 billion Construction Support Package (the "**Package**") to support local construction companies, amongst the hardest-hit by Covid-19, to cope with the impact of the pandemic and recommence work safely. Following the phased resumption of construction activities after uplifting the CB measures, contracts awarded recorded a stronger rebound during the fourth quarter, and partially offset the declines in the first three quarters.

During the Reporting Year, the Group was inevitably impacted by the pandemic. In face of the challenging environment, the Group made every possible effort in cost control as well as recovery of business, and adopted a competitive pricing approach to protect its profitability while securing new projects.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

As a leading earthworks contractor in Singapore with over two decades of experience, the Group strives to deliver timely and reliable services with integrity and sound workmanship that fulfill the needs of its customers while adhering to safety and regulatory requirements.

During the Reporting Year, the Group continued to be challenged by the difficult market environment. The economic fallout arisen from Covid-19 plunged Singapore into the worst recession since its independence. Several months of Covid-19 restrictions and workplace closures during the CB period, coupled with various social distancing and public health safety measures implemented by the Singapore government, battered the country's construction sector during the year of 2020. The suspension of most of the Group's construction projects consequently hindered its progressive recognition of its revenue in the first half of the financial year. Yet, the management spared no efforts in ensuring business recovery and continuous development. Following the phased re-opening in Singapore with pandemic restrictive measures tapering off in the second half of the year, the Group gradually resumed its operations so as to catch up on the project schedule lagged behind during the suspension period and managed to narrow down the financial impact. Total revenue during the Reporting Year decreased by approximately 6.8% to approximately S$72.4 million as compared to that of the previous year.

Despite that the Group promptly adopted various cost control measures such as temporary salary reduction scheme and benefitted from the Package from the Singapore government, such financial relief was overshadowed by the consistently high operating costs and increased prolongation costs as a result of the CB and other pandemic control measures in Singapore, which exerted downward pressure to the Group's margin and adversely impacted its profitability. Subsequently, the Group recorded gross loss of approximately 5.6%. Alongside an increase in impairment losses on deposits, receivables and contract assets totaling S$5.5 million in view of the economic downturn in Singapore, the Group's profit for the year turned negative with a net loss of approximately S$8.4 million (31 December 2019: profit of approximately S$1.0 million) during the Reporting Year. Notwithstanding, the Group maintained a healthy and solid financial position with cash and cash equivalents of approximately S$46.2 million (31 December 2019: approximately S$44.8 million).

The Group reaffirmed its unwavering commitment in enhancing its competence and operational efficiency. To minimise the impact of rising diesel cost as well as pursue capacity expansion, the Group purchased environmentally friendly and energy-saving excavation machines and tipper trucks with Euro 6 standards amounted to approximately S$8.8 million during the Year, which are expected to alleviate the impact from diesel price hike on operational costs in near term.

Leveraging its professional expertise and formidable reputation, the Group successfully secured a total of 21 projects through these difficult times of the year. Among which, there were sizeable infrastructure projects such as the design and construction of Singapore's longest Transit Priority Corridor North-South Corridor ("**NSC**") project for earthworks and ancillary services segment, and the upgrading project of Pioneer Terminal Building for the general construction works segment, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Earthworks and ancillary services

Earthworks and ancillary services projects remained the key revenue generator of the Group during the Reporting Year, which accounted for approximately 72.9% of its total revenue.

Owing to the suspension of most construction activities during the CB period and the slow resumption of projects which translated into lower revenue recognition, the Group recorded segmental revenue of approximately S$52.8 million during the Year (31 December 2019: approximately S$67.6 million).

During the Reporting Year, the Group continued to step up its efforts in reallocating more resources on tenders and strategically targeting public infrastructure projects with relatively higher profitability. 17 new earthworks and ancillary services projects with a total contract value of approximately S$59.6 million were successfully secured, including the sizeable infrastructure project of NSC. The Group had a total of 73 ongoing earthworks and ancillary services projects as at 31 December 2020 with an aggregate contract sum of approximately S$327.8 million.

General construction works

During the Reporting Year, the Group achieved notable improvement in general construction works segment with an increase of revenue of approximately 96.0% to approximately S$19.6 million (31 December 2019: approximately S$10.0 million), which accounted for approximately 27.1% of the Group's total revenue. The revenue growth in this segment was mainly attributable to the fulfillment of contracts that were secured in 2019, and before and after the CB period in 2020.

As at 31 December 2020, the Group had 8 ongoing general construction works projects with an aggregate contract sum of approximately S$57.0 million as compared to 7 projects as at 31 December 2019. With the efforts of our team in tendering sizeable projects, the Group acquired 4 new general construction works projects, with total contract values of approximately S$11.1 million.

PROSPECTS

The outbreak of Covid-19 is unprecedented in its global reach and impact, posing formidable challenges to the global economy. On a positive note, business activities have largely recovered in a sensibly cautious manner following the aggressive containment efforts across different countries. The IMF estimated the global economy to grow at 5.5% in 2021, hinting high expectation of economic recovery boosted by vaccination and additional policy support in various nations.

In Singapore, the MTI maintained its GDP growth forecast at 4% to 6% for 2021. Given the wave of COVID-19 infections has relaxed to a large extent, many construction projects have gradually resumed operations. The BCA estimated the total construction demand to reach between S$23 billion and S$28 billion in 2021, driven by an anticipated stronger demand for public housing and infrastructure projects.

The Group will continue to catch the momentum of rising demand and seek fresh opportunities particularly in infrastructure projects in public sector in order to fuel future growth. Apart from forging close ties with its existing clients, the management will adhere to the Group's strategic tendering approach by identifying suitable projects and strategically focusing on tendering mega infrastructure projects with better profit margins to safeguard its profitability. The management is pleased that the Group has already secured several contracts under significant infrastructure projects in Singapore including Jurong Region MRT Line, the Cross Island MRT Line Phase 1 and the Deep Tunnel Sewerage System Phase 2. As part of its continued endeavours to enhance competitiveness, the Group has applied for completing the upgrading of its contractor grade from level B1 to A2, with a view to bolstering its reputation and highest level of business integrity in the industry in the long run.

In near term, the Group expects its operations will continue to face a challenging landscape as presented by the shortage of manpower and compliance with the stringent safety requirements at work sites under Covid-19. The Group will continue to pay close attention to the macroeconomic environment and implement contingency plans in a timely manner. Meanwhile, it will continue to ensure smooth progress of its projects and practice tight cost controls through recovery of debts, energy-saving scheme with careful utilisation of the grants and assistance from Singapore government, which helps defray costs incurred from prolongation of projects and compliance with the stringent pandemic safety measures. Another step the Group has taken and will continue to take is the acquisition and introduction of advanced environmentally friendly machines and equipment. The Group believes that its operating cost in diesel consumption will be reduced and achieve operational efficiency, thereby protecting its profitability.

As a veteran of earthworks and construction industry, the Group has overcome a number of hardships over the past two decades since establishment. The Group will be well-equipped to rise to new challenges that may appear, and will remain dedicated to preserving its market leadership while creating greater value for its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Results for the Year

Revenue and segment results

	2020		2019	
	Revenue	**Segment results**	Revenue	Segment results
	S$'000	**S$'000**	S$'000	S$'000
Earthworks and ancillary services	**52,772**	**(4,028)**	67,625	6,344
General construction works	**19,629**	**1,029**	10,033	(36)
Total	**72,401**	**(2,999)**	77,658	6,308

The overall revenue of the Group for the year ended 31 December 2020 amounted to approximately S$72.4 million, representing a decline of approximately S$5.3 million or 6.8% as compared to that in the previous year. The decrease was mainly attributable to the aforementioned CB measures in Singapore effective from April to June 2020, which had shuttered the Group's construction activities, as well as the slow pace of work resumption after the country uplifted the CB.

Earthworks and ancillary services

For the year ended 31 December 2020, the earthworks and ancillary services segment continued to be the Group's key revenue generator, contributing approximately 72.9% to its overall revenue. Despite the Group's unwavering efforts in catching up on projects behind schedule, the suspension of most earthworks projects from the CB measures imposed by the Singapore government to combat Covid-19 as well as the slow resumption of work during the post-CB period had caused severe disruption to the Group's project management. Revenue of the segment therefore decreased by approximately 22.0% from approximately S$67.6 million in 2019 to approximately S$52.8 million for the year ended 31 December 2020.

Owing to the decrease in revenue and the increased costs arising from prolongation of projects during the CB lockdown and compliance with more stringent virus safety measures at work sites, segmental loss of approximately S$4.0 million (31 December 2019: segmental profit of approximately S$6.3 million) was subsequently recorded.

As at 31 December 2020, the Group had 73 ongoing earthworks and ancillary services projects (31 December 2019: 91 projects), with an aggregate contract sum of approximately S$327.8 million (31 December 2019: approximately S$341.4 million). In order to catch up on the progress of projects in its order book, the Group held back on tendering for new projects and secured only 17 new earthworks and ancillary services projects with contract values of approximately S$59.6 million during the Reporting Year.

General construction works

During the Reporting Year, the Group's general construction works segment witnessed an improved performance as compared to the previous reporting year, with an increase in revenue of approximately 96.0% to approximately S$19.6 million for the year ended 31 December 2020 (31 December 2019: approximately S$10.0 million). The increase was primarily due to fulfilment of contracts that were secured in 2019 as well as before and after the CB. Revenue of this segment contributed approximately 27.1% of the Group's overall revenue.

Unlike another segment, the impact of the pandemic on the Group's general construction works segment was less consequential as the segment saw an increase in revenue. Since the Group engaged external subcontractors for this segment, operating costs were only based on actual subcontractors/works were performed. With increase in revenue, segmental profit increased to approximately S$1.0 million (31 December 2019: segmental loss of approximately S$36,000).

The Group had 8 ongoing general construction works projects as at 31 December 2020 (31 December 2019: 7 projects), with an aggregate contract sum of approximately S$57.0 million. The Group secured 4 new general construction works projects (31 December 2019: 3 new projects) with a total contract value of approximately S$11.1 million during the Reporting Year.

Gross (loss)/profit and gross (loss)/profit margin

Gross profit turned negative and recorded gross loss of approximately S$4.1 million for the year ended 31 December 2020 (31 December 2019: gross profit of approximately S$5.9 million), largely attributable to the decline in revenue, coupled with hefty operational cost and additional costs incurred from prolongation of projects as a result of the implementation of CB measures to control the pandemic. Gross loss margin was approximately 5.6% for the year ended 31 December 2020 (31 December 2019: gross profit margin of approximately 7.7%).

Administrative and other operating expenses

Administrative and other operating expenses for the year ended 31 December 2020 reduced by approximately 9.0% to approximately S$5.7 million from approximately S$6.3 million in the previous year, primarily due to the decrease in staff cost and employee benefit expenses.

Other income and gains

For the year ended 31 December 2020, other income and gains rose by approximately S$4.7 million to approximately S$7.2 million, mainly attributable to the bad debts recovered as well as the financial relief from the Singapore government in the form of Construction Restart Booster, foreign worker levy rebate and wage support which helped defray part of the Group's costs during the Reporting Year.

Other expenses

As at 31 December 2020, other expenses surged from approximately S$287,000 for the year ended 31 December 2019 to approximately S$5.8 million, mainly representing the impairment losses on deposits, receivables and contract assets totaling approximately S$5.8 million made based on the management's latest assessment of risk of default in the Group's financial assets during the Reporting Year.

Finance costs

Finance costs decreased by approximately 13.3% from approximately S$669,000 for the year ended 31 December 2019 to approximately S$580,000 as at 31 December 2020, principally due to the decrease in interest on lease liabilities.

Income tax credit/(expense)

As at 31 December 2020, income tax expense changed to credit of approximately S$590,000 on the grounds of business loss, while tax expense of approximately S$248,000 was recorded for the year ended 31 December 2019.

(Loss)/profit for the year and net (loss)/profit margin

Based on the combined effect of the above factors, the Group recorded a loss for the year of approximately S$8.4 million (31 December 2019: profit of approximately S$1.0 million). Meanwhile, negative net profit margin was approximately 11.6% for the Reporting Year (31 December 2019: positive net profit margin of approximately 1.3%).

(Loss)/earnings per share

For the year ended 31 December 2020, the basic loss per share was S$0.81 cent, with the calculation based on the loss for the Year of approximately S$8.4 million and the weighted average number of 1,036,456,000 ordinary shares in issue during the Year.

For the year ended 31 December 2020, basic loss per share is the same as diluted loss per share. There are no dilutive effects on the impact of the exercise of the share options as they are anti-dilutive.

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.

Diluted earnings per share for the year ended 31 December 2019 was the same as the basic earnings per share because the Group had no potential dilutive ordinary shares outstanding as at year ended 2019.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

Liquidity

During the Reporting Year, the financial position of the Group remained healthy, with working capital mainly financed by its internally generated funds, net proceeds from the global offering of the shares of the Company in 2016 (the "**Global Offering**"), cash inflows from operating activities and bank borrowings. As at 31 December 2020, the Group had cash and cash equivalents of approximately S$46.2 million (31 December 2019: approximately S$44.8 million) and unutilised banking facilities of approximately S$24.2 million (31 December 2019: approximately S$29.3 million).

Cash flows analysis

The table below summaries the Group's cash flows for the years ended 31 December 2020 and 2019:

	2020 S$'000	2019 S$'000
Net cash generated from operating activities	**4,071**	17,057
Net cash generated from/(used in) investing activities	**2,875**	(1,529)
Net cash used in financing activities	**(3,425)**	(9,242)

Operating activities

As at 31 December 2020, the Group generated net cash inflow from operating activities of approximately S$4.1 million (31 December 2019: net cash inflow from operating activities of approximately S$17.1 million).

The approximate S$1.7 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$2.5 million; (ii) the increase in trade receivables of approximately S$456,000; (iii) the decrease in deposits, prepayments and other receivables of approximately S$789,000; (iv) the increase in contract liabilities of approximately S$1.2 million; (v) the increase in trade payables of approximately S$602,000; and (vi) the decrease in other payables, accruals and deposits received of approximately S$860,000.

Investing activities

For the year ended 31 December 2020, the net cash generated from investing activities was approximately S$2.9 million (31 December 2019: net cash outflow in investing activities of approximately S$1.5 million), mainly attributable to (i) the decrease 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$35,000; (iii) the purchase of property, plant and equipment of approximately S$660,000; (iv) the proceeds from disposals of right-of-use assets of approximately S$1.2 million; (v) the purchase of right-of-use assets amounting to approximately S$347,000; and (vi) the interest and dividend received of approximately S$614,000.

Financing activities

For the year ended 31 December 2020, the net cash used in financing activities was approximately S$3.4 million (31 December 2019: net cash outflow in financing activities of approximately S$9.2 million), which was principally attributable to (i) the interest portion of the lease liabilities amounted to approximately S$519,000; (ii) the repayment of principal portion of the lease liabilities of approximately S$7.8 million; (iii) the increase in proceeds from bank borrowings of approximately S$5.0 million; (iv) the increase in pledged deposits of approximately S$33,000; and (v) the interests paid of approximately S$61,000.

Use of proceeds

The net proceeds from the Global Offering was approximately S$26.5 million (after deducting underwriting fees, commissions and listing expenses) (the "**Net Proceeds**"), out of which approximately S$24.2 million was utilised as at 31 December 2020.

Intended applications	Planned use of the Net Proceeds S$'000	Amount utilised up to 31 December 2019 S$'000	Amount utilised during the year ended 31 December 2020 S$'000	Amount utilised up to 31 December 2020 S$'000	Utilised Balance up to 31 December 2020 S$'000	Expected timeline of full utilisation of the remaining unutilised (Note 2)
1. Purchase of excavation machines and tipper trucks (Note 1)	17,736	7,725	8,752	16,477	1,259	On or before 31 December 2022
2. Purchase of softwares	2,085	715	334	1,049	1,036	On or before 31 December 2022
3. Secure earth filling projects (Note 1)	–	–	–	–	–	
4. Expand workforce	4,414	4,414	–	4,414	–	
5. Working capital	2,247	2,247	–	2,247	–	
Total	26,482	15,101	9,086	24,187	2,295	

Notes:

1. As disclosed in the prospectus of the Company dated 25 May 2016 (the "**Prospectus**") and the circular of the Company dated 7 March 2018, since the Company did not enter into any agreement for securing earth filling project by 31 October 2017, the unutilised Net Proceeds of approximately S$6,607,000 originally assigned to securing earth filling project (the "**Reallocated Proceeds**") would be reassigned to the purchase of additional excavation machines and tipper trucks. After taking into the then business scale and projects of the Company, the number of tipper trucks, excavators acquired by the Group since the listing of shares of the Company in 2016 and the average replacement cycle of tipper truck, excavator and telescopic excavator, the Group decided to reassign the Reallocated Proceeds to partially finance the second deposit for the acquisition of the entire issued share capital of Cosmic Achiever Holdings Limited (the "**Major Transaction**") in March 2018. As disclosed in the announcement of the Company dated 23 January 2019, since the Major Transaction subsequently lapsed on 31 December 2018, the Reallocated Proceeds were further reassigned to the purchase of excavation machines and tipper trucks in January 2019.

2. The expected timeline for utilising the unutilised Net Proceeds is based on the best estimation of the future market conditions made by the Group. It may be subject to change based on the current and future development of market conditions.

As at 31 December 2020, the Group did not fully utilise the planned Net Proceeds to purchase excavation machines and tipper trucks as the Group has been offered favourable interest rate to finance the purchases by banks and decided to purchase excavation machines and tipper trucks by hire purchase instead of cash purchase since June 2016. The hire purchase only required 10% of cash payment, which was financed by the Net Proceeds. As a result, there was a delay in fully utilising the Net Proceeds assigned to purchase excavation machines and tipper truck. It is expected the unutilised amount will be fully utilised on or before 31 December 2022.

As for the unutilised planned Net Proceeds to purchase softwares, the Group had purchased softwares from a vendor which charged the Group at a lower price than originally quoted, resulting in a huge saving to the Company. As a result, there was a delay in fully utilising the Net Proceeds assigned to purchase softwares. It is expected the unutilised amount will be fully utilised on or before 31 December 2022.

The Net Proceeds were used in accordance with the intended purposes as previously disclosed and there was no material change in the use of proceeds. The unutilised amount is expected to be used in accordance with the intended purposes as disclosed.

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

Borrowings and gearing ratio

As at 31 December 2020, the Group had an aggregate of current and non-current bank borrowings and lease liabilities of approximately S$18.9 million, a slight decrease from approximately S$20.0 million as at 31 December 2019.

As at 31 December 2020, the Group's gearing ratio was approximately 0.22 times (31 December 2019: approximately 0.21 times). Gearing ratio was calculated by dividing total borrowings (bank borrowings and finance lease obligations) by total equity as at the end of the respective year.

Cash and cash equivalents

As at 31 December 2020, the Group had cash and cash equivalents of approximately S$46.2 million (31 December 2019: approximately S$44.8 million). The Group had cash and cash balances of approximately S$49.6 million but the amount was reduced by pledge for the guarantee arrangement and issuance of performance bonds; along with the banking facilities including letter of credit, overdraft and banking guarantee of approximately $21.5 million.

Foreign exchange exposure

As the Group mainly operated in Singapore, most transactions arising from its businesses were generally settled in Singapore Dollars which was the functional currency of the Group. Aside from a portion of the cash and cash equivalents generated from the Global Offering was denominated in Hong Kong Dollars and a small portion denominated in United States Dollars, the Group was not exposed to any significant foreign currency risk nor had employed any financial instrument for hedging.

Charges on Group's assets

As at 31 December 2020, the Group's banking facilities were secured by the pledge of the Group's deposits of approximately S$3.4 million (31 December 2019: approximately S$3.4 million), while the Group's lease liabilities were secured by the charge over the leased assets of net book value of approximately S$14.7 million (31 December 2019: approximately S$22.1 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent Liabilities

As at 31 December 2020, the Group had contingent liabilities in respect of performance bonds of construction contracts in its ordinary course of business of approximately S$2.6 million (31 December 2019: approximately S$2.8 million).

Capital expenditure and capital commitments

For the year ended 31 December 2020, the Group invested approximately S$2.3 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 2020, the Group's capital commitments in respect of acquisition of property, plant and equipment amounted to approximately S$3.0 million (31 December 2019: approximately S$2.6 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**") lapsed on 31 December 2018, as certain conditions were not fulfilled.

The first refundable deposit of RMB60,000,000 (the "**First Deposit**") would be returned to the Group by the vendor. During the Reporting Year, HK$20,000,000 (approximately RMB17,100,000) was returned as partial repayment of the First Deposit under the Acquisition Agreement.

On 16 March 2020, the amount of HK$20,000,000 (approximately RMB17,100,000) was returned from the vendor as further repayment of the First Deposit under the Acquisition Agreement. During the Reporting Year, the Group received a total of HK$40,000,000 as repayment of the First Deposit and a sum of HK$30,000,000 of the First Deposit remains outstanding from the vendor.

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.

Major Connected Transactions

Continuing Connected Transactions

During the Reporting Year, eight continuing connected transactions were carried out by the Company pursuant to Chapter 14A of the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Details of the major connected transactions are set out in the section headed "Connected Transactions" mentioned in the "Report of the Directors" on pages 64 to 68 of this annual report.

Off-balance sheet transactions

As of 31 December 2020, the Group did not enter into any material off-balance sheet transactions.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2020, the Group had 489 (2019: 550) employees including foreign workers.

Employees of the Group were remunerated according to their job duties. All employees were also entitled to discretionary bonus depending on their respective performance. 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$17.0 million for the year ended 31 December 2020 (2019: approximately S$19.7 million).

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Interest rate risk

The Group's exposure to changes in interest rates was mainly attributable to bank deposits, pledged deposits, bank borrowings and finance lease obligations. The cash flow interest rate risk was mainly concentrated on fluctuations associated with bank borrowings with floating rate, which represent prime rate plus margin per annum and variable rate bank balances. Finance lease obligations and bank borrowings issued at fixed rates exposed the Group to fair value interest-rate risk. For the year ended 31 December 2020, the effective interest rate on fixed-rate borrowings was approximately 2.1% to 5.3% per annum.

Foreign currency risk

Transactions of the Group 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 United States 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 deemed necessary.

Credit risk

As at 31 December 2020, the Group's maximum exposure to credit risk which would cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and the financial guarantees provided by the Group was primarily attributable to trade and other receivables, pledged deposits, cash and cash equivalents and the contingent liabilities in relation to guarantee issued by the Group.

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

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

Liquidity risk

The Group monitored and maintained a level of cash and cash equivalents assessed as adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relied on the proceeds from the Global Offering, internally generated funding and borrowings as significant sources of liquidity. The Group also closely 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 employees and eligible participants, as incentives or rewards for their contribution to the Group.

According to the announcement of the Company on 28 October 2020, 79,224,000 share options to subscribe for a total of 79,224,000 ordinary shares of HK$0.01 each of the Company, representing approximately 7.6% of the issued shares of the Company, were granted in accordance with the terms and conditions of the Share Options Scheme adopted by the Company on 10 May 2016 to certain eligible directors of the Company and the employees of the Group (the "**Grantees**"), subject to the acceptance of the Grantees.

Details of the Share Option Scheme are disclosed in the "Report of the Directors" on pages 58 to 59 and Note 34 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 2020.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lim Kui Teng (林桂廷), aged 52, 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. Mr. Lim has relinquished as Chairman of the Board on 16 October 2020, but remains to act as the Chief Executive Officer and an Executive Director of the Company. 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 25 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 65, 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 25 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 52, 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 25 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 55, 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 19 years of working experience in the construction industry.

NON-EXECUTIVE DIRECTOR

Mr. Phang Yew Kiat (彭耀傑), aged 52, was re-designated as a Non-executive Director and was appointed as the Chairman of the Board on 16 October 2020. Prior to the re-designation, he was an Independent Non-executive Director, the chairman of the remuneration committee, a member of the audit committee and a member of the nomination committee from 10 May 2016 to 16 October 2020. Mr. Phang has over 20 years of experience in banking and managerial roles. He began his career with Standard Chartered Bank ("**SCB**") in 1994 and over his 20 years career in banking and managerial roles, he held various management roles across SCB's corporate and consumer banking businesses, and the appointment as chief financial officer and general manager for small medium enterprises in Indonesia, Singapore and 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. Since July 2016, Mr. Phang has been a co-founder, the chairman and a non-executive director of Acore Capital Investments, a Monetary Authority of Singapore Capital Market Services licensed company. Mr. Phang is a member to United Nation – Economic and Social Commission for Asia and the Pacific (ESCAP) Business Advisory Council. From July 2014 to April 2020, Mr. Phang was an executive director, the vice chairman and the chief executive officer of Chong Sing Holdings FinTech Group Limited. 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Po Siu (陳寶兆先生), aged 47, was appointed as an Independent Non-executive Director, the chairman of the audit committee, a member of the remuneration committee and a member of the nomination committee of the Board on 16 June 2020. Mr. Chan has over 24 years of experience in business consulting and investment in China and the Asia Pacific Region. Mr. Chan started his career in Australia working for various professional services firms and financial institutions including PricewaterhouseCoopers, Ernst & Young, Arthur Andersen, and ANZ Bank from 1996 to 2008. Mr. Chan then took up an advisory role in PricewaterhouseCoopers in Hong Kong and China from 2008 to 2013. Mr. Chan has been the chairman of Mercurius Consulting Group Limited and Mercurius Consulting (Hong Kong) Group Limited since November 2013. He was a director of Afanti Asset Management Limited from May 2014 to July 2016. Mr. Chan was an executive director of Triple Energy Limited (ASX:TNP), a company listed on the Australian Securities Exchange, from April 2015 to February 2017 and has been appointed as an executive director of this company on 27 January 2021. Mr. Chan obtained his bachelor's degree in commerce from the University of Sydney in May 1996 and a master's degree in commerce specialising in finance from the University of New South Wales in April 1998. Mr. Chan is a Fellow Chartered Accountant of the Institute of Chartered Accountants in Australia since August 2012.

Mr. Wee Hian Eng, Cyrus (黃献英), aged 53, 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 21 years of management experience and over 15 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 in engineering (electrical) from the National University of Singapore in June 1992.

Mr. Xu Fenglei (許风雷先生), aged 42, was appointed as an Independent Non-executive Director, the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee on 16 October 2020. He has over 17 years of experience in telecom, mobile internet and information technology field. Mr. Xu is currently the chief executive officer and partner of Sunway International Pte. Ltd., which he joined since 2017. From 2004 to 2006, Mr. Xu was a solution manager of ZTE Corporation (Stock Code: 763), a company listed on the Main Board of the Stock Exchange. He became the head of Technical and Commercial Department and the vice president of Sales Department of ZTE Singapore Pte. Ltd., a then subsidiary of ZTE Corporation, in 2006 and 2008 respectively. He was the managing director of ZTE Singapore Pte. Ltd. from 2011 to 2017. Mr. Xu obtained his bachelor's degree in communication engineering from the Hebei University of Science and Technology in June 2001, a master's degree of software engineering from the Beijing University of Technology in January 2008 and a master's degree in management from the National University of Ireland, Dublin in September 2012.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Ms. Ong Sok Hun, aged 48, 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 15 years of experience in the accounting and finance aspects of the construction industry.

Mr. Hong Kyung Seon, aged 57, joined Chuan Lim Construction Pte Ltd, a subsidiary of our Group in August 2018 and is currently an executive director of Chuan Lim Construction Pte Ltd. Mr. Hong is mainly responsible for execution of the project tender, A&A works construction and reclamation earth work. Mr. Hong was a vice president of Daelim Industrial Co., head office in Seoul and Singapore branch, respectively, was with entrusted responsibilities for civil business promotion and tender for South East Asia region, and to in charge of tender for LTA Projects and marine project for JTC and MPA. Mr. Hong graduated from Seoul National University, South Korea, with a Bachelor's Degree in Civil Engineering in 1986. Mr. Hong held several senior professional positions such as Project Manager, Project Cost and Contract Manager in various international renowned projects. Mr. Hong has over 31 years of experience in the civil business promotion and tender of the construction industry.

Mr. Lee Yunsang, aged 41, joined Chuan Lim Construction Pte Ltd, a subsidiary of our Group in October 2018 and is currently a Senior Contracts Manager of Chuan Lim Construction Pte Ltd. Mr. Lee is responsible to participate in tender projects such as road and earthwork, set up the cost budget control programme for the projects or contracts for the purpose of improving the forecast procedure for each project and draft the project operation plan. Mr. Lee graduated from Yonsei University, South Korea, with a Bachelor's Degree in Civil Engineering in 2005. Mr. Lee has also obtained certificates of Design for Safety Professional and Construction Safety Course for Project Manager. Mr. Lee held several senior professional positions as Construction Engineer, Planning Engineer, Design Manager for Tender, Project Manager and Tender Contract Manager in various construction companies. Mr. Lee has over 16 years of professional experience in the construction industry.

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

CORPORATE GOVERNANCE PRACTICE

The board of directors (the "**Director(s)**" or the "**Board**") of Chuan Holdings Limited (the "**Company**") is committed to 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 2020 (the "**Year**"), except for the Code Provisions of A.2.1, A.1.3 and A.5.1:–

– The CG Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer ("**CEO**") 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 CEO of the Company, which constitutes a deviation from the Code Provision A.2.1.

Mr. Lim has relinquished as the Chairman of the Board but remained to act as CEO and Executive Director and Mr. Phang Yew Kiat was appointed as the Chairman of the Board of the Company on 16 October 2020, therefore the Company has complied with all applicable Code Provision A.2.1 of the CG Code.

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, share option scheme, pension rights and compensation payments for loss or termination of their office or appointment. Implementation and execution of Board policies and strategies and the daily administrative matters are delegated to the respective Board committees and the management team of the Company.

CORPORATE GOVERNANCE REPORT

The CG Code Provision A.1.3 stipulates that the notice of a regular board meeting should be given to all directors at least 14 days for an opportunity for all directors to attend. The Company held two regular board meetings during the Year without 14 days' notice, which constitute a deviation from the Code Provision A.1.3. However, the Company has issued a consent letter to all Directors to seek for their approval to agree and confirm to convene the meeting under short notice (the short notice was issued to all Directors before 10 days of the meeting). The Company believes that all Directors have sufficient time to read the meeting materials and to be able to attend the meeting in time.

The CG Code Provision A.5.1 provides that an issuer should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. However, the chairman of the committee is still chaired by Mr. Lim (the former Chairman of the Board), which constitutes a deviation from the Code Provision A.5.1. The Board considered that since Mr. Lim relinquished his role as the Chairman of the Board and delegated the execution power to the two committee members to execute, all of them are Independent Non-executive Directors of the Company. The Company will decide to appoint Mr. Phang Yew Kiat, the Chairman of the Board to act as the chairman of the committee as soon as practicable to replace Mr. Lim, for the purpose of complying with the requirement of CG Code Provision A.5.1.

BOARD OF DIRECTORS

Board composition

As at 31 December 2020, the Board consisted of a total of eight members, including four Executive Directors, one Non-executive Director 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)* (relinquished as the Chairman of the Board on 16 October 2020)
Mr. Quek Sze Whye
Mr. Bijay Joseph
Mr. Lau Yan Hong
Mr. Wong Kee Chung (resigned on 31 July 2020)

Non-executive Director

Mr. Phang Yew Kiat *(Chairman)* (re-designated from an Independent Non-executive Director to a Non-executive Director and appointed as the Chairman of the Board on 16 October 2020)

Independent Non-executive Directors

Mr. Lee Cheung Yuet, Horace (resigned on 16 June 2020)
Mr. Chan Po Siu (appointed on 16 June 2020)
Mr. Wee Hian Eng, Cyrus
Mr. Xu Fenglei (appointed on 16 October 2020)

Board committees composition

Audit Committee Members

Mr. Chan Po Siu *(Chairman)* (appointed on 16 June 2020)
Mr. Lee Cheung Yuet, Horace *(Chairman)* (resigned on 16 June 2020)
Mr. Phang Yew Kiat (re-designated from an Independent Non-executive Director to a Non-executive Director and ceased as a member of this committee on 16 October 2020)
Mr. Wee Hian Eng, Cyrus
Mr. Xu Fenglei (appointed on 16 October 2020)

Nomination Committee Members

Mr. Lim Kui Teng *(Chairman)*
Mr. Chan Po Siu (appointed on 16 June 2020)
Mr. Lee Cheung Yuet, Horace (resigned on 16 June 2020)
Mr. Phang Yew Kiat (re-designated from an Independent Non-executive Director to a Non-executive Director and ceased as a member of this committee on 16 October 2020)
Mr. Xu Fenglei (appointed on 16 October 2020)

Remuneration Committee Members

Mr. Xu Fenglei *(Chairman)* (appointed on 16 October 2020)
Mr. Phang Yew Kiat *(Chairman)* (re-designated from an Independent Non-executive Director to a Non-executive Director and ceased as the chairman of this committee on 16 October 2020)
Mr. Lim Kui Teng
Mr. Chan Po Siu (appointed on 16 June 2020)
Mr. Lee Cheung Yuet, Horace (resigned on 16 June 2020)

The biographical details of each Director are set out on pages 21 to 24 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, Non-executive Director 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.

CORPORATE GOVERNANCE REPORT

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)* (relinquished as the Chairman of the Board on 16 October 2020)	4
Mr. Quek Sze Whye	4
Mr. Bijay Joseph	4
Mr. Lau Yan Hong	4
Mr. Wong Kee Chung (resigned on 31 July 2020)	2
Non-executive Director	
Mr. Phang Yew Kiat *(Chairman)* (re-designated from an Independent Non-executive Director to a Non-executive Director and appointed as the Chairman of the Board on 16 October 2020)	4
Independent Non-executive Directors	
Mr. Lee Cheung Yuet, Horace (resigned on 16 June 2020)	1
Mr. Chan Po Siu (appointed on 16 June 2020)	2
Mr. Wee Hian Eng, Cyrus	4
Mr. Xu Fenglei (appointed on 16 October 2020)	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 CEO

The Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and CEO should be separated and should not be performed by the same individual, and that the division of responsibilities between the chairman and the CEO should be clearly stated. The Company fully supports such a division of responsibilities between the Chairman and the CEO in order to ensure a balance of power and authority. The positions of the Chairman and the CEO are segregated and were held by Mr. Phang Yew Kiat and Mr. Lim, respectively, on 16 October 2020, as a result of the realignment of the senior management resources of the Group. These positions have clearly defined separate responsibilities.

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. The Chairman of the Board would involve in matters relating to the daily operations of the Group which 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, share option scheme, 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 2020 and the final results for the year ended 31 December 2020, 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 Chairman of the Board is responsible for leading the Board, and facilitating the business of the Board and the effectiveness of individual Director, both during and outside the Board Meetings. The Chairman plays a key role in the development of the Group's strategy and in ensuring management succession. He is also required to ensure that the principles of good corporate governance and processes of the Board Meetings are maintained. Throughout the Year, the Chairman encouraged constructive discussions, criticisms or debates among the Directors in the Board Meetings and, where appropriate, any matters proposed by any Directors for inclusion in the agenda for the Board Meetings. The Chairman set agenda for meetings of the Board and ensured all Directors receiving adequate, accurate, clear, complete and reliable information in a timely manner. The Chairman committed to present the views of the shareholders of the Company to the Board and to represent the Board to communicate with the shareholders. He also facilitated the relationship among the Board members and ensured effective contribution of the Independent Non-Executive Directors to the Board.

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 CEO is responsible for leading executive management of the Group. The Board sets limits to the authorities exercisable by the CEO and the CEO remains accountable to the Board within the limits of delegated authorities. The CEO commits to take overall responsibilities for the supervision and the conducts of the Company's business and its ordinary operations, in accordance with the policies, strategies and objectives established by the Group. The Board is responsible for monitoring the performance of the CEO and for ensuring whether the Board's objectives have been attained.

The CEO has delegated the day-to-day responsibility in respect of management and administrative functions to the 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.

Non-executive Directors and Independent Non-executive Directors

The functions of Non-executive Directors and Independent Non-executive Directors should include:

(a) participating in Board Meetings to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;

(b) taking the lead where potential conflicts of interests arise;

(c) serving on the audit, remuneration, nomination committees, if invited; and

(d) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.

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.

CORPORATE GOVERNANCE REPORT

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 share option scheme, overall strategy and long-term objectives, new business activities, annual budgets, business plans and financial statements, interim and final results announcements, material acquisitions and disposals of assets, investments, capital projects and commitments, annual internal control assessment, funding and risk management policies as well as connected transactions. Matters which the Board consider suitable for delegation to its committees are contained in the specific terms of reference.

Independent Non-executive Directors

There are currently three Independent Non-executive Directors. During the Year and up to the date of this report, the Board at all times met the requirements of the Rules 3.10(1), 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. Chan Po Siu and Mr. Xu Fenglei, who were appointed as an Independent Non-Executive Director on 16 June 2020 and 16 October 2020 respectively, have 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 2020 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)* (relinquished as the Chairman of the Board on 16 October 2020)	✓	✓
Mr. Quek Sze Whye	✓	✓
Mr. Bijay Joseph	✓	✓
Mr. Lau Yan Hong	✓	✓
Mr. Wong Kee Chung (resigned on 31 July 2020)	N/A	N/A
Mr. Phang Yew Kiat *(Chairman)* (re-designated from an Independent Non-executive Director to a Non-executive Director and appointed as the Chairman of the Board on 16 October 2020)	✓	✓
Mr. Lee Cheung Yuet, Horace (resigned on 16 June 2020)	N/A	N/A
Mr. Chan Po Siu (appointed on 16 June 2020)	✓	✓
Mr. Wee Hian Eng, Cyrus	✓	✓
Mr. Xu Fenglei (appointed on 16 October 2020)	✓	✓

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 ("**SFO**").

Directors' and officers' liability insurance and indemnity

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

CORPORATE GOVERNANCE REPORT

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, an Executive Director of the Company (who was the former Chairman of the Board has relinquished as the Chairman of the Board on 16 October 2020), has entered into a service agreement with the Company for the term of further three years commencing from 1 June 2019 and may be terminated by either party by giving not less than three calendar months' notice in writing. He is entitled to a basic salary of S$1,041,600 per annum plus a discretionary bonus to be determined by the Board with reference to the performance of the Group.

Mr. Quek Sze Whye, an Executive Director of the Company, has entered into a service agreement with the Company for the term of further three years commencing from 1 June 2019 and may be terminated by either party by giving not less than three calendar months' notice in writing. He is entitled to a basic salary of S$320,400 per annum plus a discretionary bonus to be determined by the Board with reference to the performance of the Group.

Mr. Bijay Joseph, an Executive Director of the Company, has entered into a service agreement with the Company for the term of further three years commencing from 1 June 2019 and may be terminated by either party by giving not less than three calendar months' notice in writing. He is entitled to a basic salary of S$230,400 per annum plus a discretionary bonus to be determined by the Board with reference to the performance of the Group.

Mr. Lau Yan Hong, an Executive Director of the Company, has entered into a service agreement with the Company for the term of further three years commencing from 1 June 2019 and may be terminated by either party by giving not less than three calendar months' notice in writing. He is entitled to a basic salary of S$230,400 per annum plus a discretionary bonus to be determined by the Board with reference to the performance of the Group.

Mr. Wong Kee Chung, an Executive Director of the Company, has entered into a service agreement with the Company for an initial term of three years 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. Wong has resigned as an Executive Director on 31 July 2020.

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 entitled to receive a director's fees of HK$180,000 per annum. Mr. Lee has resigned as an Independent Non-executive Director on 16 June 2020.

Mr. Phang Yew Kiat, an Independent Non-executive Director of the Company, has entered into a letter of appointment with the Company for the term of further three years commencing from 8 June 2019 and may be terminated by either party by giving at least three months' notice in writing. Mr. Phang has re-designed from an Independent non-executive Director to Non-executive Director and was appointed as the Chairman of the Board on 16 October 2020. Mr. Phang has entered into a new letter of appointment with the Company for a term of three years commencing from 16 October 2020 and may be terminated by either party by giving at least three months' notice in writing. Mr. Phang is entitled with a nominal Director's fee of HK$1 per annum, and he will be granted 3% of the Company's employee share options during his three years term of appointment pursuant to such terms as shall be determined by the Remuneration Committee with reference to his duties and responsibilities within the Company and the prevailing market conditions, subject to review by the Board and the Remuneration Committee from time to time. Mr. Phang's compensation has been recommended by the Remuneration Committee and approved by the Board. The previous director's fees of Mr. Phang as an Independent non-executive Director was S$27,600 (equivalent to approximately HK$157,714.00) per annum.

Mr. Chan Po Siu, an Independent Non-executive Director of the Company, has entered into a letter of appointment with the Company for the term of three years commencing from 16 June 2020 and may be terminated by either party by giving at least three months' notice in writing. Mr. Chan is currently entitled to receive a director's fees of HK$180,000 per annum.

Mr. Wee Hian Eng, Cyrus, an Independent Non-executive Director of the Company, has entered into a letter of appointment with the Company for the 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.

Mr. Xu Fenglei, 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 October 2020 and may be terminated by either party by giving at least three months' notice in writing. Mr. Xu is currently entitled to receive a director's fees of S$24,000 (equivalent to approximately HK$137,000) per annum.

All Directors (including Executive Directors, Non-executive Director 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, Messrs. Phang Yew Kiat, Chan Po Siu and Xu Fenglei 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. Quek Sze Whye, Bijay Joseph and Lau Yan Hong 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. Quek Sze Whye, Bijay Joseph and Lau Yan Hong, Phang Yew Kiat, Chan Po Siu and Xu Fenglei, shall retire and, are eligible to offer themselves for re-election at the forthcoming annual 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 Board comprises three Independent Non-executive Directors namely, Mr. Chan Po Siu (Chairman) ("**Mr. Chan**"), Mr. Wee Hian Eng, Cyrus and Mr. Xu Fenglei.

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. Chan 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 98 to 101 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 2020. 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 qualification and experience, training programmes and impact of the Group's accounting, financial reporting and internal audit functions.

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

Name of Directors	Attendance/ Number of committee meeting
Mr. Chan Po Siu *(Chairman)* (appointed on 16 June 2020)	2
Mr. Lee Cheung Yuet, Horace *(Chairman)* (resigned on 16 June 2020)	1
Mr. Phang Yew Kiat (re-designated from an Independent Non-executive Director to a Non-executive Director and ceased as a member of this committee on 16 October 2020)	2
Mr. Wee Hian Eng, Cyrus	3
Mr. Xu Fenglei (appointed on 16 October 2020)	1

REMUNERATION COMMITTEE

The remuneration committee of the Board (the "**Remuneration Committee**") is chaired by Mr. Xu Fenglei, an Independent Non-executive Director, with Mr. Lim Kui Teng, an Executive Director and Mr. Chan Po Siu, an Independent Non-executive Director as members. 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.

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 Director;

(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 3 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)* (re-designated from an Independent Non-executive Director to a Non-executive Director and ceased as the chairman of this committee on 16 October 2020)	2
Mr. Xu Fenglei *(Chairman)*(appointed as the chairman of this committee on 16 October 2020)	N/A
Mr. Lim Kui Teng	3
Mr. Lee Cheung Yuet, Horace (resigned on 16 June 2020)	1
Mr. Chan Po Siu (appointed on 16 June 2020)	2

The work performed by the Remuneration Committee for the year ended 31 December 2020 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 remuneration package of Mr. Phang Yew Kiat as he was re-designated from an Independent Non-executive Director to a Non-executive Director and was appointed as the Chairman of the Board;

(iv) recommending the Board to accept the proposal of Director's remuneration of the Company's newly appointed Independent Non-executive Directors, Mr. Chan Po Siu and Mr. Xu Fenglei;

(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;

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

(vii) reviewing and approving of the recommendation of share option granted under the share option scheme of the Company.

The amount of remuneration paid to each Director for the year ended 31 December 2020 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 of the Board (the "**Nomination Committee**") and is chaired by Mr. Lim Kui Teng, an Executive Director, and two Independent Non-executive Directors, Mr. Chan Po Siu and Mr. Xu Fenglei as members. The Nomination Committee had met three 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 Company's Articles 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 3 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)*	3
Mr. Phang Yew Kiat (re-designated from an Independent Non-executive Director to a Non-executive Director and ceased as a member of this committee on 16 October 2020)	3
Mr. Lee Cheung Yuet, Horace (resigned on 16 June 2020)	1
Mr. Chan Po Siu (appointed on 16 June 2020)	1
Mr. Xu Fenglei (appointed on 16 October 2020)	N/A

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 Mr. Phang Yew Kiat who was re-designated from an Independent Non-executive Director to a Non-executive Director and was appointed as the Chairman of the Board;

– approved the proposal of the appointment of Mr. Chan Po Siu and Mr. Xu Fenglei as Independent Non-executive Directors and made recommendation to the Board to accept the relevant appointment; and

– made recommendation on the retiring Directors at the 2021 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 of the Company, for the purpose of Code Provision F.1.1 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.

CORPORATE GOVERNANCE REPORT

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 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")

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 26 May 2020. The attendance record of the Directors at the AGM are set out below:–

Executive Directors	**Attendance in person/ telephone conference AGM**
Mr. Lim Kui Teng *(Chairman of the Board and Chairman of Nomination Committee)* (relinquished as Chairman of the Board on 16 October 2020)	1
Mr. Quek Sze Whye	1
Mr. Bijay Joseph	1
Mr. Lau Yan Hong	1
Mr. Wong Kee Chung (resigned on 31 July 2020)	1
Non-executive Director	
Mr. Phang Yew Kiat *(Chairman of the Board)* (re-designated from Independent Non-executive Director to Non-executive Director, appointed as the Chairman of the Board and ceased as member of each of Audit Committee and Nomination Committee and Chairman of Remuneration Committee on 16 October 2020)	1
Independent Non-executive Directors	
Mr. Chan Po Siu *(Chairman of Audit Committee)* (appointed on 16 June 2020)	N/A
Mr. Lee Cheung Yuet Horace *(Chairman of Audit Committee)* (resigned on 16 June 2020)	1
Mr. Wee Hian Eng, Cyrus	1
Mr. Xu Fenglei *(Chairman of Remuneration Committee)* (appointed on 16 October 2020)	N/A

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

CONSTITUTIONAL DOCUMENTS

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

RESPONSIBILITY FOR PREPARATION AND REPORTING OF FINANCIAL STATEMENTS

Financial reporting

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

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

The financial statements for the Year have been prepared by the Directors on a going concern basis. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. A statement by the external auditors of the Company regarding their reporting responsibilities on the accounts of the Group is set out in the "**Independent Auditor's Report**" on pages 98 to 101 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$1.08 million, of which approximately HK$75,000, or 6.9%, 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 "**Directors' 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 2020 (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$24.2 million had been utilised as at 31 December 2020.

Details of the Use of the Net Proceeds are disclosed in the section headed "Use of proceeds" on page 16 of this annual report.

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

Details of the refund of the remaining of 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 16 and page 18 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 102 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 8 to 20 of this annual report.

SHARE CAPITAL

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

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2020 are set out in the Consolidated Statement of Comprehensive Income on page 102. The financial position of the Group as at 31 December 2020 is set out in the Consolidated Statement of Financial Position of the Group on pages 103 to 104. The financial position of the Company as at 31 December 2020 is set out in Note 32 to the Consolidated Financial Statements on pages 169 to 170. The cash flows of the Group for the year ended 31 December 2020 are set out in the Consolidated Statement of Cash Flows on pages 106 to 107.

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 26 and 32 to the Consolidated Financial Statement of the Group, respectively.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution represent the aggregate of share premium and contributed surplus less accumulated losses. Under the Companies Act (2021 Revision), formerly known as the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (as amended, supplemented or otherwise modified from time to time), 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 2020, the reserves available for distribution to shareholders is approximately S$65.6 million which represents the aggregate of share premium and contributed surplus of approximately S$73.7 million net of accumulated losses approximately S$8.1 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 long term 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 72 to 97 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 *(the Chairman of the Board) (relinquished as the Chairman of the Board on 16 October 2020)*
Mr. Quek Sze Whye
Mr. Bijay Joseph
Mr. Lau Yan Hong
Mr. Wong Kee Chung *(resigned on 31 July 2020)*

Non-Executive Director
Mr. Phang Yew Kiat *(the Chairman of the Board) (re-designated from an Independent Non-executive Director to a Non-executive Director and appointed as a Chairman of the Board and ceased as a member of the Audit committee, a member of the Nomination Committee, and the chairman of the Remuneration Committee on 16 October 2020)*

Independent Non-Executive Directors
Mr. Lee Cheung Yuet, Horace *(resigned on 16 June 2020)*
Mr. Chan Po Siu *(appointed on 16 June 2020)*
Mr. Wee Hian Eng, Cyrus
Mr. Xu Fenglei *(appointed on 16 October 2020)*

Pursuant to Article 83(3) of the Company's Articles, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting the Company and shall then eligible for re-election at that forthcoming annual general meeting. Therefore, Messrs. Phang Yew Kiat, Chan Po Siu and Xu Fenglei 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 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 shall be subject to retirement at an annual general meeting at least once every three years, Messrs. Quek Sze Whye, Bijay Joseph and Lau Yan Hong 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. Quek Sze Whye, Bijay Joseph, Lau Yan Hong, Phang Yew Kiat, Chan Po Siu and Xu Fenglei, 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 21 to 24 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 21 to 24 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, Non-executive Director 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. Each of the Executive Directors has entered into a service agreement with the Company for the term of three years commencing from 1 June 2019. Mr. Phang Yew Kiat ("**Mr. Phang**") (previously an Independent Non-executive Director of the Company) has entered into a letter of appointment with the Company for the term of three years commencing from 8 June 2019. Mr. Phang has re-designated from an Independent Non-executive Director to a Non-executive Director and was appointed as the Chairman of the Board on 16 October 2020. Mr. Phang has entered into a new letter of appointment with the Company for a term of three years commencing from 16 October 2020 and may be terminated by either party by giving at least three months' notice in writing, and Mr. Phang is subject to retirement by rotation and re-election at least once every three years in accordance with the Articles of the Company. Mr. Phang has agreed to take up the role as a Non-executive Director and the Chairman of the Board with a nominal Director's fee of HK$1 per annum, and he will be granted 3% of the Company's employee share options during his three years term of appointment pursuant to such terms as shall be determined by the Remuneration Committee with reference to his duties and responsibilities within the Company and the prevailing market conditions, subject to review by the Board and the Remuneration Committee from time to time. Mr. Phang's compensation has been recommended by the Remuneration Committee and approved by the Board. Save as above, 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.

REPORT OF THE DIRECTORS

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

As at 31 December 2020, 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:

Long position in the underlying shares of equity derivatives of the Company

Under the share option scheme of the Company (whose details are further described in the section headed "Share Option Scheme" below), share options were granted to the following Directors which entitled them to subscribe for the ordinary shares of the Company (the "**Share(s)**"). Accordingly, they were regarded as interested in the underlying Shares. Details of the share options of the Company held by them during the Year were as follows:-

Name of Directors	Capacity	Date of grant	Exercise period	Number of shares in the Company over which options are exercisable as at 31 December 2020	Exercise price per share *HK$*	Approximate percentage of interest in the issued share capital of the Company as at 31 December 2020
Quek Sze Whye	Beneficial owner	28 October 2020	10 May 2021 to 9 May 2026	8,000,000 (L) *(Note)*	0.090	0.770%
Bijay Joseph	Beneficial owner	28 October 2020	10 May 2021 to 9 May 2026	8,000,000 (L) *(Note)*	0.090	0.770%
Lau Yan Hong	Beneficial owner	28 October 2020	10 May 2021 to 9 May 2026	8,000,000 (L) *(Note)*	0.090	0.770%
Phang Yew Kiat	Beneficial owner	28 October 2020	16 October 2021 to 9 May 2026	10,364,000 (L) *(Note)*	0.090	1.00%

Note: The letter "L" denotes a long position in the Shares.

These share options of the Company were granted to the above Directors on 28 October 2020 pursuant to the share option scheme of the Company, with an exercise price of HK$0.090 per share and an exercise period from 10 May 2021 to 9 May 2026.

Aggregate long positions 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 2020
Mr. Lim Kui Teng ("**Mr. Alan Lim**")	Interest of controlled corporation *(Note 1)*	529,125,000 (L)	546,169,000 (L)	52.70%
	Personal interest *(Note 2)*	17,044,000 (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 and an Executive Director of the Company.

(2) During the Year, Mr. Alan Lim increased his shareholdings by 17,044,000 Shares of the Company in his personal capacity, representing approximately 1.65% of the issued share capital of the Company. As a result, Mr. Alan Lim's interests have been increased to 546,169,000 Shares, representing approximately 52.70% of the issued share capital of the Company.

(3) The letter "L" denotes a long position in the Shares.

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 2020.

REPORT OF THE DIRECTORS

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.

Details of the share options ("**Share Options**") granted by the Company under the Share Option Scheme during the Year were summarised as follows:–

				Number of shares of the Company over which options are exercisable					
	Date of grant	Exercise price per share HK$	Balance as at 1 January 2020	Granted during the Year *(Notes)*	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	Balance as at 31 December 2020	Exercise period
Name of Directors									
Quek Sze Whye	28 October 2020	0.090	–	**8,000,000 (L)**	–	–	–	**8,000,000 (L)**	10 May 2021 to 9 May 2026
Bijay Joseph	28 October 2020	0.090	–	**8,000,000 (L)**	–	–	–	**8,000,000 (L)**	10 May 2021 to 9 May 2026
Lau Yan Hong	28 October 2020	0.090	–	**8,000,000 (L)**	–	–	–	**8,000,000 (L)**	10 May 2021 to 9 May 2026
Phang Yew Kiat	28 October 2020	0.090	–	**10,364,000 (L)**	–	–	–	**10,364,000 (L)**	16 October 2021 to 9 May 2026
Employees of the Group	28 October 2020	0.090	–	**44,860,000 (L)**	–	–	–	**44,860,000 (L)**	10 May 2021 to 9 May 2026
Total			–	**79,224,000**	–	–	–	**79,224,000**	

Notes:

1. Pursuant to the Share Option Scheme, a total of 79,224,000 Share Options as mentioned in the above table were granted to certain Directors and employees of the Group on 28 October 2020, with an exercise price of HK$0.090 per share and an exercise period from 10 May 2021 to 9 May 2026. The closing price of the shares of the Company immediately before the date of the grant of the aforesaid Share Options was HK$0.086 per share.

2. The Share Options will be exercisable subject to the following vesting schedule:

   (a) 68,860,000 Share Options out of 79,224,000 Share Options will be exercisable from 10 May 2021 to 9 May 2026 (both days inclusive); and

   (b) 10,364,000 Share Options out of 79,224,000 Share Options will be exercisable from 16 October 2021 to 9 May 2026 (both days inclusive).

(3) The letter "L" denotes a long position in the Shares.

Details of the value of options granted under the Share Option Scheme during the Year and the accounting policy adopted for the Share Options are set out in Note 34 to the Consolidated Financial Statements of the Group.

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 2020 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. Lim Kui Teng has relinquished as the Chairman of the Board on 16 October 2020, but he remains as an Executive Director and Chief Executive Officer of the Company.

Mr. Phang Yew Kiat was re-designated from an Independent Non-executive Director to a Non-executive Director and was appointed as the Chairman of the Board and has ceased to be a member of the Audit Committee and a member of the Nomination Committee and the chairman of the Remuneration Committee of the Board on 16 October 2020.

Mr. Chan Po Siu, an independent non-executive Director, was appointed as an executive director of Triple Energy Limited (ASX:TNP), a company listed on the Australian Securities Exchange on 27 January 2021.

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 2020, 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 2020
Brewster Global	Beneficial owner *(Note 1)*	529,125,000 (L)	51.05%
Ms. Yee Say Lee ("**Ms. Yee**")	Interest of spouse *(Notes 1, 2 and 3)*	546,169,000 (L)	52.70%

Notes:

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

(2) During the Year, Mr. Alan Lim increased his shareholdings by 17,044,000 Shares of the Company in his personal capacity, representing approximately 1.65% of the issued share capital of the Company. As a result, Mr. Alan Lim's interests have been increased to 546,169,000 Shares, representing approximately 52.70% 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.

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 2020.

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

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

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Year, none of 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 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 29 to the Consolidated Financial Statement of the Group, no transactions, arrangements and contracts of significance to which the Company, or any of its subsidiaries, its holding companies or its fellow subsidiaries was 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 52.1% (2019: 41.1%) of the Group's total revenue and the largest customer of the Group accounted for approximately 15.4% (2019: 11.7%) of the Group's total revenue.

The five largest suppliers of the Group accounted for approximately 76.5% (2019: 83.1%) of the Group's total purchases and the largest supplier of the Group accounted for approximately 37.1% (2019: 33.5%) of the Group's total purchases.

The five largest subcontractors of the Group accounted for approximately 51.5% (2019: 56.4%) of the Group's total subcontractor fees and the largest subcontractor of the Group accounted for approximately 26.3% (2019: 28.4%) 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 related party transactions as stated in Note 29 to the Consolidated Financial Statements, certain transactions are the continuing connected transactions 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, an Executive Director of the Company 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.

For the Reporting Year, the total amount of construction materials purchased by the Group from United E&P was approximately S$165,000.

(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, an Executive Director of the Company, 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.

For the Reporting Year, the total amount of rental services and labour supply provided by the Group to Golden Empire was approximately S$1,862,000.

(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, an Executive Director of the Company, and 35% by Ms. Yee, 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.

For the Reporting Year, the total amount of rental services provided by Hulett Construction to the Group was approximately S$2,211,000.

(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, an Executive Director of the Company, 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.

For the Reporting Year, the total amount of transportation services provided by the Group to United E&P was approximately S$17,000.

(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, an Executive Director of the Company, and 50% by an independent third party. As such, GEHT is a connected person of the Company for the purpose of the Listing Rules.

For the Reporting Year, the total amount of rental services and labour supply provided by the Group to GEHT was approximately S$355,000.

(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, an Executive Director of the Company, and 50% by an independent third party. As such, GEHT is a connected person of the Company for the purpose of the Listing Rules.

For the Reporting Year, the total amount of disposal services from GEHT was approximately S$33,000.

(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, an Executive Director of the Company, 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.

For the Reporting Year, the Group recognised subcontract services of approximately S$2,427,000 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.

For the Reporting Year, the total amount of rental services and labour supply provided by Cheng Yap was approximately S$51,000.

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. These non-exempt continuing connected transactions have been approved by independent shareholder at an extraordinary general meeting held on 30 October 2019.

RELATED PARTY TRANSACTIONS

As disclosed in "Related Party Transactions" under Note 29 to the Consolidated Financial Statements of the Group, certain transactions with subsidiaries or fellow subsidiaries 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 29 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 (Revised) "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.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

SUBSIDIARIES

Particulars regarding the subsidiaries of the Company are set out in Note 33 to the Consolidated Financial Statements of the Group.

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 97 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 pages 25 to 26 of this annual report, the Company has complied with the code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the Year.

REPORT OF THE DIRECTORS

EMOLUMENT POLICY OF THE GROUP

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

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

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

RETIREMENT SCHEME

The Group participates in the Central Provident Fund Scheme ("**CPF Scheme**"), which is a defined contribution pension scheme in Singapore.

Pursuant to the Central Provident Fund Act, an employer is obliged to make CPF contributions for all employees who are Singapore citizens or permanent residents who are employed in Singapore under a contract of service (save for employees who are employed as a master, a seaman or an apprentice in any vessel, subject to an exception to owners who have not been exempted from the relevant provisions of the Central Provident Fund Act).

CPF contributions are required for both ordinary wages and additional wages (subject to any ordinary wage ceiling and a yearly additional wage ceiling) of employees at the applicable prescribed rates which are dependent on, among others, the amount of monthly wages and the age of the employee. An employer must pay both the employer's and employee's share of the monthly CPF contribution. However, an employer can recover the employee's share of CPF contributions from their wages when the contributions are paid for that month.

The CPF Scheme is a comprehensive social security system that enables working Singapore citizens and permanent residents to set aside funds for retirement. The total cost charged to profit or loss, amounting to approximately S$669,000 for the Year, represent contribution paid to the retirement benefits scheme by the Group. As at 31 December 2020, all contribution that was due had been paid. Save as aforesaid, the Group did no participate in any other pension schemes during the Year.

CORPORATE GOVERNANCE REPORT

Details of the "Corporate Governance Report" are set out on pages 25 to 50 of this annual report.

AUDITORS

The consolidated financial statements for the year ended 31 December 2020 have been audited by BDO Limited. There has been no change in the Company's auditors in any of the preceding five years.

SUBSEQUENT EVENT AFTER THE REPORTING YEAR

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

On behalf of the Board

Mr. Phang Yew Kiat
Chairman and Non-executive Director

30 March 2021

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Chuan Holdings Limited (the "**Group**" or "**we**") is one of the contractors in Singapore. The Group is principally engaged in the provision of earthwork and ancillary services and general construction works. The Group prioritises sustainability in the strategy of the Group with an aim to create long-term value for its stakeholders and the community.

The environmental, social and governance report (the "**ESG**" or "**ESG Report**" or the "**Report**") captures the ESG performance of the Group during the year ended 31 December 2020 (the "**Year**" or the "**Reporting Year**" or "**2020**") and provides an overview of its sustainability vision and related programmes and performances in the operations, responding to our shareholders' interests in the sustainability development of the Group. Guided by its Green and Gracious principles, the Group organises its approach and sustainability initiatives to provide a pleasurable environment in the neighbourhood of its projects and the public.

Giving training to our staff to ensure adequate knowledge of Green and Gracious Practices
Reducing, reusing and recycling of our materials and wastes
Ensuring efficient usage of our electricity, diesel and water
Ensuring air and water pollution are managed
Neatness at sites for good housekeeping

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

THE ESG GOVERNANCE STRUCTURE

To promptly address sustainability issues and manage ESG-related risk effectively and systematically, the Group has established an ESG working taskforce (the "**Taskforce**") which comprises core members from relevant departments and is responsible for collecting information and data on the ESG aspects for preparing the ESG Report. The Taskforce reports to the Board of Directors (the "**Board**") in a timely manner, assists in the assessment and identifies the risk management of the Group on the ESG aspects. The Taskforce also examines and evaluates the implementation and effectiveness of internal control system, as well as the Group's ESG performance. The Board sets up a general direction for the Group's ESG strategies from time to time, ensuring the effectiveness in the control of ESG risks and internal control mechanisms.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING YEAR AND SCOPE

The ESG Report describes the ESG activities, challenges and measures taken by the Group during the Year.

The ESG Report covers the Group's business segments pertaining to the provision of earthwork and ancillary services as well as general construction works in Singapore, where its principal business operations are located, unless otherwise specified.

The ESG Report discloses the Group's policies, compliance issues 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 ESG Reporting Guide (the "**ESG Reporting Guide**") as set out in the Appendix 27 of The Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

For the information relating to the corporate governance practices, please refer to page 25 to page 50 of 2020 Annual Report, where further disclosures on corporate governance are made.

STAKEHOLDER ENGAGEMENT

At our Group, we value our stakeholders and their opinions related to the aspects of business and ESG. In order to understand and address stakeholders' concerns, especially on both the Group's ESG performance as well as risks and opportunities, we have maintained close communications with our key stakeholders, including but not limited to shareholders and investors, clients and business partners, employees, suppliers, subcontractors, media and the public. In formulating operational strategies and measures towards sustainable and eco-friendly business development, we take stakeholders' expectation into consideration by utilising diversified engagement methods and communication channels shown as below.

Stakeholders	Communication Channels
Shareholders and investors	General meetings and other shareholder meetings Annual and interim reports Announcements, notices, circulars and publications in websites of the Stock Exchange and the Company
Clients and business partners	Support hotline Corporate website
Employees	Employee feedback Training programmes and staff meetings Regular performance reviews
Suppliers and subcontractors	Industrial events and supplier meetings Ongoing direct engagements
Media and general public	Media enquiries and ESG reports

The Group is committed to collaborating with its stakeholders to improve its ESG performance and creating greater values for the wider community on a continuous basis.

MATERIALITY ASSESSMENT

In order to review our operations and identify relevant ESG issues as well as prioritise related matters to our businesses and stakeholders, our management and staff have participated in the preparation of the ESG Report. A data questionnaire in reference to the identified material ESG issues was prepared to collect information from relevant departments and business units of the Group. Their feedback will help us identify, assess and refine relative material ESG-related issues, which will enable the Group to identify the risks associated with its businesses and formulate sustainability strategies to tackle the challenges.

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

The Group's Material ESG Topics

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

COMPLIANCE WITH LAWS AND REGULATIONS

The legal adviser, 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 legal adviser to ensure that the Group is in 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 its business is conducted in accordance with the applicable laws and regulations in Hong Kong, the Cayman Islands and Singapore.

A. ENVIRONMENTAL

Aspect A1: Emissions

As a socially responsible corporation, the Group places environmental protection as one of its fundamental prerequisites. Principally engaged in the provision of earthwork and ancillary services and general construction works, the Group recognises its responsibilities towards potential direct and indirect negative environmental impacts associated with its business operations, and has actively implemented effective environmental policies and effective mechanism to reduce gas emissions and energy consumption.

The Group has established an integrated management system ("**IMS**") which are certified with (i) ISO 9001 (Quality Management System); (ii) ISO 45001 (Occupational Health and Safety) 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. To minimise the potential impacts of its business on the environment and society, the Group strives to educate and encourage its employees to contribute towards sustainability by adopting an environmental-friendly approach and planning their works to efficiently eliminate wastes to the maximum extent with the view of achieving sustainable development and cost saving.

During the 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 significant impact on the Group.

Air Pollution Control

Air and GHG emissions

The air emissions of the Group are mainly generated from fuel combustion of machineries and equipment at construction sites, in the provision of earthworks. Therefore, the Group has actively adopted a set of procedures to control air emissions at a sustainable level.

(i) Dark smoke management

To prevent excessive dark smoke emissions, all our fuel-burning machines such as air compressors and generators are maintained regularly. Any defective fuel-burning equipment identified would be replaced. In addition, engines of stationary vehicles are switched off promptly when not in use, and illegal burning of debris at the Group's construction sites is prohibited.

(ii) Dust management

Dust is a major pollutant generated by vehicles transporting sand, debris and other materials. To minimise the impact and prevent the dust pollution, vehicles are adequately covered with canvas before leaving construction sites. Stockpile of sand and aggregates at construction sites are sheltered with canvas. Meanwhile, all construction debris must be stored properly and removed as soon as possible. Disposal should not be left to accumulate at construction sites.

(iii) Fume and obnoxious gas management

All possible sources of chlorofluorocarbons (CFCs) and hydrochlorofluorocarbons (HCFCs) are controlled through measures such as disposal of non-used air-conditioners and damaged refrigerators used by our workers.

The Group generates limited amount of GHG emissions, which mainly arise from diesel consumption of vehicles, consumption of electricity at the office and disposal of paper. During the Year, the total GHG emissions of the Group amounted to approximately 16,397.3 tonnes of carbon dioxide equivalent ("**tCO_2e**") and the total GHG emissions per employee was approximately 33.51 tCO_2e. The detailed summary of the Group's GHG emissions is shown as below:

	GHG Emissions Amount and Intensity			
GHG Scope[1]	**Quantity – tCO_2e**		**Intensity – tCO_2e per employee**[2]	
	2020	2019	**2020**	2019
Scope 1: Direct GHG emissions – diesel consumption	**16,108.4**	21,408.6	**32.9**	38.9
Scope 2: Energy indirect GHG emissions – electricity consumption	**282.5**	308.6	**0.6**	0.6
Scope 3: Other indirect GHG emissions – paper disposal	**6.4**	11.8	**0.01**	0.02
Total GHG emissions	**16,397.3**	21,729.0	**33.51**	39.52

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, 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 2020, the number of employees of the Group was 489; as at 31 December 2019, the number of employees of the Group was 550. 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 on machinery to ensure engine performance and efficient use of diesel;
- Promote and adopt high efficiency or energy-saving equipment e.g. environmental-friendly tipper trucks with Euro 6 standards; and
- Promote energy-saving and emission reduction to raise energy-saving and environmental awareness among employees.

The direct GHG emissions of the Year declined year-on-year, while the energy indirect GHG emissions of the Year declined by approximately 8.5% year-on-year, largely attributable to the suspension of construction activities during the "circuit breaker" ("**CB**") period between 7 April and 1 June 2020 imposed by the Singapore government to combat the Coronavirus Disease 2019 ("**Covid-19**"), as well as the decrease in energy consumption through the adoption of environmentally-friendly machineries.

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, thereby minimising carbon footprint.

Water Pollution Control

The Group have established a set of procedures to prevent pollution of surface water, public sewer and rain-water-drain, given the Group does not consume considerable amount of water through its business activities.

(i) *Silt control measures*

For all of the Group's projects, there are designated locations for silt control such as temporary perimetre 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 are maintained regularly.

(ii) *Vehicle washing bay*

All of the Group's vehicles are jet-washed to remove all mud and silt before leaving the construction site. The washing bay should be maintained regularly, and the silt accumulated 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 plumbers are employed at all our construction sites to design the temporary sanitary and water supply requirements, which include site office, canteen and worker's quarter (if applicable). No washing water from cooking and laundry activities should be discharged to open drains.

Waste Management

The Group strives to properly dispose of and manage wastes produced through its daily operations. Our waste management practices have complied with the relevant laws and regulations regarding relevant environmental protection.

Hazardous Waste

Hazardous waste generated during the Year was mainly comprised of oil and grease etc. Due to the limitation of information collecting system, the Group did not have the record of hazardous waste disposed during the Year. Hazardous wastes are generated in the course of operation due to the Group's business nature. Therefore, the Group has established guidelines and policies in governing the management and disposal of hazardous waste. Stringent requirements on the management and disposal of such chemical waste have been put in place. In particular, chemical wastes generated at construction sites are required to be packed and stored securely with proper labelling. The disposal of such wastes is required to be approved and documented for internal review. The Group strictly complies with the relevant environmental laws and regulations and has engaged qualified chemical waste collector to handle such wastes. The Group will enhance disclosure on amount of hazardous waste once relevant information collection system is optimised.

Non-hazardous Waste

The non-hazardous waste of the Group's daily operations are mainly generated from construction sites. With the aim of minimising the environmental impacts, the Group has set up a set of procedures to ensure all waste materials are properly handled, stored and disposed of. The Group adopts the principle of "Reduce, Reuse, and Recycle" (3Rs) and encourages its employees to share the responsibility in handling wastes.

The Group has established the following procedures:

(i) *Segregation of construction waste*

The Group's 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 bins*

Sufficient numbers of containers are placed at the Group's construction sites to segregate our construction wastes. General waste collectors and licensed waste-removing contractors are appointed to only dispose of wastes 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, paper is one of the major sources of non-hazardous wastes generated in the Group's office operation. To foster green office operations, the Group strives to reduce paper usage by carrying out the following procedures to encourage employees to reduce paper waste:

- Make use of electronic media for circulation/communication to minimise paper usage;
- Use double-sided printing or photocopying whenever possible;
- Print limit is set for each user and impose eco-printing modes for employees; and
- Recycle or reuse single-sided documents for printing or as draft paper.

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

Paper Disposal Amount and Intensity control

	Quantity – kilogramme		Intensity control – kilogramme per employee	
	2020	2019	**2020**	2019
Paper	**1,341.5**	2,466.0	**2.7**	4.5

During the Year, paper disposal from the office was 1,341.5 kilogramme; the intensity control was approximately 2.7 kilogramme per employee, witnessing a decline of 1.8 kilogramme year-on-year, which was a direct result of the Group's saving measures and practices as well as improved staff awareness on resources. The Group also encourages its suppliers and subcontractors to minimise their waste generation, use recyclable materials for packaging and reuse them wherever possible.

Aspect A2: Use of Resources

Responsible use of resources is one of the Group's commitment to sustainability. The Group strives to optimise resource usage in its business operations and takes initiatives to introduce measures on promoting resource efficiency and adopting eco-friendly approaches in its operations. In daily operations, the Group mainly consumes water, electricity, diesel, raw materials and paper. As mentioned in Aspect A1, the Group has adopted relevant environmental protection, energy and water saving mechanism with an aim to reduce waste and minimise its impact to the environment. Depending on the types and nature of projects, the Group has set specific wastage and consumption goals and KPIs as benchmark to better control usage of resources.

Energy Consumption

The major energy consumption of the Group comes from diesel and electricity consumption. The Group actively seeks energy-saving opportunities and has formulated environmental control procedures to optimise energy performance at our head office. All employees are required to comply with the measures, including purchase of energy-efficient products and services, and be responsible for the Group's overall energy efficiency. The Group also designates a worker to switch off all machines and equipment at the end of every day.

During the Year, the Group's energy consumption in diesel and electricity is shown as below:

	Energy Consumption Amount and Intensity			
	Quantity – kWh		**Intensity – kWh per employee**	
Energy Type	**2020**	2019	**2020**	2019
Diesel	**65,541,556.7**	82,615,173.8	**134,031.8**	150,209.4
Electricity	**691,451.2**	736,256.3	**1,414.0**	1,338.6
Total energy consumption	**66,233,007.9**	83,351,430.1	**135,445.8**	151,548.0

The energy consumption during the Year was lower than that of the previous year, primarily attributable to the suspension of construction activities during CB period as well as the Group's effective measures and practices on energy saving.

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

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

The employees' awareness of energy saving has been enhanced through the abovementioned measures.

Water Consumption

The Group endeavours to conserve water effectively during operations. Due to the Group's operation location, there is no issue in sourcing water that is fit for purpose. We totally rely on city water for general use in construction. The amount of water consumption is recorded timely for the Group to regularly monitor and review its performance on water usage. Its major initiatives to reduce water consumption include installation of water-saving taps and regular inspections to prevent water leakage.

We keep track of the water consumption; measures introduced to minimise water usage are summarised below:

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

During the Year, the Group's water consumption for head office is as follows:

	Water Consumption Amount and Intensity			
	Quantity – cubic metre		Intensity – cubic metre per employee	
	2020	2019	**2020**	2019
Water	**10,092.1**	18,698.0	**20.6**	34.0

Water consumption during the Year was approximately 46% less than that of the previous year, mainly due to the stoppage of business operations and construction activities during CB period as well as our resources saving measures and practices.

Packaging Materials

Since the Group is not involved in industrial production and has no factory facilities, no significant amount of product packaging materials has been consumed.

Aspect A3: The Environment and Natural Resources

Although the core business of the Group has limited impact on the environment and natural resources, we are vigilant to the potential impacts of our operations on the environmental and natural resources, and pursues the best practices in environmental protection. During the Year, the Group continued to promote environmental awareness internally among our employees, aiming to minimise negative environmental impacts and drive positive changes to our planet.

Noise Management

With the awareness of noise potentially generating from the Group's construction sites, the Group has therefore implemented multi-faceted measures to ensure its compliance with the relevant laws and regulations. In addition, the Group avoid carrying out noisy operations during restricted hours, and enclose noisy operation area.

B. SOCIAL

Aspect B1: Employment

The Group recognises that employees are the most valuable asset of the Group, therefore the Group attaches great importance to recruitment and labour standards. The Group has also formulated good workplace practices for all staff, regardless of age, gender, race, sexual orientation, to prevent discrimination and promote equal opportunities, thereby increasing job satisfaction among employees. Employees are the key in driving the success and sustainable development of the Group. The Group established relevant polices to fulfil our vision on respect, teamwork and people-oriented management, with a view to realise the full potential of employees.

The Group strives to address issues in the way of our human resources management, and a strict human resource policy has been adopted as guideline. The Group has formulated employee's handbook (the "**Employee's Handbook**") in accordance with the relevant applicable employment laws and regulations, which lists out in details the general terms and conditions of employment as well as certain employment procedures within the Group. The Employee's Handbook formally documents and covers aspects of human resources policies and working conditions including 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 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.

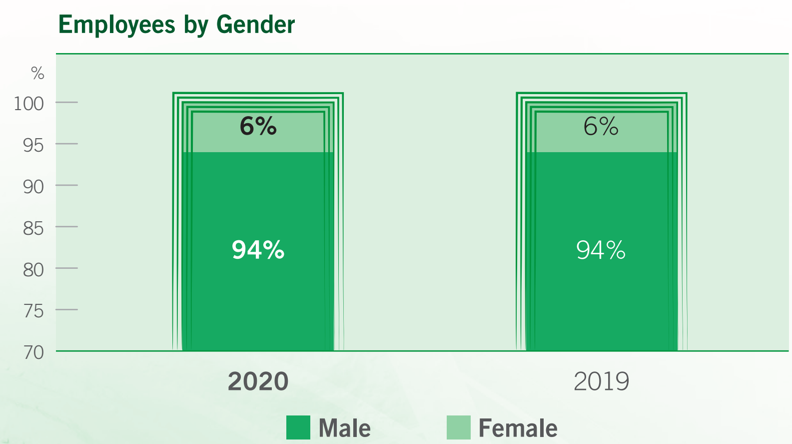
Recruitment and Promotion

Singapore's construction sector relies heavily on foreign workers. 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 relevant 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 Year, the Group employed 489 employees (local and foreign workers), while 487 employees were based in Singapore and 2 employees were based outside Singapore. The overall turnover rate was approximately 12%, primarily due to the decrease in construction activities owing to the outbreak of Covid-19. The detailed breakdown of our employees by local (Singaporeans and Singapore permanent residents) and foreign employees, gender, age group and full– and part-time employees are set forth below:

Total Number of Employees by Gender

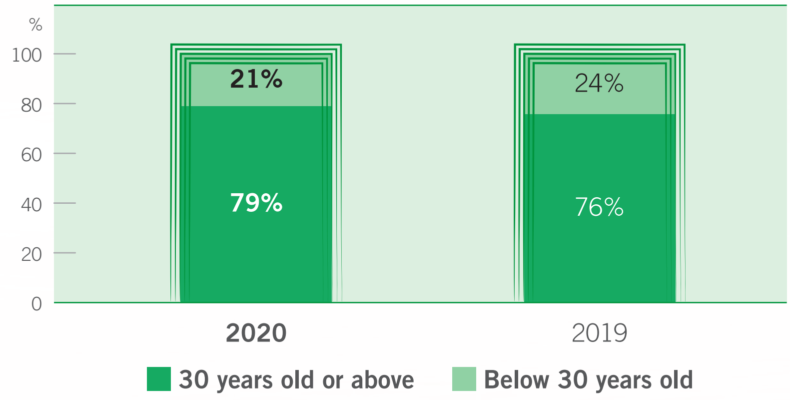
	2020			2019		
		Gender			Gender	
	Total	**Male**	**Female**	Total	Male	Female
Full time	**486**	**460**	**26**	547	519	28
Part time	**3**	**0**	**3**	3	0	3
Total	**489**	**460**	**29**	550	519	31



Total Number of Employees by Age

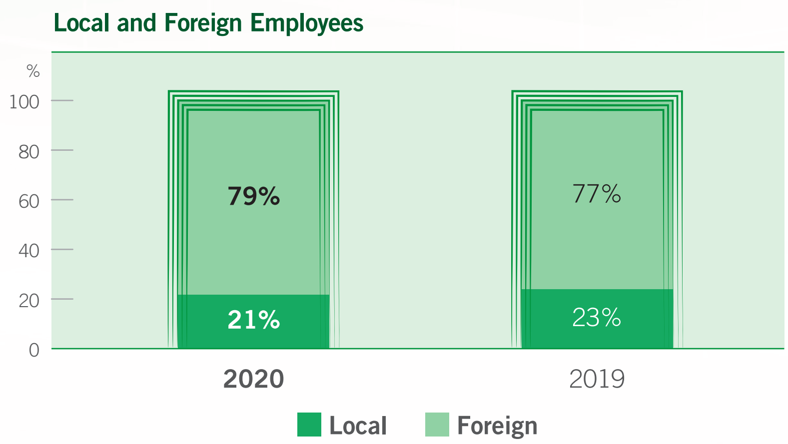
	2020			2019		
		Age			Age	
	Total	Below 30 years old	30 years old or above	Total	Below 30 years old	30 years old or above
Full time	486	105	381	547	133	414
Part time	3	0	3	3	0	3
Total	489	105	384	550	133	417

Employees by Age Group



Local and Foreign Employees

	2020			2019		
		Local/Foreign			Local/Foreign	
	Total	**Local**	**Foreign**	Total	Local	Foreign
Full time	**486**	**101**	**385**	547	121	426
Part time	**3**	**3**	**0**	3	3	0
Total	**489**	**104**	**385**	550	124	426



Anti-discrimination and Equal Opportunity

We believe sustainable growth of the Group relies on the diversity of talents regardless of their gender, age, race, ethnicity, or religious beliefs. The Group strives to build a working environment that values respect and is free from discrimination at all times. We embrace diversity while prohibiting any form of discrimination in the workplace.

The Group adheres to anti-discrimination policies during its recruitment process by adopting a set of formal and transparent procedures based on merit selection against the job criteria, and promotes individuals based on their appraisal and suitability for the position, and also potential to fulfil the Group's current and future needs. The Group constantly reviews its compensation and salary package to ensure that the efforts and contribution of all employees can be recognised appropriately. During the Year, the Group was not aware of any incidents of non-compliance with employment related regulations.

Employee Welfare and Working Condition

It is critical for the Group to protect its employees' occupational health and safety. Therefore, the Group takes out employment injury insurance for its employees and has formulated policy in determining working hours and enough rest time for the employees as required by local employment laws. Since health and safety of employees is always the Group's top priority, the Group spares no efforts in ensuring 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.

The Group has established a fair, reasonable and competitive remuneration system based on fairness, competitiveness, incentives and legality. 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. To further boost employees' morale, teambuilding activities such as annual celebration events, outings, and other engagement activities are held by the Group so that our employees can get together and enhance their sense of belonging, enabling the Group to optimise its people-oriented management strategy through this communication platform.

Retirement Scheme

The Group participates in the Central Provident Fund Scheme ("**CPF Scheme**"), which is a defined contribution pension scheme in Singapore.

Pursuant to the Central Provident Fund Act, an employer is obliged to make CPF contributions for all employees who are Singapore citizens or permanent residents who are employed in Singapore under a contract of service (save for employees who are employed as a master, a seaman or an apprentice in vessel, subject to an exception to owners who have not been exempted from the relevant provisions of the Central Provident Fund Act).

CPF contributions are required for both ordinary wages and additional wages (subject to any ordinary wage ceiling and a yearly additional wage ceiling) of employees at the applicable prescribed rates which are dependent on, among others, the amount of monthly wages and the age of the employee. An employer must pay both the employer's and employee's share of the monthly CPF contribution. However, an employer can recover the employee's share of CPF contributions from their wages when the contributions are paid for that month.

The CPF Scheme is a comprehensive social security system that enables working Singapore citizens and permanent residents to set aside funds for retirement. The total cost charged to profit or loss, amounting to approximately S$669,000 for the Year, represent contribution paid to the retirement benefits scheme by the Group. As at 31 December 2020, all contribution that was due had been paid. The amount was paid subsequent to the end of the Year. Save as aforesaid, the Group did no participate in any other pension schemes during the Year.

Aspect B2: Health and Safety

The Group attaches great importance to employees' health and safety. The Group is qualified as a partner in "BizSAFE Star" under the SAC Accredited Certification Body for its Safety First Approach in implementing projects at construction sites, and is committed to providing a healthy and safe workplace by managing the inherent risks in our operations.

To build a workplace free from injury and illness, the Group works closely with subcontractors and other parties associated with our business activities to implement effective procedures and practice for occupational health and safety, striving for zero occurrence of hazards, incidents, non-compliance and accidents. Assessments and analyses are conducted after each incident to rectify any shortcomings in our safety measures and related staff training.

Optimise Safety Management System

The Group has formulated a full set of monitoring and management policies regarding health and safety according to ISO45001 requirements and our IMS. Our IMS objectives in relation to the health and safety aspects of our projects are as follows:

- Less than 5 reportable incidents and occupation disease; and
- Zero fatality.

Reinforce Construction Site Monitoring

In order to effectively implement health and safety-related measures to mitigate any potential risks during business operations, the Group has established a monitoring team comprised of 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 and detail-oriented manner. For each criteria identified, we have outlined (i) construction methodology including list of preparatory works required prior to the execution of the work and general sequence of the work; (ii) construction resources required for such work including types of materials and a 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.

Impact of Covid-19 and Prevention Measures

The Covid-19 outbreak was declared a public health emergency in 2020. During the Year, the Group paid vigilant attention to the latest development of the pandemic, whilst numerous precautionary measures were subsequently implemented to safeguard the health and well-being of our staff. In order to have a better prevention, the Group offered Personal Protection Equipment (PPE) and medical equipment such as thermometres, disposable gloves, surgical masks and disinfectants to employees. Temperature checks were conducted twice per day and disinfection of the Group's premises were conducted twice per week respectively. Temperature screening and travel and health declarations are required for all visitors entering office building and sites. Meanwhile, office staff and site staff are segmented to keep appropriate social distance so as to minimise the risk of infection.

Covid-19 Prevention Action

Disinfection in the office is conducted weekly by professional cleaning squad.

We have placed hand sanitisers at every office entrance to employees on and off sites for better protection.

All employees and guests are required to wear surgical face masks when in the office.

Office staff and site staff are segmented 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 *

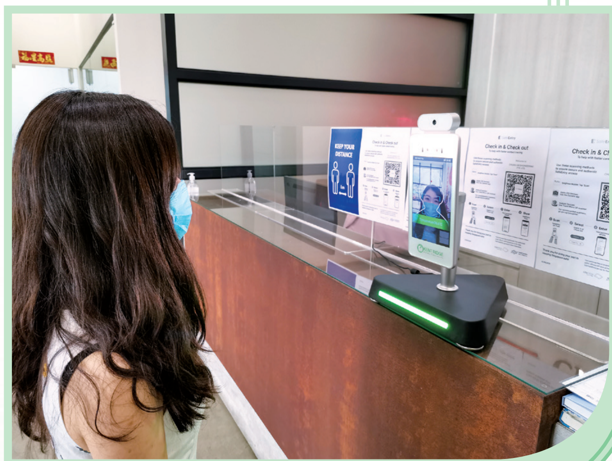
Your answer

Contact No. *

Your answer

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

Temperature monitoring for 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.

An external collection point was set up for courier and dispatch services.

Health and safety of workers are the Group's top priority in its day-to-day project management. Committed to providing the best protection to our site workers, employees at the sites must attend trainings organised by the Group on occupational safety and environmental control. During the Year, 12 workplace injuries were recorded with 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". The Group saw a increase compared to 7 workplace injuries and zero non-compliance with applicable workplace health and safety regulations for the year ended 31 December 2019. A total of 495 lost days due to work injury was recorded. All recertification works have been carried out to rectify the issues identified.

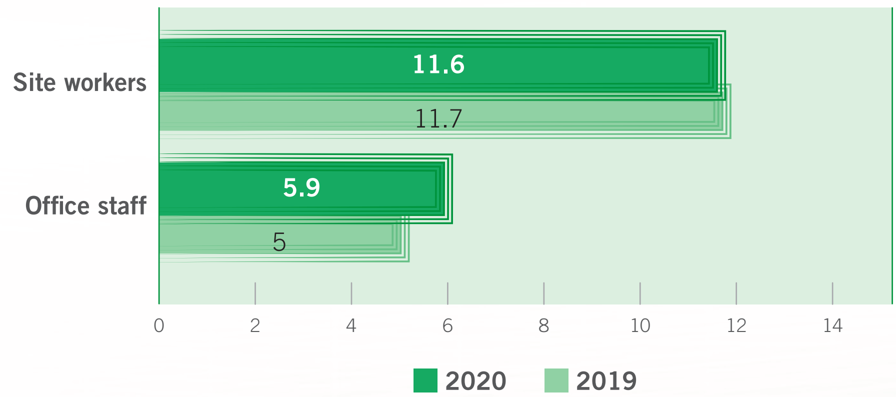
Aspect B3: Development and Training

The Group strives to develop a sustainable working environment where employees can develop and diversify their skill sets to improve their job performance and productivity. We also believe that continuous development of employees' knowledge and skills are crucial to strengthening the competitiveness of our business. Hence, we have continuously invested resources into training and development of our employees, from new staff orientations to programmes which enrich employees' professional knowledge and enhance their performance.

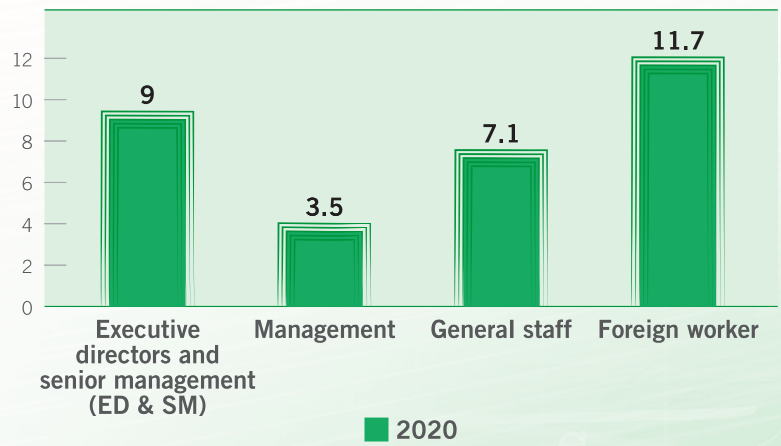
Dedicated to inspiring its human capital towards delivering excellence, the Group has implemented a training procedure which forms part of its IMS to continuously identify employees' training needs. Training contents are regularly updated to be in line with the industry standard, so that employees could strengthen their basic skills and expertise and gain a better understanding of our business model.

During the Year, our employees were arranged with various types of trainings and courses including first aid course, application of workplace safety and health in construction sites course, registered earthworks supervisor course. The average training hours per employee by category are as follows:

Average Training Hours per Employee by Working Location



Average Training Hours per Employee by Employee Category



The Group also encourages the culture of sharing knowledge and experience, and reviews relevant policies and employees' 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. Any individual below legal working age or without any identification documents is unqualified for employment. Furthermore, child and forced labour are strictly prohibited during the recruitment process in accordance to Singapore's Employment (Children and Young Persons) Regulations 2000. The Group has put internal policies in place and does not employ any person below the age of eighteen and forced or compulsory labour at our workplace. Our human resources department and the site foreman are responsible for checking and verifying the background, identity and qualification of each new hire. Meanwhile, they also take care of implementation of the policies, keeping all employment contracts and relevant documentation of the employees. Random check of the records is undertaken by the Board annually as well. Besides, the Group also avoids engaging vendors and contractors which are found employing child labour or forced labour in their operations.

During the 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

Effective supply chain management can improve the Group's operational efficiency and minimise ESG risks. Our business portfolio connects the Group to a wide range of stakeholders along the value chain, including contractors, subcontractors and other business partners in Singapore. We actively seek to forge long-term partnerships with our business partners who share the same standards on business conduct and sustainability as we do. In order to better control quality, the Group selects and maintains a list of approved and reliable suppliers and subcontractors which is reviewed and updated based on its IMS policy. During the Year, the Group cooperated with about 125 contractors and subcontractors with all of them based in Singapore during the Year.

Business ethics is crucial for sustainable business operations and supply chain management. The Group performs assessments on all our suppliers and subcontractors prior to engagement and inclusion in our approved vendor list. We also regularly evaluate suppliers' management and practice performance, and blacklist suppliers with major dishonesty in accordance with prescribed procedures from our approved vendor list.

As part of our management approach, we require our contractors and subcontractors to adhere to all relevant ordinances and rules governing safety standards, and adopt quality control measures and conduct regular audits to ensure our stringent requirements are met. During the 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

Apart from assessing suppliers' job references and past performance, we require our new suppliers to implement stringent quality control and audit procedures. 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 provided; and (v) quality of product samples or referral provided.

Monitoring of Suppliers and Subcontractors

We seek to work with contractors in alignment with our standards of excellence. 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 provided; and (iv) environmental, health and safety performance. Suppliers and subcontractors with unsatisfactory performance will be removed from our approved vendors list.

Aspect B6: Product Responsibility

High quality and reliability of works that meet or exceed our clients' requirements are the keys to secure more projects and sustainable business development. The Group is committed to providing its customers with quality products and services while adopting quality assurance and monitoring systems. 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 Year, we were not aware of any incidents of non-compliance with laws and regulations, including but not limited to "Personal Data Protection Act 2012" ("**PDPA**"), 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

Pursuing excellence at every stage of a project, the Group has established a sound quality management system which is applied to the stages of planning, supplies, construction and engineering project, so as to ensure quality, safety, and compliance with all relevant laws and regulations. Its management system also meets the relevant requirements of ISO 9001. Regular internal audits on the effectiveness and level of compliance of quality management system are carried out on an annual basis.

To ensure our services meet clients' required standards, the Group 's 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, the Group has formulated stringent selection criteria for our site supervisors, including but not limited to conducting visual inspections and sample testing to ensure right quantities, types, grades and sizes of materials (as the case may be) and to 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 completion of projects, we conduct a final check before arranging handover to our customers to ensure that all control levels are in accordance with project specifications for our earthworks projects and quality of the finishes (such as paint, plaster or tiling works) with no visual defects, for instance, misalignment, discolouration, stain or water mark for our general construction works. We arrange final inspection conducted by customers and all inspection records are properly filed and kept as quality records.

Customer Service

The Group provides clients with pleasant experience through standardised, professional and well-managed services. The Group has placed great emphasis on clients' feedback and established procedures to handle their opinions or complaints in a professional and timely manner. Our clients 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 delivered.

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 handle 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 Year, we did not receive any complaints from our customers or the public.

Privacy Protection

As data security has been a growing risk for businesses around the world, the Group attaches great importance to the data protection of our clients and staff. We strictly comply with the PDPA, a legislation that governs the collection, use, disclosure and protection of personal data. The Group has classified business-related information as highly confidential and have established guidelines for prohibiting employees from disclosing confidential information to third parties so as to ensure 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 2022. We will monitor and keep track of the validity of trademarks and domain names, 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

Business operation of the Group does not involve in any advertising and labelling related matters. Our clients 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

The Group believes that a corporate culture of high integrity is the key to its continued success. Therefore, the Group recognises the importance of anti-corruption work, policy and system, and is committed to building a fair, ethical and transparent corporate culture and working environment. The Group does not tolerate any form of bribery, extortion, fraud, money laundering or other corrupt practices, and it 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.

The Group always encourages its employees and other stakeholders to report any violations or suspected violations and raise serious concerns about possible impropriety in the Group via our whistle-blowing policy, which formalises procedures on raising and reporting of concerns, responding to concerns raised, protection of the whistle-blowers, investigation and follow-up actions. The 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 Executive Director and CEO of the Company. Alternatively, the matter can be reported to Mr. Quek Sze Whye, our Executive Director or Mr. Chan Po Siu ("**Mr. Chan**"), an Independent Non-executive Director and the chairman of the Audit Committee of the Company. An investigation will then be initiated and details of the investigation will be reported to Mr. Chan. 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 is reported to the Audit Committee on a half-yearly basis.

During the 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 brought against the Group or its employees during the Year.

Aspect B8: Community Investment

The Group is committed to creating positive impacts in the communities where we operate, and is devoted to focus on investment and engagement in community empowerment and youth development. Through supporting and participating in extensive programmes, we aspire to promote positive strength and harmony for the betterment of the society.

The Group has spared no effort in contributing to society in Singapore and actively supported community activities via donation to charitable and non-profitable organisations, such as The Singapore Scout Association, Paya Lebar CCC CDWF Committee, The Singapore Contractors Association Ltd, Cambodia Rural Students Trust, and The Community Chest etc. to support education, health, and community development. During the Year, the Group contributed S$52,885.8 for the aforementioned causes.

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of Chuan Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 102 to 184, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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$68,013,000 and S$4,388,000 respectively, for the year ended 31 December 2020. 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 Wing Yin
Practising Certificate Number P06946

Hong Kong, 30 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 S$'000	2019 S$'000
Revenue	*7*	**72,401**	77,658
Direct costs		**(76,475)**	(71,709)
Gross (loss)/profit		**(4,074)**	5,949
Other income and gains	*7*	**7,218**	2,567
Administrative and other operating expenses		**(5,745)**	(6,314)
Other expenses		**(5,778)**	(287)
Finance costs	*8*	**(580)**	(669)
(Loss)/profit before income tax	*9*	**(8,959)**	1,246
Income tax credit/(expense)	*11(a)*	**590**	(248)
(Loss)/profit for the year attributable to owners of the Company		**(8,369)**	998
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**(55)**	(178)
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		**(270)**	(134)
Other comprehensive income for the year, net of tax		**(325)**	(312)
Total comprehensive income for the year attributable to the owners of the Company		**(8,694)**	686
(Loss)/earnings per share attributable to owners of the Company	*13*		
– Basic (S$ cents)		**(0.81)**	0.10
– Diluted (S$ cents)		**(0.81)**	0.10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 S$'000	2019 S$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*14*	**2,603**	2,360
Right-of-use assets	*15*	**17,862**	25,412
Investment property	*16*	**1,310**	1,322
Other assets	*17*	**367**	364
Deposits and other receivables	*21*	**302**	296
Financial assets at fair value through profit or loss	*18*	**1,383**	1,398
Financial assets at fair value through other comprehensive income	*18*	**669**	939
Financial assets at amortised cost	*18*	**–**	1,250
Deferred tax assets	*11(b)*	**825**	326
		25,321	33,667
Current assets			
Contract assets	*19*	**28,685**	26,399
Trade receivables	*20*	**13,288**	13,195
Deposits, prepayments and other receivables	*21*	**3,935**	9,947
Financial assets at amortised cost	*18*	**1,250**	–
Pledged deposits	*22*	**3,392**	3,359
Cash and cash equivalents	*22*	**46,238**	44,772
		96,788	97,672
Current liabilities			
Contract liabilities	*19*	**4,316**	3,088
Trade payables	*23*	**11,297**	10,695
Other payables, accruals and deposits received	*24*	**2,541**	3,385
Bank borrowing	*25*	**704**	–
Lease liabilities	*27*	**7,973**	12,229
Income tax payable		**203**	575
		27,034	29,972
Net current assets		**69,754**	67,700
Total assets less current liabilities		**95,075**	101,367

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 S$'000	2019 S$'000
Non-current liabilities			
Deposits received	*24*	**–**	16
Bank borrowing	*25*	**4,296**	–
Lease liabilities	*27*	**5,963**	7,763
Deferred tax liabilities	*11(b)*	**–**	245
		10,259	8,024
Net assets		**84,816**	93,343
EQUITY			
Equity attributable to the owners of the Company			
Share capital	*26*	**1,807**	1,807
Reserves	*26*	**83,009**	91,536
Total equity		**84,816**	93,343

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 2020

	Share capital S$'000 *(note 26)*	Share premium* S$'000 *(note 26)*	Merger reserve* S$'000 *(note 26)*	Share option reserve* S$'000 *(note 26)*	Translation reserve* S$'000 *(note 26)*	Fair value through other comprehensive income reserve* S$'000	Retained profits* S$'000	Total S$'000
At 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 and 1 January 2020	1,807	27,860	5,166	–	(556)	(304)	59,370	93,343
Loss for the year	–	–	–	–	–	–	(8,369)	(8,369)
Other comprehensive income								
Changes in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	(270)	–	(270)
Exchange differences arising on translation	–	–	–	–	(55)	–	–	(55)
Total comprehensive income for the year	–	–	–	–	(55)	(270)	(8,369)	(8,694)
Equity-settled share option arrangements	–	–	–	167	–	–	–	167
At 31 December 2020	1,807	27,860	5,166	167	(611)	(574)	51,001	84,816

* *These reserve accounts comprise the consolidated reserves of approximately S$83,009,000 (2019: approximately S$91,536,000) in the consolidated statement of financial position as at 31 December 2020.*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 S$'000	2019 S$'000
Cash flows from operating activities			
(Loss)/profit before income tax		**(8,959)**	1,246
Adjustments for:			
Interest income	*7*	**(563)**	(483)
Interest expense	*8*	**580**	669
COVID-19-related rent concession	*7*	**(65)**	–
Dividend income from financial assets at FVOCI	*7*	**(51)**	(54)
Depreciation of property, plant and equipment	*9*	**1,122**	768
Depreciation of right-of-use assets	*9*	**8,220**	8,106
Depreciation of investment property	*9*	**12**	12
Gain on disposals of property, plant and equipment	*7*	**(35)**	(299)
Gain on disposals of right-of-use assets	*7*	**(440)**	(92)
Provision for impairment of contract assets	*9*	**182**	255
Provision/(reversal) for impairment of trade receivables	*9*	**363**	(93)
Provision for impairment of other receivables	*9*	**5,217**	114
(Reversal)/provision for impairment loss on other assets	*9*	**(3)**	9
Changes in fair value of financial assets at FVTPL	*9*	**15**	11
Equity-settled share option expense	*9*	**167**	–
Operating profit before working capital changes		**5,762**	10,169
Increase in contract assets		**(2,468)**	(8,362)
(Increase)/decrease in trade receivables		**(456)**	7,040
Decrease in deposits, prepayments and other receivables		**789**	3,796
Increase in contract liabilities		**1,228**	964
Increase in trade payables		**602**	4,459
Decrease in other payables, accruals and deposits received		**(860)**	(461)
Cash generated from operations		**4,597**	17,605
Income tax paid, net		**(526)**	(548)
Net cash generated from operating activities		**4,071**	17,057

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 S$'000	2019 S$'000
Cash flows from investing activities		
Decrease/(increase) in time deposits with maturity over three months	**2,000**	(2,000)
Proceeds from disposals of property, plant and equipment	**35**	505
Purchases of property, plant and equipment	**(660)**	(423)
Proceeds from disposals of right-of-use assets	**1,233**	393
Purchases of right-of-use assets	**(347)**	(541)
Interest received	**563**	483
Dividend received	**51**	54
Net cash generated from/(used in) investing activities	**2,875**	(1,529)
Cash flows from financing activities		
Interest portion of the lease liabilities	**(519)**	(669)
Repayment of principal portion of the lease liabilities	**(7,812)**	(8,542)
Proceed from bank borrowing	**5,000**	–
Increase in pledged deposits	**(33)**	(31)
Interests paid	**(61)**	–
Net cash used in financing activities	**(3,425)**	(9,242)
Net increase in cash and cash equivalents	**3,521**	6,286
Cash and cash equivalents at beginning of the year	**42,772**	36,664
Effect of foreign exchange rate changes, net	**(55)**	(178)
Cash and cash equivalents at end of the year	**46,238**	42,772
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**46,238**	23,103
Time deposits with maturity less than three months	**–**	19,669
	46,238	42,772

1. GENERAL INFORMATION

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

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

The consolidated financial statements for the year ended 31 December 2020 were approved and authorised for issue by the board of directors on 30 March 2021.

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

(a) Adoption of new/revised HKFRSs

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 2020.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 16	Covid-19 Related Rent Concessions (early applied)
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform

The new or amended HKFRSs that are effective from 1 January 2020 did not have any significant impact on the Group's accounting policies. In addition, the Group has early adopted amendment to HKFRS 16, Covid-19-Related Rent Concessions ahead of the effective date and applied the amendment from 1 January 2020.

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

(a) Adoption of new/revised HKFRSs (Continued)

Amendments to HKFRS 16 – Covid-19-Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

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

(a) Adoption of new/revised HKFRSs (Continued)

Amendments to HKFRS 16 – Covid-19-Related Rent Concessions (Continued)

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 January 2020 on initial application of the amendment.

(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 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[4]
Amendments to HKAS 16	Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
HKFRS 17	Insurance Contracts[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendments to HKFRS Standards	Annual Improvements to HKFRS Standards 2018-2020[2]

[1] Effective for annual periods beginning on or after 1 January 2021
[2] Effective for annual periods beginning on or after 1 January 2022
[3] Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.
[4] Effective for annual periods beginning on or after 1 January 2023
[5] The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

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

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

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

HKFRS 17, Insurance Contracts

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4, Insurance Contracts. The standard outlines a 'General Model', which is modified for insurance contracts with direct participation features, described as the 'Variable Fee Approach'. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

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, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

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

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Annual Improvements to HKFRSs 2018-2020

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "**Reform**"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the application of them is unlikely to have a significant impact on the Group's future consolidated 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 Leasing

The Group as lessee

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 Leasing (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, or to reflect revised in-substance fixed lease payments.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 Leasing (Continued)

Lease liability (Continued)

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. With the exception to which the practical expedient for Covid-19-Related Rent Concessions applies (see note 2(a)), if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date and the right-of-use asset is adjusted by the same amount.

The Group as a lessor

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

Any changes in the scope of the consideration for a lease that was not part of the original terms and conditions of the lease are accounted for as lease modifications. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, recognising the remaining lease payments as income on a either a straight-line basis or another systematic basis over the remaining lease term.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 fair value through profit or loss ("**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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Financial instruments (Continued)

(i) Financial assets (Continued)

Equity instruments

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

(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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

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.

(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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Financial instruments (Continued)

(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.

(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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.9 Fair value measurement (Continued)

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

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

4.10 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. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

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. Except for goodwill not deductible for tax purposes and initial recognition of assets and liabilities that are not part of the business combination which affect neither accounting nor taxable profits, taxable temporary differences arising on investments in subsidiaries, associates and joint ventures where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, deferred tax liabilities are recognised for all taxable temporary differences. 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 utilized, provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit. 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 and reflects any uncertainty related to income taxes.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 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.

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

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. It defines the benefits that the employee will receive at the time of retirement in which the Group makes contribution to meet the costs of benefits defined in the plan. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees. The Group has no further legal or constructive payment obligations once the contributions have been paid. No forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) will be used by the Group to reduce the existing level of contributions.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.13 Government Grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire noncurrent assets (including property, plant and equipment) are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

4.14 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 of disposal 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)

4.15 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.

4.16 Capitalisation of borrowing costs

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

4.17 Provisions and contingent liabilities

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.18 Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.19 Segment information

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

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

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

(i) interest on 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, financial assets at FVTPL, financial assets at 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 in particular in the case of costs over-run, and revises the estimated costs when necessary.

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. Notwithstanding that the management regularly reviews and revises contract budgets when those construction contracts progressed, the actual contract costs and gross profit margin achieved may be higher or lower than the estimates and that will affect the revenue and gross profit recognised in the consolidated financial statements.

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

Key sources of estimation uncertainty (Continued)

5.3 Estimation of total budgeted costs and cost to completion for construction contracts

Total budgeted costs for construction contracts mainly comprise (i) materials and processing charges and project staff costs; (ii) costs of subcontracting; and (iii) an appropriation of variable and fixed construction overheads. In estimating the total budgeted costs for construction contracts, management makes reference to information such as (i) costs incurred up-to-date; (ii) current offers from sub-contractors and suppliers; (iii) recent offers agreed with sub-contractors and suppliers; and (iv) professional estimation on materials and processing charges, project staff costs and other costs estimated by the directors.

5.4 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.

5.5 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.

5.6 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 income tax payable is amounted to approximately S$203,000 (2019: approximately S$575,000) as at 31 December 2020.

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 2020 and 2019. 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 2020			
Revenue from external customers	52,772	19,629	72,401
Reportable segment results	(4,028)	1,029	(2,999)
Unallocated other income and gains			5,080
Corporate and other unallocated expenses			(10,979)
Interest on bank borrowing			(61)
Loss before income tax			(8,959)

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 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

Corporate and other unallocated expenses mainly included directors' emoluments, employee benefits expenses, depreciation of office equipment, provision for impairment of other receivables 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	
	2020 S$'000	2019 S$'000
Earthworks & ancillary services	**49,079**	58,762
General construction works	**12,515**	7,602
Total	**61,594**	66,364
Additions to non-current segment assets		
Earthworks & ancillary services	**2,565**	10,794
General construction works	**–**	–
Total	**2,565**	10,794

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	
	2020	2019
	S$'000	S$'000
Reportable segment assets	**61,594**	66,364
Unallocated property, plant and equipment	**621**	561
Unallocated right-of-use assets	**411**	522
Financial assets at FVTPL	**1,383**	1,398
Financial assets at amortised cost	**1,250**	1,250
Financial assets at FVOCI	**669**	939
Investment property	**1,310**	1,322
Other assets	**367**	364
Deferred tax assets	**825**	326
Pledged deposits	**3,392**	3,359
Cash and cash equivalents	**46,238**	44,772
Corporate and other unallocated assets	**4,049**	10,162
Group assets	**122,109**	131,339

Corporate and other unallocated assets mainly included deposits, prepayments, other receivables due from related parties and advance payment to supplier.

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	
	2020	2019
	S$'000	S$'000
Earthworks & ancillary services	**24,404**	29,308
General construction works	**4,801**	4,045
Total	**29,205**	33,353

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	
	2020	2019
	S$'000	S$'000
Reportable segment liabilities	**29,205**	33,353
Bank borrowing	**5,000**	–
Deferred tax liabilities	**–**	245
Corporate and other unallocated liabilities	**3,088**	4,398
Group liabilities	**37,293**	37,996

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 2020				
Gain on disposals of property, plant and equipment	35	–	–	35
Gain on disposals of right-of-use assets	440	–	–	440
Depreciation of property, plant and equipment	911	8	203	1,122
Depreciation of right-of-use assets	8,093	16	111	8,220
Bad debts recovered	1,320	–	–	1,320
Provision for impairment of contract assets	66	116	–	182
Provision of impairment of trade receivables	346	17	–	363
Provision for impairment of other receivables	–	–	5,217	5,217
Finance costs	519	–	61	580

6. SEGMENT INFORMATION (CONTINUED)

(c) Other segment information (Continued)

	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

(d) Geographical information

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

6. SEGMENT INFORMATION (CONTINUED)

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

	Year ended 31 December	
	2020	2019
	S$'000	S$'000
Customer A – attributable to Earthworks & ancillary services	**11,173**	n/a
Customer B – attributable to General construction works	**8,344**	n/a
Customer C – attributable to General construction works	**7,964**	n/a
Customer D – attributable to Earthworks & ancillary services	**n/a**	9,055

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	
	2020	2019
	S$'000	S$'000
Revenue from contracts with customer and recognised over time:		
Earthworks & ancillary services (note)	**52,772**	67,625
General construction works	**19,629**	10,033
	72,401	77,658

Note:

Earthworks & ancillary services include revenue of approximately S$48,384,000 (2019: approximately S$62,401,000) from earthworks and approximately S$4,388,000 (2019: approximately S$5,224,000) from earthwork ancillary services.

7. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

(b) Transaction price allocated to remaining performance obligations

At 31 December 2020, the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) in relation to project works are approximately S$183,552,000 (2019: approximately S$174,593,000). 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:

	2020 **S$'000**	2019 S$'000
Other income		
Management service income	**234**	234
Interest income on financial assets carried at amortised cost	**563**	483
Bad debts recovered	**1,320**	799
Rental income from investment property	**109**	113
Dividend income from financial assets at FVOCI	**51**	54
Sales of scrap materials and consumables	**270**	216
Government grant (note)	**4,067**	165
COVID-19 related rent concession	**65**	–
Other	**64**	109
	6,743	2,173
Gains		
Gain on disposals of property, plant and equipment	**35**	299
Gain on disposals of right-of-use assets	**440**	92
Net exchange gain	**–**	3
	475	394
Total	**7,218**	2,567

Note:

The Group received funding support from the Singapore government. The entitlement of the government grant was under the discretion of the relevant government bureaus. For the year ended 31 December 2020, the Group received S$3,084,000 of government grants from Job Support Scheme ("**JSS**") and S$629,000 from COVID-Safe project-based support respectively. JSS is a temporary scheme introduced in Singapore Budget 2020 to help enterprises impacted by COVID-19 to retain local employees. Under JSS, employers receive cash grants in 2020 in relation to gross monthly wages of eligible employees paid. The purpose of the above-mentioned government grants programs are to support the payroll of the Group's employees and help construction firms defray part of the Group's costs during the COVID-19 pandemic. The Group does not have other unfulfilled obligations relating to these programs.

8. FINANCE COSTS

	2020 S$'000	2019 S$'000
Interest expenses for financial liabilities carried at amortised cost:		
– Interest on lease liabilities	**519**	669
– Interest on bank borrowing wholly repayable within five years	**61**	–
	580	669

9. (LOSS)/PROFIT BEFORE INCOME TAX

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

	2020 S$'000	2019 S$'000
Auditor's remuneration	**181**	198
Depreciation of property, plant and equipment *(note 14) (note (i))*	**1,122**	768
Depreciation of right-of-use-assets *(note 15) (note (i))*	**8,220**	8,106
Depreciation of investment property *(note 16) (note (ii))*	**12**	12
Direct operating expenses arising from investment property that generated rental income	**13**	28
Net exchange loss/(gain)	**78**	(3)
Employee benefit expenses (including directors' remuneration *(note 10)*):		
– Salaries, wages and bonuses	**14,738**	16,431
– Equity-settled share option expense	**167**	–
– Defined contribution retirement plan	**669**	742
– Other short-term benefits	**1,453**	2,568
	17,027	19,741
Provision for impairment of contract assets	**182**	255
Provision/(reversal) for impairment of trade receivables	**363**	(93)
Provision for impairment of other receivables	**5,217**	114
(Reversal)/provision of impairment loss on other assets	**(3)**	9
Fair value loss on financial assets at FVTPL	**15**	11

Notes:

(i) Depreciation of property, plant and equipment amounted to approximately S$927,000 (2019: approximately S$592,000) has been included in direct costs and approximately S$195,000 (2019: approximately S$176,000) in administrative and other operating expenses during the year.

Depreciation of right-of-use assets amounted to approximately S$8,109,000 (2019: approximately S$7,995,000) has been included in direct costs and approximately S$111,000 (2019: 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$'000	Equity-settled share option expenses S$'000	Defined contribution S$'000	Total S$'000
Year ended 31 December 2020						
Executive directors:						
Mr. Lim Kui Teng ("**Mr. Alan Lim**") *(note (iii))*	–	881	–	–	12	893
Mr. Lau Yan Hong ("**Mr. Dicky Lau**")	–	195	–	19	11	225
Mr. Quek Sze Whye ("**Mr. Albert Quek**")	–	270	–	19	7	296
Mr. Bijay Joseph	–	195	–	19	12	226
Mr. Wong Kee Chung ("**Mr. Stan Wong**") *(note (iv))*	43	–	–	–	–	43
	43	1,541	–	57	42	1,683
Independent non-executive directors:						
Mr. Wee Hian Eng Cyrus ("**Mr. Cyrus Wee**")	21	–	–	–	–	21
Mr. Lee Cheung Yuet Horace ("**Mr. Horace Lee**") *(note (v))*	16	–	–	–	–	16
Mr. Chan Po Siu ("**Mr. Chan**") *(note (vi))*	17	–	–	–	–	17
Mr. Xu Fenglei ("**Mr. Xu**") *(note (vii))*	5	–	–	–	–	5
	59	–	–	–	–	59
Non-executive directors:						
Mr. Phang Yew Kiat ("**Mr. Phang**") *(note (viii))*	22	–	–	14	–	36
	22	–	–	14	–	36
Total	124	1,541	–	71	42	1,778

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 2019					
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	–	221	–	12	233
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. Cyrus Wee *(note (ii))*	1	–	–	–	1
Mr. Phang	28	–	–	–	28
Mr. Horace Lee	31	–	–	–	31
	79	–	–	–	79
Total	142	1,813	–	42	1,997

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. Alan Lim has relinquished his role as the chairman of the board of director ("**Board**") on 16 October 2020 but will remain to serve as the chief executive officer and an executive director of the Company.

(iv) Mr. Stan Wong has resigned as the executive director of the Company on 31 July 2020.

(v) Mr. Horace Lee has resigned as the independent non-executive director of the Company on 16 June 2020.

(vi) Mr. Chan was appointed as an independent non-executive director of the Company on 16 June 2020.

(vii) Mr. Xu was appointed as an independent non-executive director of the Company on 16 October 2020.

(viii) Mr. Phang has been re-designated from an independent non-executive director to non-executive director and has been appointed as the chairman of the Board on 16 October 2020.

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

(b) Five highest paid individuals

The five highest paid individuals of the Group included 4 (2019: 4) directors for the year, whose emoluments are reflected in note (a).

The analysis of the emolument of the remaining 1 (2019: 1) highest paid individuals for the year, are set out below:

	2020 **S$'000**	2019 S$'000
Salaries, allowances and benefits in kind	**144**	202
Discretionary bonuses	**24**	19
Defined contribution retirement plan	**–**	–
	168	221

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

	Number of individuals	
	2020	2019
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 (2019: 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 (CREDIT)/EXPENSE

(a) Income tax

	2020 S$'000	2019 S$'000
Current tax – Singapore income tax		
Tax for the year	**67**	109
Under provision for prior year	**87**	462
	154	571
Deferred tax		
Credit to profit or loss for the year *(note (b))*	**(744)**	(323)
Income tax (credit)/expense	**(590)**	248

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 (2019: Nil).

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

	2020 S$'000	2019 S$'000
(Loss)/profit before income tax	**(8,959)**	1,246
Tax at statutory tax rate of 17%	**(1,523)**	212
Enhanced tax allowances, exemptions and rebates	**(60)**	(126)
Effect of non-deductible expenses	**1,117**	196
Effect of non-taxable income	**(353)**	(26)
Under provision for prior years	**87**	462
Effect of tax loss not recognised	**284**	–
Effect of temporary differences	**(142)**	(470)
Income tax (credit)/expense	**(590)**	248

11. INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

(a) Income tax (Continued)

As at 31 December 2020, the Group has unutilised estimated tax losses of approximately S$1,671,000 (2019: Nil) available for offset against future profits. No deferred tax asset has been recognised in respect of the unutilised estimated tax losses due to the unpredictability of future profit streams. The unutilised estimated tax losses can be carried forward indefinitely.

(b) Deferred tax

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

Deferred tax (liabilities)/assets

	Accelerated tax depreciation S$'000	Leases S$'000	Impairment loss S$'000	Total S$'000
At 1 January 2019	(242)	–	–	(242)
(Charged)/Credit to profit or loss for the year *(note (a))*	(3)	12	314	323
At 31 December 2019 and 1 January 2020	(245)	12	314	81
(Charged)/Credit to profit or loss for the year *(note (a))*	917	(5)	(168)	744
At 31 December 2020	672	7	146	825

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

	2020 S$'000	2019 S$'000
Deferred tax assets	**825**	326
Deferred tax liabilities	**–**	(245)

12. DIVIDENDS

No dividend has been declared or paid by the Company during the year ended 31 December 2020 (2019: Nil).

13. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share for the year ended 31 December 2020 is based on the loss attributable to owners of the Company of approximately S$8,369,000 and on the weighted average number of 1,036,456,000 ordinary shares in issue during the year ended 31 December 2020. The basic loss per share is the same as diluted loss per share. There are no dilutive effect on the impact of the exercise of the share options as they are anti-dilutive.

The calculation of basic earning 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 and on the weighted average number of 1,036,456,000 ordinary shares in issue during the year ended 31 December 2019. The 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 ended 2019.

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 2019 (note)				
Cost	10,851	915	14,854	26,620
Accumulated depreciation	(9,239)	(398)	(14,206)	(23,843)
Carrying amount	1,612	517	648	2,777
Year ended 31 December 2019				
Opening carrying 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	134	–	–	134
Closing carrying amount	1,397	561	402	2,360
At 31 December 2019 and 1 January 2020				
Cost	11,423	1,019	12,948	25,390
Accumulated depreciation	(10,026)	(458)	(12,546)	(23,030)
Carrying amount	1,397	561	402	2,360

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Plant and machinery S$'000	Furniture, fixtures and office equipment S$'000	Motor vehicles S$'000	Total S$'000
Year ended 31 December 2020				
Opening carrying amount	1,397	561	402	2,360
Additions	397	263	–	660
Depreciation	(771)	(203)	(148)	(1,122)
Disposal	–	–	–	–
Transfer in	128	–	577	705
Closing carrying amount	1,151	621	831	2,603
At 31 December 2020				
Cost	13,012	1,187	18,858	33,057
Accumulated depreciation	(11,861)	(566)	(18,027)	(30,454)
Carrying amount	1,151	621	831	2,603

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)
Carrying amount	–	8,928	138	14,296	23,362
Year ended 31 December 2019					
Opening carrying 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	–	(134)	–	–	(134)
Disposal	–	(301)	–	–	(301)
Closing carrying amount	3,360	8,200	109	13,743	25,412
At 31 December 2019 and 1 January 2020					
Cost	4,032	14,023	143	24,340	42,538
Accumulated depreciation	(672)	(5,823)	(34)	(10,597)	(17,126)
Carrying amount	3,360	8,200	109	13,743	25,412
Year ended 31 December 2020					
Opening carrying amount	3,360	8,200	109	13,743	25,412
Additions	514	710	–	944	2,168
Depreciation	(719)	(2,685)	(29)	(4,787)	(8,220)
Transfer out	–	(128)	–	(577)	(705)
Disposal	–	(723)	–	(70)	(793)
Closing carrying amount	3,155	5,374	80	9,253	17,862
At 31 December 2020					
Cost	4,546	11,223	143	19,218	35,130
Accumulated depreciation	(1,391)	(5,849)	(63)	(9,965)	(17,268)
Carrying amount	3,155	5,374	80	9,253	17,862

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. 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:

	2020 S$'000	2019 S$'000
Depreciation expense of right-of-use assets	**8,220**	8,106
Interest expense on lease liabilities	**519**	669
Low value lease expense	**20**	16
Variable lease payments not included in the measurement of lease liabilities (included in cost of sales)	**1,401**	1,434
	10,160	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 31 December 2020, 31 December 2019 and 1 January 2019 is 4.34%.

16. INVESTMENT PROPERTY

	S$'000
At 1 January 2019	
Cost	1,546
Accumulated depreciation	(212)
Carrying amount	1,334
Year ended 31 December 2019	
Opening carrying amount	1,334
Depreciation	(12)
Closing carrying amount	1,322
At 31 December 2019 and 1 January 2020	
Cost	1,546
Accumulated depreciation	(224)
Carrying amount	1,322
Year ended 31 December 2020	
Opening carrying amount	**1,322**
Depreciation	**(12)**
Closing carrying amount	**1,310**
At 31 December 2020	
Cost	**1,546**
Accumulated depreciation	**(236)**
Carrying amount	**1,310**
Fair value	
At 31 December 2020	**6,500**
At 31 December 2019	6,500

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$15,000 to S$40,000. 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.

As at 31 December 2019, the investment property was secured for the Group's banking facilities as set out in note 25.

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 date, the directors have performed impairment review and reversal of impairment of approximately S$3,000 (2019: provision of impairment of approximately S$9,000) was recognised.

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

	Notes	2020 S$'000	2019 S$'000
Investment in life insurance policy at fair value	(a)	**1,383**	1,398
Listed equity securities at fair value			
– Inside Hong Kong		**–**	26
– Outside Hong Kong		**669**	913
		669	939
Investment in corporate bond		**250**	250
Investment in property development project		**1,000**	1,000
		3,302	3,587
Classified as:			
Financial assets at FVTPL			
– Investment in life insurance policy at fair value		**1,383**	1,398
Financial assets at FVOCI			
– Listed equity securities at fair value	(b)	**669**	939
Financial assets at amortised cost:			
– Investment in corporate bond		**250**	250
– Investment in property development project		**1,000**	1,000
		1,250	1,250

Notes:

(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:

	2020 **S$'000**	2019 S$'000
HK$	–	26
United States dollar ("**US$**")	**1,383**	1,398
	1,383	1,424

19. CONTRACT ASSETS AND CONTRACT LIABILITIES

	2020 **S$'000**	2019 S$'000
Contract assets	**28,685**	26,399
Contract liabilities	**(4,316)**	(3,088)
	24,369	23,311

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, S$182,000 (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 35.

19. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

Movement in the provision for impairment of contract assets:

	2020 S$'000	2019 S$'000
Balance at beginning of the year	255	–
Provision of impairment losses	182	255
	437	255

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:

	2020 S$'000	2019 S$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of year	3,071	1,538
Transfers from the contract assets recognised at the beginning of year to trade receivables	18,813	11,827

Included in the Group's contract assets of approximately S$3,066,000 (2019: approximately S$3,102,000) 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	2020 S$'000	2019 S$'000
Trade receivables		**14,252**	14,663
Retention receivables		**441**	894
		14,693	15,557
Less: Provision for impairment of trade receivables		**(1,405)**	(2,362)
		13,288	13,195
Total trade receivables, net			
– Third parties		**11,719**	11,651
– Related parties	*(c)*	**1,569**	1,544
		13,288	13,195

(a) During the year, credit period granted to the Group's customers generally within 30 (2019: 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:

	2020 S$'000	2019 S$'000
0 to 30 days	**7,552**	8,879
31 to 90 days	**3,834**	2,533
91 to 180 days	**775**	604
181 to 365 days	**23**	518
Over 365 days	**932**	449
	13,116	12,983
Retention receivables	**172**	212
	13,288	13,195

20. TRADE RECEIVABLES (CONTINUED)

(b) (Continued)

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

	2020 S$'000	2019 S$'000
Neither past due nor impaired	**7,552**	8,879
1 to 30 days past due	**2,864**	1,705
31 to 90 days past due	**1,258**	1,018
91 to 180 days past due	**488**	440
181 to 365 days past due	**942**	879
Over 365 days past due	**12**	62
	13,116	12,983
Retention receivables	**172**	212
	13,288	13,195

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:

	2020 S$'000	2019 S$'000
Balance at beginning of the year	**2,362**	3,254
Provision/(reversal) of impairment losses, net	**363**	(93)
Bad debts recovered	**(1,320)**	(799)
	1,405	2,362

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

(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 29.

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Notes	2020 S$'000	2019 S$'000
Deposits		**2,529**	561
Prepayments		**465**	558
Other receivables	*(a) & (e)*	**1,243**	9,124
	(b)	**4,237**	10,243
Classified as:			
Non-current assets		**302**	296
Current assets		**3,935**	9,947
		4,237	10,243

Notes:

(a) During the year, a loss of approximately S$5,217,000 was recognised in profit or loss upon an outstanding receivable balance due from a vendor in respect of a deposit paid for acquisition of a company, of which the directors of the Company considered as irrecoverable.

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

	Note	2020 S$'000	2019 S$'000
– Third parties		**3,519**	9,936
– Related parties	*(d)*	**718**	307
		4,237	10,243

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

(d) The deposits, prepayments and other receivables from these related parties were unsecured, interest free and repayable on demand. The transactions with these related parties and corresponding relationship with the Group are detailed in note 29.

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

(e) The movements in the loss allowance for impairment of other receivables are as follows:

	12 months ECLs S$'000	Lifetime ECL, non-credit impaired S$'000	Lifetime ECL, credit-impaired S$'000	Total S$'000
Balance as at 1 January 2019	–	–	–	–
Charged to profit or loss	–	114	–	114
Balance as at 31 December 2019 and 1 January 2020	–	114	–	114
Charged to profit or loss	–	–	5,217	5,217
Transfer to Lifetime ECL, credit impaired	–	(114)	114	–
Translation reserve	–	–	(216)	(216)
Balance as at 31 December 2020	–	–	5,115	5,115

22. CASH AND CASH EQUIVALENTS

	2020 S$'000	2019 S$'000
Cash and bank balances	**49,630**	26,462
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
	49,630	48,131
Less: Pledged deposits (note)	**(3,392)**	(3,359)
Cash and cash equivalents	**46,238**	44,772

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 2020 and 2019, pledged deposits are restricted bank balances to secure:

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

(ii) the banking facilities including letter of credit, overdraft and bank guarantee amounting to approximately S$21,500,000 and S$25,200,000, respectively (note 16).

22. CASH AND CASH EQUIVALENTS (CONTINUED)

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

	2020 S$'000	2019 S$'000
HK$	**10,913**	9,157
US$	**4,341**	8,331

23. TRADE PAYABLES

	Notes	2020 S$'000	2019 S$'000
Trade payables		**10,705**	10,556
Retention payables		**592**	139
	(b)	**11,297**	10,695
Total trade payables			
– Third parties		**10,213**	9,573
– Related parties	*(c)*	**1,084**	1,122
		11,297	10,695

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:

	2020 S$'000	2019 S$'000
0 to 30 days	**8,869**	8,030
31 to 90 days	**1,818**	1,351
91 to 180 days	**49**	472
Over 180 days	**561**	842
	11,297	10,695

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

24. OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

	2020 S$'000	2019 S$'000
Current liabilities:		
Other payables	**327**	1,405
Accruals	**2,196**	1,978
Deposits received	**18**	2
	2,541	3,385
Non-current liabilities:		
Deposits received	**–**	16

25. BANK BORROWING

	Notes	2020 S$'000	2019 S$'000
Current liabilities			
Amounts payable within one year			
– Term loan	*(a)*	**704**	–
Non-current liabilities			
Amounts payable in second to fifth year			
– Term loan	*(a)*	**4,296**	–
Total balance of bank borrowing		**5,000**	–

Notes:

(a) The Group has obtained loan (the "**Temporary Bridging Loan**") to finance the Group's working capital during the year.

	2020
Fixed interest rate of the Secured Term Loans per annum	**2%**

25. BANK BORROWING (CONTINUED)

Notes: (Continued)

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

	2020	2019
	S$'000	S$'000
Within one year	**704**	–
In the second year	**1,227**	–
In the third to fifth year	**3,069**	–
	5,000	–

(c) The Group's aggregate banking facilities amounted to approximately S$62,040,000 (2019: approximately S$63,540,000), of which approximately S$37,868,000 (2019: approximately S$34,287,000) have been utilised as at 31 December 2020. The banking facilities of the Group were pledged by bank deposits as set out in note 22. The summary of banking facilities as follows:

	2020	2019
	S$'000	S$'000
Banking facilities for:		
– Term loan	**5,000**	–
– Letter of credit, bank overdraft and bank guarantee	**21,500**	25,200
– Hire purchase	**35,540**	38,340
	62,040	63,540

As at 31 December 2020, the Group had unutilized banking facilities of approximately S$24.2 million (31 December 2019: approximately S$29.3 million).

26. SHARE CAPITAL AND RESERVES

Share capital

	Number of shares	**Amount** S$'000
Authorised:		
Ordinary share HK$0.01 each		
At 1 January 2019, 31 December 2019 and 1 January 2020 and 31 December 2020	10,000,000,000	17,430
Issued and fully paid:		
At 1 January 2019, 31 December 2019 and 1 January 2020 and 31 December 2020	1,036,456,000	1,807

26. SHARE CAPITAL AND RESERVES (CONTINUED)

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.

Share option reserve

Cumulative expenses recognised on the granting of share options to the directors and employees over the vesting period.

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.

27. 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:

	2020 **S$'000**	2019 S$'000
Within one year	**31**	97
Within second to fifth year	**–**	29
	31	126

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.

27. 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:

	31 December 2020		31 December 2019	
	Minimum lease payments S$'000	Present values of minimum lease payments S$'000	Minimum lease payments S$'000	Present values of minimum lease payments S$'000
Within one year	**7,151**	**6,812**	8,714	8,228
In the second to fifth years, inclusive	**7,429**	**7,124**	12,301	11,764
	14,580	**13,936**	21,015	19,992
Less: future interest expenses	**(644)**		(1,023)	
Present value of lease liabilities	**13,936**		19,992	
Analysed into:				
Current portion		**7,973**		12,229
Non-current portion		**5,963**		7,763
		13,936		19,992

Note:

During the year ended, 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% (2019: 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.

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.

28. COMMITMENTS

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

	2020	2019
	S$'000	S$'000
Contracted but not provided for, in respect of acquisition of		
– property, plant and equipment	**2,991**	2,580

29. RELATED PARTY TRANSACTIONS

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

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

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

29. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2020 S$'000	2019 S$'000
Construction contract work and earthwork ancillary services income received from related parties		
– Mrs. Lim	–	15
– Cheng Yap	3	16
– Golden Empire#	1,862	1,861
– Golden Empire-Huationg#	355	637
– United E&P#	17	35
	2,237	2,564
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	1	5
– Cheng Yap#	51	109
– Golden Empire#	2,427	2,700
– Golden Empire-Huationg#	33	300
– Hulett Construction#	2,123	2,123
– United E&P#	165	411
	4,800	5,648
Rental expenses charged by a related party		
– Hulett Construction#	88	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.

29. 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:

	2020	2019
	S$'000	S$'000
Short-term employee benefits	**2,125**	2,010

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

	Maximum amount outstanding during the year	
	2020	2019
	S$'000	S$'000
Mrs. Lim	**3,102**	3,657
Autoworld Hub	**(1)**	(2)
Cheng Yap	**(31)**	(103)
Golden Empire	**1,534**	2,366
Golden Empire-Huationg	**261**	(510)
Hulett Construction	**1,944**	3,265
United E&P	**173**	(250)
We Lim Builders	**–**	27

30. CONTINGENT LIABILITIES

Performance bonds provided for in the ordinary course of business

At 31 December 2020, the Group had contingent liabilities in respect of performance bonds of construction contracts in its ordinary course of business of approximately S$2,551,000 (2019: approximately S$2,817,000). The guarantees in respect of performance bonds issued by banks, which are secured by pledged deposits (note 22).

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Bank borrowings (note 25) S$'000	**Lease liabilities** (note 27) S$'000	**Total** S$'000
At 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 element on lease liabilities	–	(669)	(669)
Interest expense	–	669	669
At 31 December 2019 and 1 January 2020	–	19,992	19,992
Major non-cash transactions *(note (b))*	–	1,307	1,307
New lease	–	514	514
Financing cash outflows	–	(7,812)	(7,812)
Covid-19-related rent concession	–	(65)	(65)
Proceed from new bank borrowing	5,000	–	5,000
Interest element on lease liabilities	–	(519)	(519)
Interest on bank borrowing	(61)	–	(61)
Interest expense	61	519	580
At 31 December 2020	5,000	13,936	18,936

Major non-cash transactions

(a) During the year, S$534,000 (2019: Nil) were utilised for the acquisition of property, plant and equipment and capitalised as property, plant and equipment, upon completion of acquisition.

(b) During the year, the Group entered into lease arrangements in respect of certain right-of-use assets with a total capital value of approximately S$1,307,000 (2019: approximately S$5,146,000) at the inception of the leases.

(c) During the year, no deposits (2019: approximately S$872,000) in relation to the acquisition of right-of-use were not yet settled and included in other payables.

(d) During the year, the Group has transferred certain leased plants and machineries with aggregate carrying amount amounting to approximately S$705,000 (2019: approximately S$134,000) from right-of-use assets to property, plant and equipment upon these plants and machineries were fully redeemed.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 S$'000	2019 S$'000
ASSETS AND LIABILITIES		
Non-current assets		
Investment in a subsidiary	**45,790**	45,790
Current assets		
Deposits, prepayments and other receivables	**40**	8,618
Amount due from intra group companies	**19,347**	1,567
Cash and cash equivalents	**1,822**	17,117
	21,209	27,302
Current liabilities		
Other payables and accruals	**187**	247
Net current assets	**21,022**	27,055
Net assets	**66,812**	72,845
EQUITY		
Equity attributable to the owners of the Company		
Share capital	**1,807**	1,807
Reserves *(note)*	**65,005**	71,038
Total equity	**66,812**	72,845

On behalf of the directors

Mr. Lim Kui Teng
Director

Mr. Quek Sze Whye
Director

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

Note:

Reserves

	Share premium S$'000	Contributed surplus* S$'000	Share option reserve S$'000	Translation reserve S$'000	Accumulated losses S$'000	Total S$'000
At 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 and 1 January 2020	27,860	45,790	–	(572)	(2,040)	71,038
Loss for the year	–	–	–	–	(6,035)	(6,035)
Other comprehensive income:						
Exchange differences arising on translation	–	–	–	(165)	–	(165)
Total comprehensive income for the year	–	–	–	(165)	(6,035)	(6,200)
Equity-settled share option arrangements	–	–	167	–	–	167
At 31 December 2020	27,860	45,790	167	(737)	(8,075)	65,005

* 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.

33. PARTICULARS OF SUBSIDIARIES

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

Company name	Place and date of incorporation	Particulars of issued and fully paid up share capital	Effective interest held by the Company	Principal Activities
Interest held directly				
Longlands Holdings Limited	British Virgin Islands 9 June 2015	US$100	100%	Investment holding
Advance Data Global Limited	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

34. 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. 79,224,000 (2019: Nil) share option was granted during the year.

34. SHARE OPTION SCHEME (CONTINUED)

(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.

(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.

34. SHARE OPTION SCHEME (CONTINUED)

(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.

On 28 October 2020, the Company has granted a total of 79,224,000 share options to subscribe for an aggregate of 79,224,000 ordinary shares of HK$0.01 each in the capital of the Company, comprising (i) 34,364,000 share options to four directors; and (ii) 44,860,000 share options to certain qualified participants, being employees of the Group.

(a) The terms and conditions of the grants are as follows:

Date of grant		Number of options granted	Vesting conditions	Exercise period
Options granted to directors:				
28 October 2020	Tranche 1	24,000,000	195 days from the date of grant	10 May 2021 to 9 May 2026 (both days inclusive)
28 October 2020	Tranche 2	10,364,000	354 days from the date of grant	16 October 2021 to 9 May 2026 (both days inclusive)
Options granted to employees:				
28 October 2020	Tranche 3	44,860,000	195 days from the date of grant	10 May 2021 to 9 May 2026 (both days inclusive)
		79,224,000		

34. SHARE OPTION SCHEME (CONTINUED)

(vii) Subscription price of shares (Continued)

(b) The number and weighted average exercise prices of share options are as follows:

	2020 Weighted average exercise price HK$	2020 Number
At beginning of the year	–	–
Granted during the year	**0.090**	**79,224,000**
Outstanding at end of the year	**0.090**	**79,224,000**
Exercisable at end of the year	–	–

None of the above share options were exercised during the year.

The exercise price of options outstanding at the end of the year was HK$0.090 and their weighted average remaining contractual life was approximately 5.4 years.

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimation of the fair value of the share options granted is measured based on a binomial option pricing model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial option pricing model.

	Tranche 1	Tranche 2	Tranche 3
Share price (HK$)	0.086	0.086	0.086
Exercise price (HK$)	0.090	0.090	0.090
Expected volatility	60%	60%	60%
Expected option life	5.5 years	5.5 years	5.5 years
Expected dividend	0%	0%	0%
Risk-free rate	0.26%	0.26%	0.26%

34. SHARE OPTION SCHEME (CONTINUED)

(vii) Subscription price of shares (Continued)

(c) Fair value of share options and assumptions (Continued)

The weighted average fair value of each option granted during the year ended 31 December 2020 was HK$0.04.

The expected volatility is based on the historic volatility (calculated based on the expected remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the grants of the share options.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to bank deposits, pledged deposits 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 (loss)/profit in 2020 and 2019.

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$67,000 (2019: approximately S$94,000) as a result of the changes in fair value of the investments.

35. 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 2020, 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.

	2020 **S$'000**	2019 S$'000
HK$ to S$	**546**	450
US$ to S$	**286**	487
RMB to S$	**–**	427

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 2020, 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, cash and cash equivalents and the contingent liabilities in relation to guarantee issued by the Group as disclosed in note 30. The Group has a credit policy in place and exposures to these credit risks are monitored on an ongoing basis.

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.

35. 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:

2020	Weighted average lifetime ECL	Gross carrying amount S$'000	Loss allowance S$'000
Neither past due nor impaired	1.5%	7,509	113
1 to 30 days past due	3%	2,704	81
31 to 90 days past due	5%	1,051	53
91 to 180 days past due	11%	548	60
181 to 365 days past due	14%	34	5
Over 365 days past due	50%	25	12
		11,871	324
Individual assessment			
– Individual companies	100%	983	983
– Related companies	5%	1,652	83
– Retention receivables	8%	187	15
		2,822	1,081
Total		14,693	1,405

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Trade receivables (Continued)

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

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.

35. 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 2020

	Non credit-impaired S$'000	**Credit-impaired S$'000**	**Total S$'000**
Gross carrying amount	**29,122**	**–**	**29,122**
Expected credit losses	**(437)**	**–**	**(437)**
Expected credit loss rate	**1.5%**	**N/A**	**28,685**

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.

35. 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:

	2020 S$'000	2019 S$'000
Provision for loss allowance recognised in profit or loss for the year	**5,217**	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 2020, approximately 9% (2019: approximately 13%) of the total trade debtors was due from the Group's largest customer and approximately 20% (2019: approximately 27%) of the total trade debtors was due from the Group's five largest customers.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair value measurements recognised in the consolidated statement of financial position

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

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

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

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

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

Financial assets

	Fair value		
	2020 **S$'000**	2019 S$'000	**Fair value hierarchy**
Financial assets at FVTPL			
Investment in life insurance policy at fair value	**1,383**	1,398	Level 3
Financial assets at FVOCI			
Listed equity securities at fair value	**669**	939	Level 1

Notes:

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

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

There were no transfers between different levels during the year.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

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

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

	Carrying amount S$'000	Total contractual undiscounted cash flow S$'000	On demand S$'000	Within 1 year S$'000	More than 1 year but less than 2 years S$'000	More than 2 years but less than 5 years S$'000	After 5 years S$'000
At 31 December 2020							
Trade payables	**11,297**	**11,297**	**11,297**	**–**	**–**	**–**	**–**
Other payables and accruals	**2,523**	**2,523**	**2,523**	**–**	**–**	**–**	**–**
Bank borrowing	**5,000**	**5,248**	**–**	**800**	**1,302**	**3,146**	**–**
Lease liabilities	**13,936**	**14,585**	**3,895**	**4,448**	**3,166**	**3,076**	**–**
	32,756	**33,653**	**17,715**	**5,248**	**4,468**	**6,222**	**–**

	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	–

36. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

	2020 S$'000	2019 S$'000
Financial assets at FVTPL:		
– Investment in life insurance policy at fair value	**1,383**	1,398
Financial assets at amortised cost:		
– Investment in corporate bond	**250**	250
– Investment in property development project	**1,000**	1,000
– Trade receivables	**13,288**	13,195
– Other receivables	**1,243**	9,124
– Pledged deposits	**3,392**	3,359
– Cash and cash equivalents	**46,238**	44,772
Financial assets at FVOCI:		
– Listed equity securities at fair value	**669**	939
	67,463	74,037

Financial liabilities

	2020 S$'000	2019 S$'000
At amortised costs		
Trade payables	**11,297**	10,695
Other payables and accruals	**2,523**	3,383
Bank borrowing	**5,000**	–
Lease liabilities	**13,936**	19,992
	32,756	34,070

37. CAPITAL MANAGEMENT

The Group's capital management objectives include:

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

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

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

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

Management regards total equity as capital. The amount of capital as at 31 December 2020 amounted to approximately S$84,816,000 (2019: approximately S$93,343,000), which the management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

38. SIGNIFICANT EVENT DURING THE YEAR

The outbreak of Novel Coronavirus ("**COVID-19**") since early 2020 has resulted in significant decrease in various commercial activities in Singapore where the Group operates. As such, the business activities of the Group was indirectly affected. Several months of COVID-19 restrictions and workplace closures during the circuit breaker period, coupled with various social distancing and public health safety measures implemented by the Singapore government, battered the country's construction sector during the year. The suspension of most of the Group's construction projects consequently hindered.

In preparing these consolidated financial statements of the Group, the Group has taken into account the increased risks caused by COVID-19 on impairment of the Group's financial and non-financial assets when assessing assets impairment mainly including trade and other receivables. The COVID-19 has also brought additional uncertainties to the economic outlook and delay in settlement from debtors.

Management has been closely monitoring the development of the COVID-19 outbreak and considered that, save as disclosed above, there is no other matters that would result in a significant adverse impact on the Company's result and financial position as at the reporting date as result of the COVID-19.

The directors of the Company are continuing to assess the implications of COVID-19 pandemic to the business in which the Group operates. Depending on the duration of the COVID-19 pandemic and continued negative impact on economic activity, the Group might experience further negative results, and liquidity restraints and incur additional impairments on its assets in 2021. However, the exact impact in the remainder of 2021 and thereafter cannot be predicted.

39. EVENT AFTER THE REPORTING PERIOD

There is no other significant event subsequent to the date of this report which would materially affect the Group's operating and financial performance.