SHS HOLDINGS LTD.

REGROUPED FOR LONG TERM

# SUSTAINABLE GROWTH

ANNUAL REPORT 2018

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# CORPORATE PROFILE

## ABOUT SHS HOLDINGS

Established in 1971, Mainboard-listed SHS Holdings has grown into a diversified group with three main businesses:


## ENGINEERING & CONSTRUCTION

The Group, through its subsidiary TLC Modular Construction, has established strong capabilities in modular construction, also known as Pre-fabrication, Pre-finished Volumetric Construction (PPVC) which designs and builds factory-produced, pre-engineered building units that are delivered to site and assembled as large volumetric components or as substantial elements of a building. The first two major projects under construction are targeted to be completed by the first half of 2019, namely the COSA Hotel in Christchurch, New Zealand and the pre-fabricated bathroom units ("PBUs") for the Park Place Residences located at Paya Lebar, Singapore.

Group subsidiary, Hetat Holdings, has a strong track record in the design, engineering and construction of integrated structures created from steel, aluminium and glass materials in Singapore & Malaysia. It is one of the few fabricators with the coveted S1 accreditation from the Singapore Structural Steel Society.

# CORPORATE PROFILE


## SOLAR ENERGY

The Group diversified into the solar energy sector in 2016, amidst a growing global commitment to renewable energy and environmental sustainability, and the quest for clean and affordable energy-efficient solutions.

Through its subsidiary, Sinenergy Holdings Pte Ltd, the Group focuses on solar energy development and EPC works. It has successfully installed various roof-top, ground-mounted photovoltaic systems of all scales for domestic and commercial customers in Singapore.

It is also currently working on the construction of a 50MW solar power plant in Bangladesh following the signing of the Power Purchase and Implementation Agreements with the Bangladesh Power Development Board, the Government of the People's Republic of Bangladesh, and the Power Grid Company of Bangladesh Ltd.

# CORPORATE PROFILE



## CORROSION PREVENTION

The Group is the leading provider of corrosion prevention services to the marine, oil and gas, construction and infrastructure industries in Singapore. It has a strong niche in specialized tank coating services and large-scale plant operations in the country. Its proven capability in corrosion prevention services is underscored by its status as a resident contractor for premier shipyards in Singapore.

## STRATEGIC INVESTMENTS

In addition to its three core businesses, the Group constantly evaluates strategic investment opportunities that generate shareholder value. It currently has a stake in Energy Drilling Pte Ltd, a Singapore-incorporated company primarily engaged in owning and operating offshore drilling vessels, and a stake in Aenergy Holdings Company Limited, an investment holding company with subsidiaries engaged in the business of developing mini-hydropower projects in Indonesia.

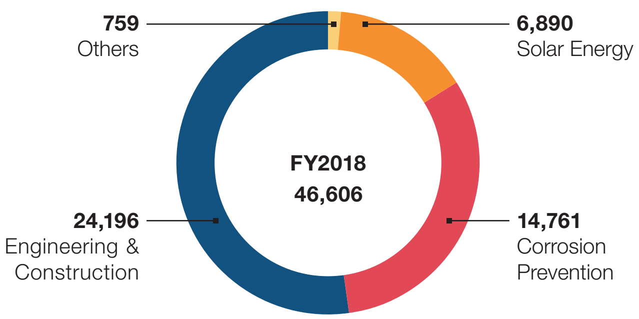
# FINANCIAL HIGHLIGHTS

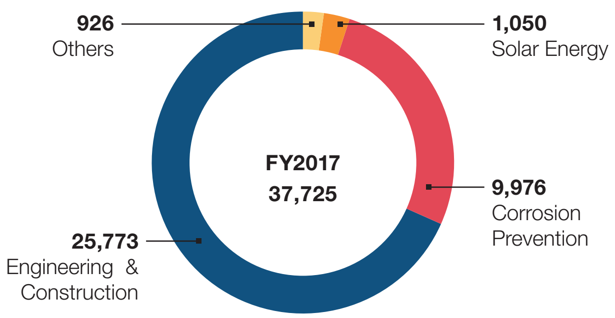
| PROFIT & LOSS ACCOUNT (S$'000) | FY2018 | FY2017 |
|---|---|---|
| Revenue | 46,606 | 37,725 |
| Gross Profit | 3,827 | 4,232 |
| (Loss)/profit before income tax | (15,105) | (20,213) |
| (Loss)/profit after income tax | | |
| – Continuing Operations | (15,021) | (20,201) |
| – Discontinued Operations | 101 | 149 |
| (Loss)/profit Attributable to Equity holders | | |
| – Continuing Operations | (11,270) | (18,376) |
| – Discontinued Operations | 101 | 149 |
| Per Share Data (Cents): | | |
| Earnings Per Share – Basic | (1.63) | (2.66) |
| Earnings Per Share – Basic (Continuing Operations) | (1.64) | (2.68) |
| Net Asset Backing | 27.48 | 29.68 |
| Dividends | – | 0.20 |

| STATEMENT OF FINANCIAL POSITION (S$'000) | FY2018 | FY2017 |
|---|---|---|
| Total Assets | 236,377 | 256,307 |
| Total Liabilities | 49,783 | 50,049 |
| Shareholders' Equity | 188,302 | 203,320 |
| Non-Controlling Interests | (1,708) | 2,938 |
| Total Equity | 186,594 | 206,258 |

| REVENUE BY BUSINESS SEGMENTS (Continuing Operations) (S$'000) | FY2018 | FY2017 |
|---|---|---|
| Corrosion Prevention | 14,761 | 9,976 |
| Engineering & Construction | 24,196 | 25,773 |
| Solar Energy | 6,890 | 1,050 |
| Others | 759 | 926 |

## REVENUE BY BUSINESS SEGMENT (S$'000)



# CHAIRMAN'S STATEMENT

## DEAR SHAREHOLDERS,

FY2018 was a very tumultuous year for SHS Holdings Limited, characterized by setbacks in the development of new business pillars, namely, our modular construction and our first Bangladesh 50MW solar farm project which were intended to extend our regional footprints in Asia Pacific coupled with the year's loss-making structural engineering and corrosion prevention core businesses.

Since my re-designation as Executive Chairman on 25 October 2018, I have engaged with the board and management to conduct a review of the business development plans of the Group businesses. We have taken on too many large scale business development activities and complex projects in particular, our modular construction and large-scale solar farm projects, too quickly and experienced many difficulties where our competencies to directly managed these difficulties were found lacking. This is particularly so where our business development involves joint venture partners where stakeholder management has been weak.

Against these setbacks, we have adjusted our expectations of these business going forward, hence the theme of this year's annual report "Regrouped For Long Term Sustainable Growth".

For the modular construction business, we will close-up the current loss-making projects, namely the Paya Lebar Park Place Residences Pre-Fabricated Bathroom Units ("PBUs") in Singapore and the modular hotel ("Cosa") in Christchurch, New Zealand. Taking on the learnings from these projects, we have moderated the business plan for our business development for this business segment for 2019, working closely with our joint venture partner to turnaround the significant loss situation in the last two years to deliver value to the Group in 2019 before accelerating growth in 2020.

For our solar business segment, we have trimmed our previous lofty aspirations to own large scale solar farms which we do not have the financial capacity to own nor leveraged ourselves. To that end we have as announced on 26 December 2018 the divestment of our rights to the 50MW solar power plant project in Ninh Thuan Province, Vietnam for a modest S$1.3 million gain upon completion of the transaction. In addition, for our Bangladesh 50MW solar power plant project which we had in the most recent announcement on 20 February 2019 updated that the project is faced with a financing gap of up to US$56 million to complete the project. The project team is presently in negotiation with various parties for such financing to bridge the financing gap to progress the construction and thereafter seek a further extension of the deadline for completion of the project. Going forward, to grow this business segment, we will focus more on engineering, procurement and commission (EPC) solar contracts in Singapore and in ASEAN which does not requires heavy capital and financial commitments.

With the difficulties encountered in our modular construction and solar business segments, the Board has chosen the path to regroup to iron out the difficulties faced before making further capital commitments to these businesses.

## DIVIDENDS

Considering the Group's available cash flow and financial performance in FY2018, the board has resolved not to declare a final dividend.

## ACKNOWLEDGEMENT

These are challenging times for SHS as we regrouped to right fit the business strategies against the resources and competencies of the Group. With this new focus on regrouping, divestment process have commenced for some of the group's non-core assets of the Group which include the lands in Australia and Malaysia and other investments to free up cash for the Group. The process to execute the strategy of regrouping will take its course in the new financial year and we hope that through the process will allow the Group to anchor itself firmly on its strengths and rebuild its core businesses in engineering, solar and corrosion prevention.

We would like to take this opportunity to thank our colleagues on the Board for their support and counsel, our management and staff for their commitment and diligence and to our shareholders – thank you all for your support. We look forward to meeting you again at the upcoming Annual General Meeting on 29 April 2019. Have a wonderful year ahead!

# GROUP CEO'S OPERATIONS AND FINANCIAL REVIEW

For the full year ended 31 December 2018 ("FY18"), the Group achieved revenue from continuing operations of S$46.6 million, an increase of 24% from FY17. Net loss attributable to equity holders from continuing operations in FY18 was S$11.3 million which included impairment charges totaling S$5.3 million against a net loss of S$18.4 million a year ago which included impairment charges of S$9.6 million.

| S$'000 | FY18 | FY17 | Change |
|---|---|---|---|
| Revenue | 46,606 | 37,725 | 24% |
| Net profit attributable to shareholders | | | |
| – Continuing Operations | (11,270) | (18,376) | 39% |
| – Discontinued Operations | 101 | 149 | (32%) |
| | **(11,169)** | **(18,227)** | **39%** |

For FY18, revenue was 24% higher at S$46.6 million. This was mainly due to higher revenue contribution from the CP and Solar Energy segments which helped offset lower revenue from the E&C segment.

Notwithstanding the higher revenue, the Group's FY18 gross profit decreased 10% from S$4.2 million in FY17 to S$3.8 million in FY18. The decrease was mainly due to the significant drop in revenue in the E&C segment from the steel engineering business and in particular, provision for foreseeable losses for costs over-runs for projects in the modular construction business.

Other income increased 83% from S$2.1 million in FY17 to S$3.8 million in FY18 due to write-back of provision of S$1.2 million for the two years profit warranty unmet by the vendors in the acquisition of 60% of TLC Modular Construction business in 2017 coupled with higher rental and service income and supply of labor from the E&C segment and; wage credit scheme from the CP segment which helped offset lower interest income earned due to lower surplus cash placed in fixed deposits.

Total operating expenses decreased 15% from S$25.8 million in FY17 to S$22.1 million due mainly to lower impairment charges between the two years. Included in "Other Operating Expenses" in FY18 was S$5.3 million of impairment charges comprising S$3.7 million of goodwill impairment from the acquisition of the TLC modular construction business in 2017 and S$1.6 million impairment for the value of land acquired in the Gold Coast for development using modular construction. Correspondingly, included in FY17 was S$9.6 million of goodwill impairment from the acquisition of the Structural Steel Engineering business in 2014.

Selling and distribution expenses increased by 26% to S$972,000 in FY18 due to higher travelling and business development expenses for the modular construction business as the Group extends its operations in Asia-Pacific in particular its modular construction business in the Australasia region.

Administrative expenses increased 5% to S$9.2 million on higher staff related and professional fees incurred for the development projects for the modular construction business soften by cost rationalization measures in the steel engineering business conducted during the year of the E&C segment and generally higher administrative expenses for CP and the Solar Energy segments on higher business activities.

Other operating expenses decreased 27% in FY18 over the previous year due largely to lower impairment charges; the provision for reinstatement cost (S$0.5 million) in FY17 for one of the JTC leasehold land to be returned upon lease expiry; provision for doubtful debts of S$0.79 million in FY17 and unrealized exchange loss from the depreciation of the USD in FY17 offset partially by higher expenses from the modular construction business of the E&C incurred during the financial year and higher allowance for doubtful receivables (S$0.38 million) for the CP segment provided in FY18 adopting the changes in accounting standards provided for under SFRS(I) (9).

Finance costs were higher at S$576,000 in FY18 due largely to higher bank borrowings for the re-development of the Hetat factory and office building of the E&C segment.

Lower share of loss of associated companies was reported in FY18 against FY17 as the latter include the loss from the sale of two final unit from the Heron Bay project and higher loss from the mini-hydro power projects of Aenergy which was in its development phase.

As a result, the Group reported a net loss attributable to shareholders from continuing operations of S$11.3 million in FY18 compared with a net loss of S$18.4 million in FY17.

# GROUP CEO'S OPERATIONS AND FINANCIAL REVIEW

The Group's financial position deteriorated in FY18 due to the year's losses but remained healthy, with net assets at S$188.3 million as at 31 December 2018. This translates into net asset per share of 27.48 Singapore cents. Its cash and cash equivalents declined from S$49.1 million as at 31 December 2017 to S$29.9 million as at 31 December 2018, due mainly to (i) cash outflow from operations to fund working capital used for modular construction projects and the Group's operating losses; (ii) cash used in investing activities for the purchase of land in the Gold Coast, Australia and (iii) cash used in financing activities for the S$1.4 million dividend paid during the year.

## SEGMENTAL RESULTS

### CONTINUING OPERATIONS

| S$'000 | FY18 | FY17 | Change |
|---|---|---|---|
| **Corrosion Prevention ("CP")** | | | |
| Revenue | 14,761 | 9,976 | 48% |
| Gross Profit | 3,717 | 1,058 | 251% |
| **Engineering & Construction ("E&C")** | | | |
| Revenue | 24,196 | 25,773 | (6%) |
| Gross Profit | (1,103) | 3,155 | NM |
| **Solar Energy** | | | |
| Revenue | 6,890 | 1,050 | 556% |
| Gross Profit | 938 | (238) | NM |

### CORROSION PREVENTION

Revenue from the CP segment jumped 48% driven by significant improvement of orders from the plant operations and to a lesser extent from site operations. With oil prices balancing at around USD60 per barrel we are slowly seeing a return of confidence and resultant increase in orders for the marine and offshore sectors in particular new vessel builds which our plant operations are dependent on coupled with our endeavors to diversify our CP services to other sectors in particular, construction and infrastructure also helped to boost revenue.

As a result, gross profit surged to S$3.7 million in FY18 from S$1.1 million in FY17. The increased revenue helped improve utilization of the factory capacity and equipment resulting also in FY18 gross margin increasing to 25.2% from 10.6% a year ago.

### ENGINEERING & CONSTRUCTION

Revenue for the E&C segment decreased 6% year-on-year to S$24.2 million as lower revenue from the steel engineering business negated higher revenue contribution from the progressive delivery of pre-fabricated bathroom units ("PBUs") for the Paya Lebar Park Residences condominium project of the modular construction business.

Gross profit fell to a loss of S$1.1 million against a profit of S$3.2 million in FY17 as shortfalls from steel engineering businesses and in particular significant costs overruns and provision for foreseeable losses on projects from the modular construction business, namely the PBU project mentioned above and the modular hotel project in Christchurch, New Zealand under construction contributed to the dismal performance.

### SOLAR ENERGY

Revenue for the Solar Energy segment jumped to S$6.9 million in FY18 from S$1.0 million in FY17 as it starts to deliver delayed projects in 2017 and new contracts secured for 2018.

As a result, gross profit of S$0.9 million was registered against an operating loss in the previous year.

## OUTLOOK

2018 had been a challenging year for the Group, with the unforeseen execution issues of our first Bangladesh Solar farm project, as well as the longer-than-expected gestation period for our modular construction business.

Against these setbacks, we have adjusted our expectations of these business going forward.

For the E&C segment comprising modular construction and steel engineering business, we will moderate our investment in the modular construction joint venture. Taking the key learnings from existing projects in its stride and especially the shortening of the regulatory approval process with this new construction technology, the entry into this construction method has provided us with a first market mover advantage for hotel & residential construction segments in New Zealand. On 25 February 2019, our modular construction unit was the first overseas supplier to receive a prequalification certificate from the New Zealand government for the supply of prefabrication in construction and this has generated a growing interests

# GROUP CEO'S OPERATIONS AND FINANCIAL REVIEW

of early adopters for modular construction. We will take on new projects already in hand in New Zealand in a measured way with the desire to first turnaround from loss to deliver value to the Group in 2019 before accelerating growth in 2020. For our steel engineering business, we will endeavor to take on more projects with the redevelopment of the factory completed and steer towards positive contribution in 2019.

For the Group's solar segment, as recently announced, we will focus on seeking to bridge the financing gap to progress the construction and thereafter to seek a further extension of the deadline for completion of the Bangladesh solar project. In addition, we will continue to seek more engineering, procurement and commissioning (EPC) solar contracts in Singapore and in ASEAN as we grow our experience and expertise in this field.

Notwithstanding the oil and gas industry has been in a prolonged downturn since late 2014, there was recent consensus pointing to a modest recovery of this sector which the Group is hopeful will continue to help generate opportunities for the Group's corrosion prevention services. Likewise, the Group expects the contribution from this segment to improve modestly in 2019. However, whether it can return to profitability remains uncertain but certainly expected to be cash flow positive as in 2018. The Group will continue its cost rationalisation exercise and enhance productivity to maintain an appropriate and efficient cost structure while it focuses on delivering value from its improved orders.

# BOARD OF DIRECTORS


## 01 MR TENG CHOON KIAT

EXECUTIVE CHAIRMAN

Mr Teng Choon Kiat was appointed as Non-Executive and Non-Independent Director of SHS Holdings Ltd. on 14 February 2018 and subsequently appointed Non-Executive and Non-Independent Chairman on 1 March 2018. On 25 October 2018, Mr Teng was designated as Executive Chairman and working closely with Group CEO and key management to implement policies and plans to realize the Group's vision. Mr Teng is a controlling shareholder of the Company and is the Managing Director and shareholder of the Entraco Group whose principal activities include providing both property and offshore asset management, vessel's tank cleaning, corrosion control services, structural steel fabrication, distributorship representing major OEM to marine and oil and gas companies in this region, Europe and Brazil. Mr Teng's experience and knowledge will be invaluable to the Board on the Group's business directions and existing business of the Group.

## 02 MR NG HAN KOK, HENRY

EXECUTIVE DIRECTOR &
GROUP CHIEF EXECUTIVE OFFICER

Mr Henry Ng was appointed as Executive Director of SHS Holdings Ltd. on 3 January 2014 and Group Chief Executive Officer on 28 February 2014. As Group Chief Executive Officer, Mr Ng is responsible for making strategic proposals to the Board and implementing the Group's strategies, policies and Board's decisions. The Group CEO assumes the executive responsibility for the day-to-day management of the Group, with the support of Executive Director and key management. He leads the development of the Group's growth strategy including identifying and assessing risks and opportunity of growth of existing business and new businesses and reviewing the performance of its existing businesses. Mr Ng is the founder and Managing Director of Hetat Holdings Pte. Ltd., the Group's structural steel & facade business. He is a veteran in the construction industry and has extensive experience of over 20 years in the related field of steel, aluminium and glass structures. He holds a Bachelor of Science (Building) honours degree from the University of Reading in the United Kingdom.

# BOARD OF DIRECTORS

## 03 MR LIM SIOK KWEE, THOMAS

EXECUTIVE DIRECTOR AND CEO
CORROSION PREVENTION SERVICES

Mr Thomas Lim was appointed as Executive Director and CEO Corrosion Prevention Services of SHS Holdings Ltd. on 30 December 2015.

He is the founder of the Company and was the Company's Executive Chairman from 29 April 2009 to 29 April 2013 and from 22 July 2013 to 27 April 2015. He has over 30 years' experience in corrosion prevention business and was the driving force in the Group's development and growth during the early years. He was also instrumental in the diversification of the Group's business into the offshore and construction sectors.

## 04 MR LEE GEE AIK

LEAD INDEPENDENT DIRECTOR

Mr Lee Gee Aik was appointed as an Independent Director and Chairman of the Audit Committee of SHS Holdings Ltd. on 24 July 2015. He is also a member of Remuneration Committee. On 1 March 2018, he was appointed as Lead Independent Director and recently he was appointed as member of Nominating Committee on 15 March 2019. Mr Lee has over 30 years of extensive and varied experience in accounting, tax and financial matters, having previously worked with one of the Big Four accounting firms both in its Singapore and US offices and as a regional financial controller for about 5 years in the hospitality industry.

Mr Lee is a Fellow of the Association of Chartered Certified Accountants (UK) and the Institute of Singapore Chartered Accountants. He also obtained a Master in Business Administration from The Henley Management College, United Kingdom. He is independent director of Anchun International Holdings Limited, Astaka Holdings Limited and Uni-Asia Group Limited.

## 05 MR OH ENG BIN, KENNETH

INDEPENDENT DIRECTOR

Mr Kenneth Oh was appointed as Independent Director of SHS Holdings Ltd. on 14 January 2014. He is currently the Chairman of the Remuneration Committee and members of the Audit and Nominating Committee. Mr Oh is a senior partner in Dentons Rodyk & Davidson LLP's Corporate Practice Group, China Practice and Indonesia Practice. He has been in legal practice since 1999. Mr Oh practises mainly in the areas of corporate finance and mergers & acquisitions, with a focus on equity capital markets transactions involving IPOs and RTOs of Singapore and foreign companies, as well as secondary capital market issues including secondary listings, secondary post-listing fund raising and post-listing advisory and compliance. Mr Oh also advises on capital markets licensing and compliance, and on a wide range of general corporate advisory work for both public listed and private companies including private equity investments, joint ventures, corporate restructurings, debt restructuring and franchising. Mr Oh holds a Bachelor of Law degree (Honours) from the National University of Singapore and is admitted to the Singapore Bar.

## 06 DR LEE KUO CHUEN, DAVID

INDEPENDENT DIRECTOR

Dr Lee Kuo Chuen was appointed as Independent Director of SHS Holdings Ltd. on 1 October 2013. He is currently the Chairman of the Nominating Committee and members of the Remuneration and Audit Committees. Dr Lee has over 20 years of experience in financial modeling, portfolio allocation and alternative investments. He is currently a Professor at the Singapore University of Social Sciences. He is also a vice president of The Economic Society of Singapore. Dr Lee is currently an independent director of HLH Group Limited and Lu International (Singapore) Financial Asset Exchange Pte Ltd and amongst other private companies is a director of BlockAsset Management Pte Ltd. Dr Lee holds a PhD in Econometrics and Applied Economics from the London School of Economics and Political Science, and a Master of Science in Econometrics and Mathematical Economics from the University of London.

# GROUP MANAGEMENT AND PERSONNEL

## SHS GROUP

**MR. TENG CHOON KIAT** Executive Chairman

**MR. NG HAN KOK, HENRY** Executive Director & Group Chief Executive Officer

**MR. LIM SIOK KWEE, THOMAS** Executive Director & CEO Corrosion Prevention Services

## ENGINEERING & CONSTRUCTION

**MR. NG HAN KOK, HENRY** Executive Director & Group Chief Executive Officer

**MR. ALISTAIR WILLIAM RAGLAN SAWER** Managing Director (Modular Construction)

**MR. WANG FENG JUNG, WILLIE** Contracts & Commercial Director (Structural, Steel & Facade)

**MR. JEREMY WAGON** Chief Operating Officer (Modular Construction)

**MR. CARMELO RAMOS GACAYAN** Senior Technical Manager (Structural, Steel & Facade)

**MR. VASUDER ARAVINDAKSHAN NAIR** Chief Financial Officer (Modular Construction)

**MS. TEO SOO FANG, TRACY** Group Finance Manager

**MS. CH'NG SAI LIAN, ADELINE** Human Resource Manager

**MR. MAHALINGAM KALIMUTHU KUMAR** EHS Manager

## CORROSION PREVENTION

**MR. LIM SIOK KWEE, THOMAS** Executive Director & CEO Corrosion Prevention Services

**MR. TAN TECK SENG, RONNIE** General Manager (Trading)

**MR. LEOW KIM HOCK** General Manager (Project & Technical)

**MR. LIM PENG CHENG** Production Manager (Plant Operations)

**MR. GOH SIA TECK** Commercial Manager (Site)

**MS. TEO SOO FANG, TRACY** Group Finance Manager

**MS. CH'NG SAI LIAN, ADELINE** Human Resource Manager

**MR. MAHALINGAM KALIMUTHU KUMAR** EHS Manager

## SOLAR ENERGY

**MR. NG HAN KOK, HENRY** Executive Director & Group Chief Executive Officer

**MR. LEE YIN YEE, PHILIP** Chief Operating Officer

**MR. CHUA KOK KEONG, JOSEPH** Chief Executive Officer (EPC)

**MR. RICHANAND MISHRA** General Manager

**MS. KEE AI LING , IRENE** Assistant Finance Manager

**MS. LIM SIM WAH, SHARON** Assistant Procurement Manager

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Teng Choon Kiat** Executive Chairman

**Ng Han Kok, Henry** Executive Director & Group Chief Executive Officer

**Lim Siok Kwee, Thomas** Executive Director & CEO Corrosion Prevention Services

**Lee Gee Aik** Lead Independent Director

**Lee Kuo Chuen, David** Independent Director

**Oh Eng Bin, Kenneth** Independent Director

## AUDIT COMMITTEE

**Lee Gee Aik** (Chairman)
**Lee Kuo Chuen, David**
**Oh Eng Bin, Kenneth**

## NOMINATING COMMITTEE

**Lee Kuo Chuen, David** (Chairman)
**Oh Eng Bin, Kenneth**
**Lee Gee Aik**

## REMUNERATION COMMITTEE

**Oh Eng Bin, Kenneth** (Chairman)
**Lee Gee Aik**
**Lee Kuo Chuen, David**

## COMPANY SECRETARIES

**Lai Kuan Loong, Victor**

## REGISTERED ADDRESS

19 Tuas Avenue 20
Singapore 638830
Tel: +65 6515 6116
Fax: +65 6515 6117

## SHARE REGISTRAR

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50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623
Tel: +65 6536 5355
Fax: +65 6536 1360

## AUDITORS

**Moore Stephens LLP**
10 Anson Road #29-15
International Plaza
Singapore 079903

## AUDIT PARTNER-IN-CHARGE

Ng Chiou Gee Willy
(appointed during the financial year ended 31 December 2017)

## PRINCIPAL BANKERS

**United Overseas Bank Limited**
80 Raffles Place
UOB Plaza 1
Singapore 048624

**CIMB BANK BHD**
50 Raffles Place
#01-02 Singapore Land Tower
Singapore 048623

# SUSTAINABILITY REPORT

# SUSTAINABILITY REPORT

## BOARD STATEMENT 102-14

We are pleased to reaffirm our commitment to sustainability, with the second Sustainability Report (the "Report") of SHS Holdings Ltd. ("SHS" or "Group"). This Report aims to provide our stakeholders with a comprehensive picture of our sustainability performance in a transparent and accountable manner.

The Report covers the Group's strategies, policies, practices, performance and targets in relation to economic, environmental, social and governance ("ESG") factors. It draws on the internationally recognized framework Global Reporting Initiative's ("GRI") Sustainability Reporting Standards.

With the increasing focus on sustainable business operations, we are also integrating sustainable practices into our operations and strategies. Hence, we strive to drive our organisation in the direction where we can contribute positively to our stakeholders and the environment.

After a materiality review and assessment facilitated by our external consultant, we have identified 13 indicators that matter most to our business and stakeholders. These material topics are addressed through our five sustainability strategies – Business Integrity, Environmental Sustainability, Human Capital, Health & Safety and Quality.

### Our Sustainability Strategies

# SUSTAINABILITY REPORT

## BUSINESS INTEGRITY

Corporate governance is an important core value of the Group. We do not tolerate corruption and fraud, and have established policies to address business conduct expected of all employees.

## ENVIRONMENTAL SUSTAINABILITY

Climate change is an issue that is regarded with great importance both globally and within Singapore. We recognize the need to address climate change and SHS is committed to minimize our environmental impact arising from the clearing of land for the construction of solar power plants; and the consumption of electricity utilized during the blasting and painting processes (Corrosion Prevention business segment), as well as the excavation and fabrication processes (Structural Steel & Façade under Engineering & Construction business segment).

## HUMAN CAPITAL

Employees are valued at SHS as we believe that human capital is a key lever to our growth and success. We are committed to attract and retain talents, and we focus on the personal well-being of employees.

We adopt merit-based recruitment practices and our hiring policies ensure that recruitment is based on qualifications, skills and competency of individuals. We firmly believe in equal employment opportunities to all regardless of nationality, gender or age. Discrimination of any kind is not tolerated.

## HEALTH AND SAFETY

Due to the nature of our business operations, we place the safety of our employees as our first and foremost priority. We focus on the health and safety of our employees by ensuring that their working environment is safe.

Our operations are fully compliant with legislated workplace health and safety standards and we have a Health, Safety & Fire Environment (HSE) Committee to oversee workplace health and safety matters.

## QUALITY

Driven by our vision of striving to provide "*products and services known for its quality*", the Group subscribes to best practices and complies with all relevant legislations and requirements pertaining to the health and safety impacts of products and services.

Our delivered products are fully compliant with relevant standards such as the International Organisation for Standardisation ("ISO"), Swedish Standards Institute, British Standards, American Steel Structures Painting Council Standards and the American National Association Corrosion Engineers Standards.

## LOOKING AHEAD

The economic, environment, social, and governance landscape is constantly evolving, and we recognise the need to adapt our operations to these changes.

We will continue to integrate sustainability into our daily operations across the Group and we appreciate having all our stakeholders on this journey together to a more sustainable future.

**MR. TENG CHOON KIAT**
Chairman, Board of Director

# SUSTAINABILITY REPORT

## ABOUT THIS REPORT

### GRI GUIDELINES

This report is prepared based on the GRI Sustainability Reporting Standards 2016, in accordance with the Core option. The GRI content index and relevant references are provided on pages 33 – 35. We have not sought external assurance for this reporting period. 102-54 102-56

### REPORTING PERIOD

SHS's Sustainability Report is published on an annual basis. This is the second year SHS is preparing the Sustainability Report and the report covers the Financial Year ("FY") 2018, for the period 1 January 2018 to 31 December 2018. 102-49 102-50 102-51 102-52

### REPORTING SCOPE 102-49

The data, statistics and improvement targets in the report relate to the Group's Corrosion Prevention, Structural Steel & Facade, and Solar Energy operations., unless otherwise stated.

There are no restatements of information in this report, apart from the 2017 comparative data pertaining to new employee hires and resignees which have been adjusted to include data relating to the Solar Energy business unit. 102-48

### FEEDBACK

Your views and opinions are highly valued by us and we welcome any form of feedback on this report or any aspect of our sustainability performance.

Kindly provide your feedback to the Executive Reporting Sustainability Committee Chairman (Ng Han Kok, Henry), at henry@shsholdings.com.sg. 102-53

### OUR SUSTAINABILITY REPORTING STRUCTURE

The Group's sustainability drive is spearheaded by the Sustainability Reporting Executive Committee which oversees the group-wide sustainability strategies and initiatives.

# SUSTAINABILITY REPORT

## OUR SUSTAINABILITY STRATEGY

Our five sustainability strategies – Business Integrity, Environmental Sustainability, Human Capital, Health & Safety and Quality was formalized by the Sustainability Executive Reporting Committee. SHS places sustainability at the core of our strategy and operations to create sustainable value for all our stakeholders.

## STAKEHOLDER ENGAGEMENT 102-41 102-42 102-43 102-44

Collaboration with our stakeholders supports us in addressing sustainability challenges and opportunities. We engage with our stakeholders regularly and incorporate relevant and appropriate feedback into our planning and actions. Identification of the various stakeholders is based on our respective economic, social and environmental impacts in the context of our value chain.

| Stakeholders | Stakeholders' Expectations/Concerns | Engagement Platform |
|---|---|---|
|  Employees | • Safe and conducive workplace<br>• Fair labour practices and compensation | • Trainings<br>• Grievance/feedback channels<br>• Regular reviews and appraisals<br>• Intranet platform for policies, news and benefits |
|  Customers | • Product quality and innovation<br>• Product compliance to all relevant regulations<br>• Timely follow-up on customer feedback<br>• Ability to offer competitive and cost-efficient solutions which are safe and environmentally responsible | • Feedback channels such as email and telephone communications<br>• Client meetings<br>• Corporate website, email and newsletters |
|  Suppliers | • Clear two-way communication channels<br>• Timely feedback regarding materials/ services provided | • Inspections and quality site visits<br>• Quotations and requests for proposal<br>• Raw material specifications discussion meetings |
|  Shareholders & Regulators | • Business resilience and financial performance<br>• Business strategy and direction<br>• Corporate governance and compliance<br>• Transparent and timely communication of information | • Results announcements and news releases<br>• Corporate website and email<br>• AGM |
|  Local Communities | • Mitigation of adverse implications of projects<br>• Communication regarding future developmental planning relating to projects | • Environmental and social impact study |

# SUSTAINABILITY REPORT

## MATERIALITY REVIEW PROCESS 102-46 102-47

For this Sustainability Report, the Materiality Principle is applied to define its content. As part of SHS's process to determine materiality, an internal strategy review and sustainability workshop moderated by an external consultant was organized during the year. During the workshop, we considered our business strategy, business model and key stakeholders while assessing the ESG factors.

We reflected on significant economic, environmental and social impacts to determine topics that are material to the Group. As a result, topics of the GRI's Sustainability Reporting Standards 2016 were assessed and we identified the following 13 indicators during the assessment conducted. The materiality assessment was subsequently endorsed by the Sustainability Executive Reporting Committee.

| Category | Class | Standard | Indicators |
|---|---|---|---|
| Economic | Economic Performance | 201-1 | Direct Economic Value Generated and Distributed |
| | Anti-Corruption | 205-2 | Communication and Training on Anti-Corruption policies and procedures |
| | | 205-3 | Confirmed Incidents of Corruption and Actions taken |
| Environment | Energy | 302-1 | Energy Consumption within the Organization |
| | | 302-4 | Reduction of Energy Consumption |
| | Effluents & Waste | 306-2 | Total Weight of Waste by Type and Disposal method |
| | Compliance | 307-1 | Non-compliance with environmental laws and regulations |
| Social | Employment | 401-1 | New employee hires and employee turnover |
| | Occupational Health & Safety | 403-2 | Type of Injury and Rates of Injury, Occupational diseases, Lost days, and Absenteeism, and number of Work-Related Fatalities |
| | Non-discrimination | 406-1 | Incidents of discrimination and corrective actions taken |
| | Local Communities | 413-2 | Assesses an organization's awareness of its impacts on local communities and also enables an organization to better prioritize and improve its organization-wide attention to local communities |
| | Customer Health & Safety | 416-2 | Incidents of non-compliance concerning the health and safety impacts of products and services |
| | Compliance | 419-1 | Non-compliance with laws and regulations in the social and economic area |

# SUSTAINABILITY REPORT

## BUSINESS INTEGRITY 205-2

### ANTI-CORRUPTION

Corporate governance, transparency and business ethics form the core of our business operations.


We are committed to pratice and maintain high standards of transparency in the disclosure of material information in line with those set out in the Code of Corporate Governance 2012.

The Group's zero tolerance position towards corruption and fraud is reflected in the "Whistle Blowing Policy" and "Code of Conduct" policies.

### WHISTLE BLOWING POLICY

The whistle blowing framework is endorsed by the Audit Committee, where employees may raise concerns about possible corporate improprieties on matters of financial reporting or other legal or ethical issues and to ensure that procedures are in place to address them.

The details of the whistle-blowing policy and reporting mechanisms have been communicated to all employees.

Any Whistle Blowing Officer to whom a concern has been raised, is obliged to make a report to the Board of the substance of the concern without breaching employee confidentiality. The Audit Committee is obliged to review all reports received and take or approve the appropriate actions.

### CODE OF CONDUCT POLICY

The Code of Conduct Policy provides guidance on behaviour expected from employees regarding the following areas:

* Respect for individual
* Conflicts of interest
* Confidential information
* Integrity
* Gifts and entertainment
* Health, safety and environment
* Regulatory compliance and corporate governance
* Financial and operational integrity
* Company assets

We are pleased to confirm there was no incidence of corruption involving our employees or business partners in FY2018. 205-3

# SUSTAINABILITY REPORT

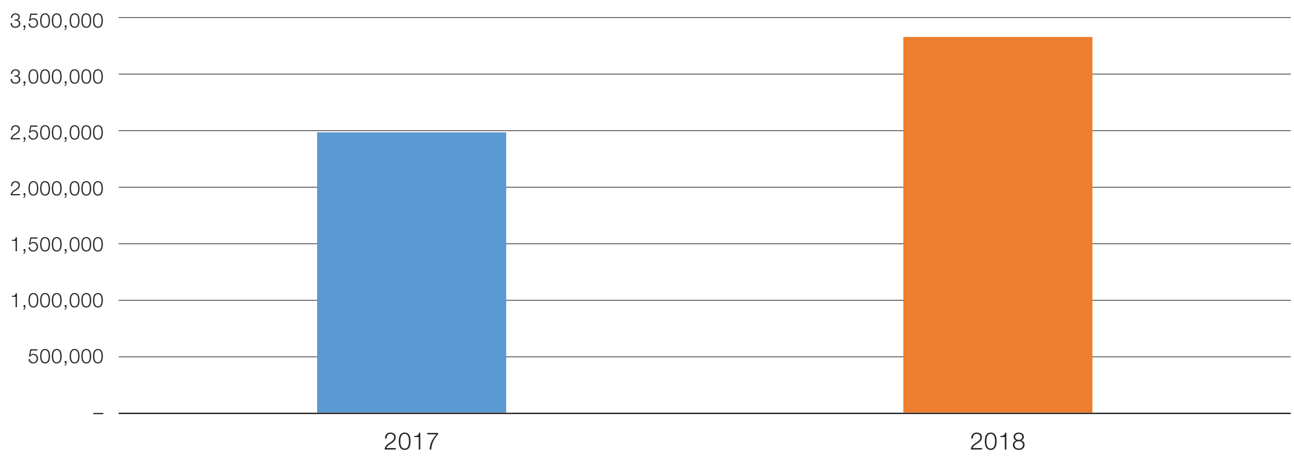
## ENVIRONMENTAL SUSTAINABILITY

### ENERGY CONSUMPTION 302-1

Electricity continues to be the primary form of energy consumed. Tracking and monitoring of the electricity consumption across the various business units is performed by trained employees.

In FY2018, SHS consumed a total of 3,396,985 kWh of electricity as compared to 2,486,227 kWh in FY2017. This increase is in line with the increase in business activities in FY2018, in particular, the corrosion prevention business segment.

**Annual Electricity Consumption (kWh)**




### REDUCTION OF ENERGY CONSUMPTION 302-4

The reduction of energy consumption is regarded of importance to SHS.

In FY2018, we completed replacing all office lighting to LED lights in the headquarters ("HQ") building. In addition, we have lease out our headquarters' rooftop to a 3rd party lessor in July 2018 for installation of a solar rooftop. The solar roof generates an average of 56,000 kWh per month to meet our energy requirements, at a lower cost per kWh as compared the standard tariff rate.

We plan to further improve our electricity-saving efforts through continuous education of employees to increase awareness of the importance of environmental sustainability.

# SUSTAINABILITY REPORT

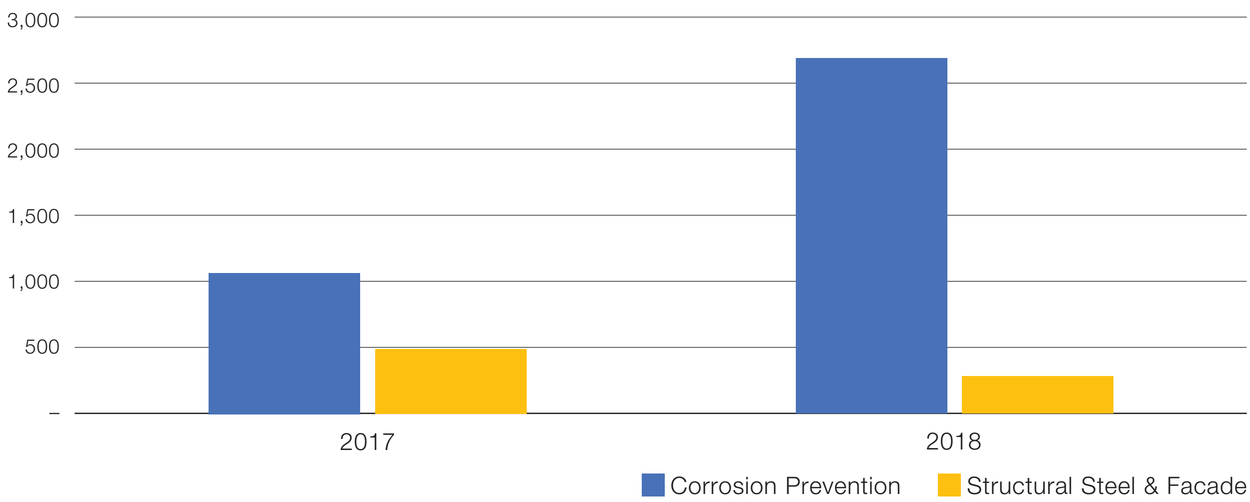
## WASTE 306-2

The types of waste generated by the Group includes scrap, copper slag, steel grit, paint and office consumables. Non-hazardous wastes such as steel, aluminum and steel grit are recycled, while hazardous wastes such as copper slag and paint are incinerated.

SHS only works with licensed waste collection vendors to ensure disposal of hazardous wastes are compliant with government regulations.

A total of 2,927 tonnes of waste were disposed in FY2018 as compared to 1,538 tonnes in FY2017. This increase is in line with the increase in business activities in FY2018 for the Corrosion Prevention business segment.

**Waste Disposed (Tonnes)**




## LOCAL COMMUNITIES 413-2

Our Solar Energy business segment is in the process of constructing a 50MW solar power plant in Bangladesh. The project requires approximately 170 acres of land to be cleared.

As the well-being of the local community and environment is priority, we commissioned an Environmental and Social Impact Assessment ("ESIA") to predict and evaluate the impact the project could have on the physical, biological, socio-economic and cultural environment. The assessment also identifies measures that the project should take to avoid, minimize, mitigate, offset or compensate for adverse impacts. The ESIA report was issued in September 2017.

Based on the ESIA, potential environmental impacts noted are impacts on land use, loss of land, loss of cultivable land and homestead land leading to physical displacement. Notwithstanding the aforementioned, the economic opportunities in terms of local employment were assessed as positive.

The management is in the process of implementing the recommended mitigating measures to manage the negative impact of land procurement on the local communities.

## COMPLIANCE 307-1

SHS is not aware of any violation of laws and regulations pertaining to the non-compliance in the environmental aspect in FY2018.

# SUSTAINABILITY REPORT

## Targets Set in FY2017

To replace lighting units for remaining offices to LED

To achieve full employee participation in SHS's environmental initiatives through the Health, Fire & Safety and Environmental ("HSE") campaign.

For the Engineering & Construction and Solar Energy Segment, to achieve savings in electricity consumption by using solar energy in second half of FY2018 during day time.

## FY2018 Performance

LED lighting have been installed at HQ.

Employees of SHS participated in the following HSE activities during FY2018:

- HSE quiz
- Refresher trainings for cranes and forklifts
- Firefighting training and drills

Completed the installation of the solar rooftop at HQ. The solar roof generates an average of 56,000 kWh per month to meet energy requirements.

## Plans for FY2019

Maintain zero violation of legal and statutory requirements

Maintain zero contamination to ground & underground water or sewage system.

Maintain zero complaints relating to noise & dust.

To increase awareness of the 3Rs (Recycle, Reduce and Reuse) among workforce.

To install drinking water filters.

To develop a handbook regarding Environmental Awareness.

# SUSTAINABILITY REPORT

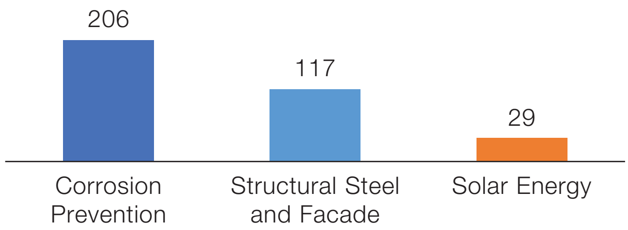
## HUMAN CAPITAL

### WORKFORCE 102-8

Human capital is a crucial asset that is highly valued as they play a significant role in ensuring a high level of efficiency and achieving greater output.

For FY2018, SHS employed a total of 352 full time employees in Singapore, a slight decrease from 404 employees in FY2017. The headcount is across our various business units are as follows:

**Total number of employees (FY2018)**




**Group's Gender Distribution**


Similar to FY2017, our employee profile is skewed towards males due to the nature of the engineering and construction industry. However, for other corporate or admin functions, the male to female ratio is more balanced at 56% to 44% respectively.

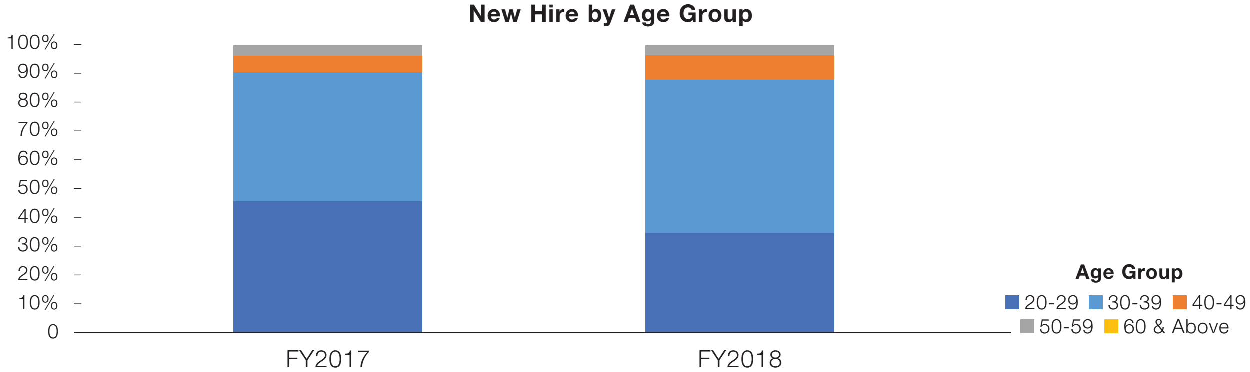
Nonetheless, we firmly believe in equal employment opportunities to all regardless of nationality, gender or age, and discrimination of any kind is not tolerated. Our hiring policies ensure that recruitment is based on qualifications, skills and competency of individuals.

### COMPLIANCE 406-1 419-1

There were no reported incidences of discrimination raised by our employees in FY2018 and SHS is not aware of any violations of laws and regulations relating to the economic and social areas in FY2018.

### NEW EMPLOYEES HIRE 401-1

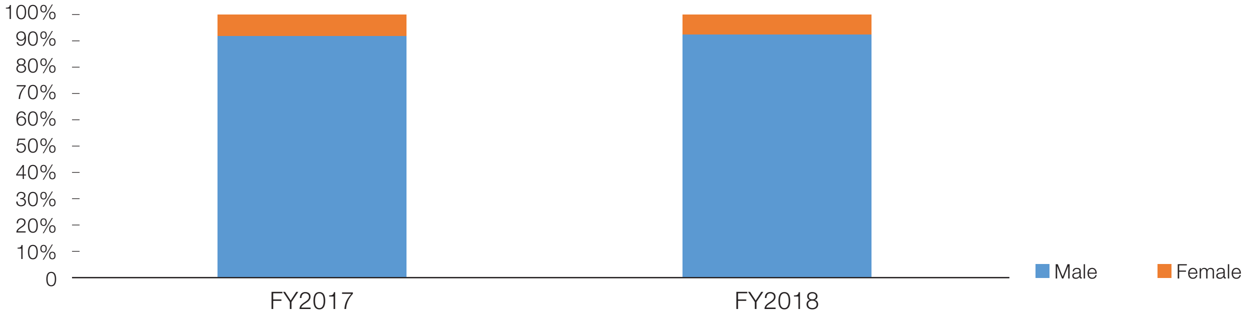
**New Hire by Age Group**




| | Age Group | | | | | | |
|---|---|---|---|---|---|---|---|
| Year | 20-29 | 30-39 | 40-49 | 50-59 | 60 & Above | Total new hires during the year | Total no. of employees |
| FY17^ | 22 | 20 | 4 | 1 | 0 | 47 | 404 |
| FY18 | 32 | 45 | 16 | 3 | 0 | 96 | 352 |

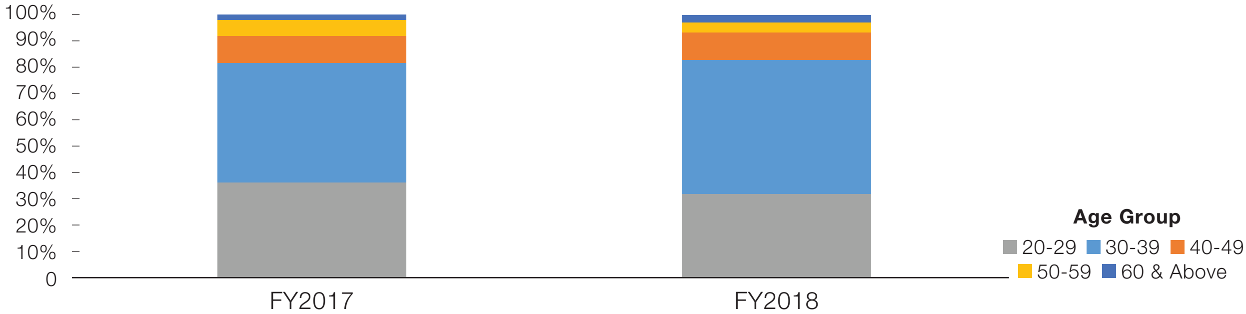
# SUSTAINABILITY REPORT

### New Hire by Gender



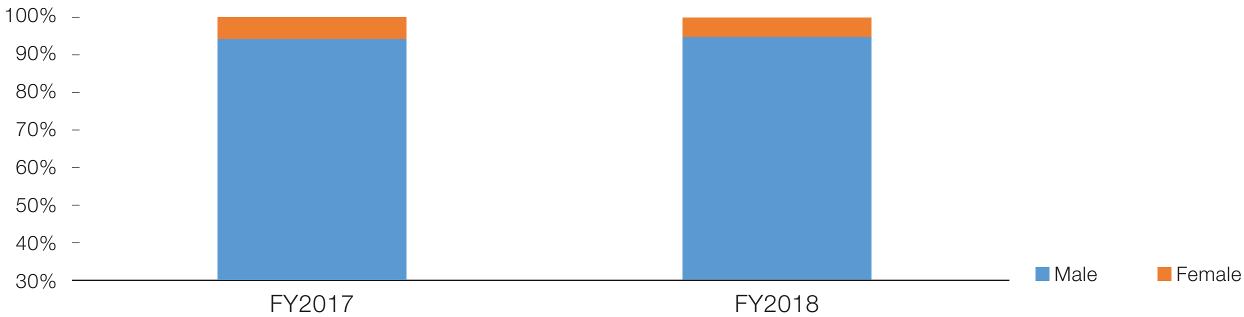

| Year | Gender | | Total new hires during the year | Total no. of employees |
|---|---|---|---|---|
| | Male | Female | | |
| FY17^ | 39 | 8 | 47 | 404 |
| FY18 | 88 | 8 | 96 | 352 |

### Resignee by Age Group




| Year | Age Group | | | | | Total resignee during the year | Total no. of employees |
|---|---|---|---|---|---|---|---|
| | 20-29 | 30-39 | 40-49 | 50-59 | 60 & Above | | |
| FY17^ | 69 | 71 | 31 | 15 | 5 | 191 | 404 |
| FY18 | 44 | 68 | 25 | 8 | 3 | 148 | 352 |

### Resignee by Gender




| Year | Gender | | Total resignee during the year | Total no. of employees |
|---|---|---|---|---|
| | Male | Female | | |
| FY17^ | 174 | 17 | 191 | 404 |
| FY18 | 135 | 13 | 148 | 352 |

^ The 2017 comparative data has been adjusted to include data relating to the Solar Energy business unit.

# SUSTAINABILITY REPORT

## Targets Set in FY2017

Ensure that continuous trainings are provided to all employees.

Continue to focus on building a rewarding culture in the Company.

## FY2018 Performance

Trainings have been continuously provided to employees. Trainings provided during FY2018 include Electrical Testing & Inspection for Non-Licensed Electrical Installation, Fire Safety Seminar 2018 and Explosive Powered Tools Operators' Course.

We have been working to continuously to improve the Company's rewarding culture. For example, employees' benefits and rewards are aligned with their performance.

## Plans for FY2019

Continue to ensure that trainings are provided to all employees.

Ensure that the Company's rewarding culture is continuously improved for the benefit of the employees.

To improve employee retention rates.

# SUSTAINABILITY REPORT

## HEALTH & SAFETY

With the nature of our business operations, the Group recognises the potential health and safety risks that may arise and is committed to ensure the health and safety of our employees.

As such, the Health, Safety & Fire and Environment ("HSE") Committee was established to oversee workplace health and safety matters. The HSE Committee is responsible for identifying and addressing potential operational risks, investigating accidents, as well as providing safety briefings to employees.

We ensure that the Group's operations adhere to legislated workplace health and safety requirements and industry safety standards. Some requirements and standards that we subscribe to include, but are not limited to, the Workplace Safety and Health Act 2006 and its subsidiary legislations required by the Ministry of Manpower, the Fire Safety Act by the Singapore Civil Defence Force and its Regulations, CP79 – a code of good practice addressing the safety management system for construction worksites.

To further improve the safety of our employees' work environment, we are continuing to implement the following initiatives:

- Daily Toolbox meeting with the supervisors to discuss the hazards and risks involved in the daily production activities, as well as preventive measures to be taken while performing daily operations.

- Weekly mass briefings conducted by the HSE manager to share safe work procedures and risk assessments with employees and contractors; as well as share case studies of accidents with the entire workforce.

- Conduct monthly HSE inspections on the work environment & monthly HSE meeting. During the inspections, the HSE members will inspect the work premises and identify potential health and safety hazards. These identified issues will be discussed during the monthly HSE meeting.

- Annual HSE campaign, which includes refresher trainings for forklift and crane operators and HSE quiz, were conducted.

- Two firefighting drills and a firefighting training and fire drills have been conducted for employees.

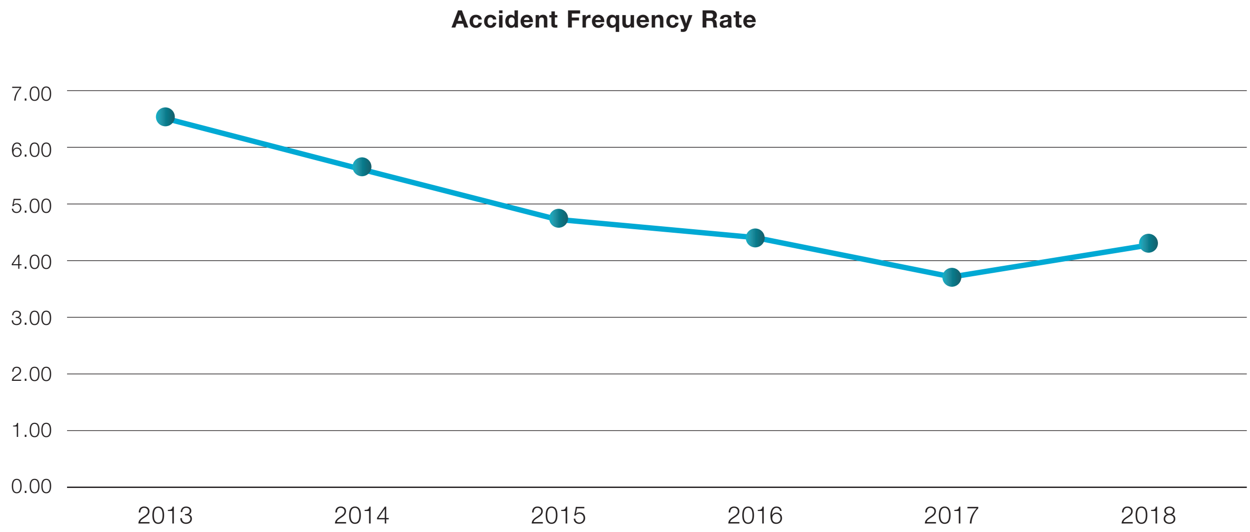
# SUSTAINABILITY REPORT

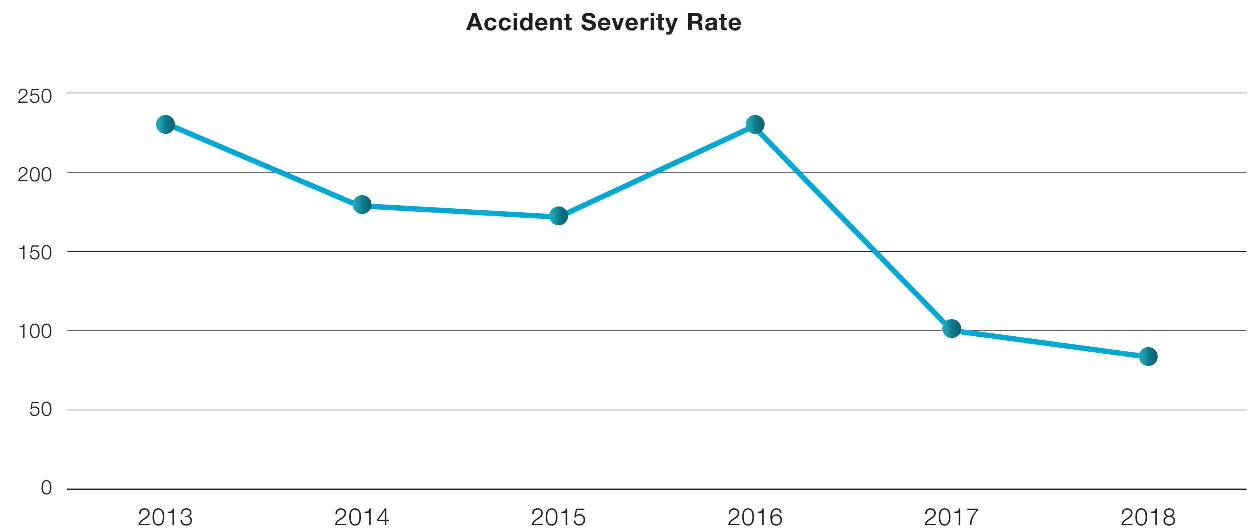
## ACCIDENT FREQUENCY RATE & ACCIDENT SEVERITY RATE 403-2

Below is the average Accident Frequency Rate# ("AFR") and Accident Severity Rate* ("ASR") between 2013 and 2018.

There is a generally declining trend in the average Accident Frequency Rate# ("AFR") and Accident Severity Rate* ("ASR") between 2013 and 2018. However, none of these accidents were fatal.

We do acknowledge the importance of employee safety and will continuously enforce in place safety procedures, while also working to improve workplace safety with the aim of ensuring zero accident occurrence.




# AFR = (Number of reportable accidents/Number of man-hours worked) x 1,000,000

* ASR = (Number of man-days lost/Number of man-hours worked) x 1,000,000

# SUSTAINABILITY REPORT

## Targets Set in FY2017

- Achieve zero accident rate.
- Continuously train all employees on workplace health and safety practices.
- Constantly monitor the workplace for unsafe work practices, investigate any reported threats to safety, and take corrective and preventive measures.
- Conduct monthly meetings with supervisors and in-charges.

## FY2018 Performance

- Three minor accidents occurred.
- Annual HSE campaign, which includes refresher trainings were conducted.
- The following monitoring activities were performed:
  - Daily Toolbox meeting
  - Weekly mass briefings
  - Conduct monthly HSE inspections
- Monthly HSE meetings are held with supervisors and in-charges to discuss and rectify potential helath and safety hazards identified.

## Plans for FY2019

- Maintain zero fatal accidents.
- Maintain minimal reportable accidents.
- Maintain zero violation of legal and statutory requirements.
- To develop and issue the Health & Safety handbook.
- To display banners conveing health & safety best practices at various locations.

# SUSTAINABILITY REPORT

## QUALITY

### SUPPLY CHAIN 102-9 102-10

**Corrosion Prevention**

This business lengthens the lifespan of metal structures by coating the surface of metal structures with anti-corrosive materials.

We procure paint, garnets, blasting hole, blasting consumables (such as masking tapes, cloth tapes, brushes and gloves) and protective equipment from our suppliers.

Our quality approach focuses on three key areas – process, equipment, and people.

To ensure our services fulfil the stringent technical requirements of our customers, we have a comprehensive quality management system that covers the entire blasting and painting process.

Quality inspections are carried out after each stage of the surface preparation process and painting process to ensure conformity to the specifications of established international industry standards such as:

- Swedish SIS 05 59 00 1967 blasting standards
- ISO 8501-1:1988
- British BS4232 standards American Steel Structures

**Structural Steel and Facade**

For this business, we design, engineer and construct structures of steel, aluminum and glass.

Our suppliers provide us with steel, aluminum, roofing material, fuel and engine oil.

The structural steel and facade business have obtained the following accreditations and certifications:

- ISO 9001:2008.
- ISO 14001:2004.
- Occupational Health and Safety Assessment Series 18001:2001.
- Accredited Structural Steel fabricator under S1 category, the highest grading awarded by Singapore Structural Steel Society.
- bizSAFE Star level award.

**Solar Energy**

For this business, SHS offers the engineering, procurement and construction of solar power projects, project development, energy efficient lighting systems and air conditioning and mechanical ventilation systems.

Materials purchased include solar modules, solar inverters, data loggers, solar mounting system and electrical cables.

SHS only selects top notch, tier-1 quality components for use in the solar energy projects to ensure that the solar panels manufactured are able to function for a lifespan of 25 years.

# SUSTAINABILITY REPORT

SHS works closely with both our local and foreign suppliers in the different business units to advocate sustainable and environmentally friendly processes and solutions. We purchase various materials for our Corrosion Prevention, Modular Construction, Structural Steel and Façade and Solar Energy business segments.

As a global company, SHS values an efficient supply chain and therefore, collaboration with suppliers are of utmost importance.

Generally, suppliers have to be qualified prior to procurement made from them. New suppliers are screened and qualified in accordance with our purchasing policy.

Suppliers' industry reputation, track records, pricing and relevant certifications are evaluated prior to being qualified as a supplier fit for procurement.

In addition, annual reviews of suppliers are also conducted to evaluate the suppliers' performance to ensure continuous quality materials procured.

Managing quality is crucial as it helps to reduce risk, maintain customer satisfaction and loyalty. Hence, contributing to overall performance of the organisation. We are fully committed to delivering total solutions with high quality, value-added services that fulfill the requirements of our large and diverse base of customers.

As such, due diligence measures and internal controls are in place to ensure that our products fulfil standards of quality.

### COMMITMENT TO QUALITY

With the vision of striving to provide "*products and services known for its quality*", the Group subscribes to best practices and complies with all relevant legislations and requirements pertaining to the health and safety impacts of products and services.

Hence, all delivered products are fully compliant with relevant standards such as the International Organisation for Standardisation ("ISO"), Swedish Standards Institute, British Standards, Singapore Building Council Authority, American Steel Structures Painting Council Standards and the American National Association Corrosion Engineers Standards.

### COMPLIANCE 416-2

The Group is not aware of any violations of laws and regulations to the provision, use, health and safety of our products and services in FY2018.

# SUSTAINABILITY REPORT

## Targets Set in FY2017

Continue to execute our projects well and ensure timely delivery.

Ensure that there are no violations of laws and regulations pertaining to the provision and use of our products.

## FY2018 Performance

Minor delays in the delivery of projects managed by the Modular Construction business unit.

Maintained zero customer complaints. Maintain zero violation of legal and statutory requirements.

## Plans for FY2019

Maintain zero violation of legal and statutory requirements.

Maintain zero customer complaints.

Continue to enhance project management to achieve timely delivery.

# SUSTAINABILITY REPORT

## GRI INDEX: CORE OPTION 102-55

| GRI Indicator | Disclosure | Report Sections | Page Reference |
|---|---|---|---|
| **GRI 102: GENERAL** | | | |
| **Organisational Profile** | | | |
| GRI 102-1 | Name of the organisation | Reference to Annual Report | 1-4, 5, 13 |
| GRI 102-2 | Activities, brands, products, and services | | |
| GRI 102-3 | Location of headquarters | | |
| GRI 102-4 | Location of operations | | |
| GRI 102-5 | Ownership and legal form | | |
| GRI 102-6 | Markets served | | |
| GRI 102-7 | Scale of the organisation | | |
| GRI 102-8 | Information on employees and other workers | Human Capital | 24-25 |
| GRI 102-9 | Supply chain | Quality | 30-32 |
| GRI 102-10 | Significant changes to the organisation and its supply chain | | |
| GRI 102-11 | Precautionary Principle or approach | SHS does not specifically utilise the precautionary approach when managing risk; however, our management approach is risk-based, and supported by our Enterprise Risk Management framework. | – |
| GRI 102-12 | External initiatives | Not applicable | – |
| GRI 102-13 | Membership of associations | Not applicable | – |

| GRI Indicator | Disclosure | Report Sections | Page Reference |
|---|---|---|---|
| **Strategy** | | | |
| GRI 102-14 | Statement from senior decision-maker | Board Statement | 15-16 |

| GRI Indicator | Disclosure | Report Sections | Page Reference |
|---|---|---|---|
| **Ethics and Integrity** | | | |
| GRI 102-16 | Values, principles, standards, and norms of behavior | Reference to Corporate Governance Report | 37-52 |

| GRI Indicator | Disclosure | Report Sections | Page Reference |
|---|---|---|---|
| **Governance** | | | |
| GRI 102-18 | Governance structure | Reference to Corporate Governance Report | 37-52 |

# SUSTAINABILITY REPORT

| GRI Indicator | Disclosure | Report Sections | Page Reference |
|---|---|---|---|
| **GRI 102: GENERAL** | | | |
| **Stakeholder Engagement** | | | |
| GRI 102-41 | Collective bargaining agreements | Not applicable | – |
| GRI 102-42 | Identifying and selecting stakeholders | Our Approach to Sustainability | 18-19 |
| GRI 102-43 | Approach to stakeholder engagement | | |
| GRI 102-44 | Key topics and concerns raised | | |

| GRI Indicator | Disclosure | Report Sections | Page Reference |
|---|---|---|---|
| **Reporting Practice** | | | |
| GRI 102-45 | Entities included in the consolidated Financial Statements | Notes to the Financial Statements | 137-140 |
| GRI 102-46 | Defining report content and topic Boundaries | Our Approach to Sustainability – Materiality Review Process | 18-19 |
| GRI 102-47 | List of material topics | | |
| GRI 102-48 | Restatements of information | About the Report – Reporting Scope | 17 |
| GRI 102-49 | Changes in reporting | Not applicable | – |
| GRI 102-50 | Reporting period | About the Report – Reporting Period | 17 |
| GRI 102-51 | Date of most recent report | | |
| GRI 102-52 | Reporting cycle | | |
| GRI 102-53 | Contact point for questions regarding the report | About the Report – Feedback | 17 |
| GRI 102-54 | Claims of reporting in accordance with the GRI Standards | About the Report – GRI Guidelines | 17 |
| GRI 102-55 | GRI content index | GRI Index | 33-35 |
| GRI 102-56 | External assurance | No external assurance was sought for FY2018 Sustainability Report | 17 |

# SUSTAINABILITY REPORT

| GRI Indicator | Disclosure | Report Sections | Page Reference |
|---|---|---|---|
| **GRI 103: MANAGEMENT APPROACH** | | | |
| GRI 103-1 | Explanation of the material topic and its Boundary | Please refer to the respective GRI indicators (Specific Standard Disclosures) in the GRI Content Index for more information | 33-35 |
| GRI 103-2 | The management approach and its components | | |
| GRI 103-3 | Evaluation of the management approach | | |
| **SPECIFIC STANDARD DISCLOSURES** | | | |
| **Economic** | | | |
| GRI 201-1 | Direct Economic Value Generated and Distributed | Financial Highlights | 5 |
| GRI 205-2 | Communication and Training on Anti-Corruption policies and procedures | Business Integrity | 20 |
| GRI 205-3 | Confirmed Incidents of Corruption and Actions taken | | |

| GRI Indicator | Disclosure | Report Sections | Page Reference |
|---|---|---|---|
| **Environment** | | | |
| GRI 302-1 | Energy Consumption within the Organization | Environmental Sustainability | 21-23 |
| GRI 302-4 | Reduction of Energy Consumption | | |
| GRI 306-2 | Total Weight of Waste by Type and Disposal method | | |
| GRI 307-1 | Non-compliance with environmental laws and regulations | | |

| GRI Indicator | Disclosure | Report Sections | Page Reference |
|---|---|---|---|
| **Social** | | | |
| GRI 401-1 | New employee hires and employee turnover | Human Capital | 24-25 |
| GRI 403-2 | Type of Injury and Rates of Injury, Occupational diseases, Lost days, and Absenteeism, and number of Work-Related Fatalities | Health & Safety | 28 |
| GRI 406-1 | Incidents of discrimination and corrective actions taken | There were no such incidents that occurred during FY2018 | 24 |
| GRI 413-2 | Assesses an organization's awareness of its impacts on local communities and also enables an organization to better prioritize and improve its organization-wide attention to local communities | Environmental Sustainability | 22 |
| GRI 416-2 | Incidents of non-compliance concerning the health and safety impacts of products and services | There were no such incidents that occurred during FY2018 | 31 |
| GRI 419-1 | Non-compliance with laws and regulations in the social and economic area | There were no such incidents that occurred during FY2018 | 24 |

# FINANCIAL CONTENTS

# CORPORATE GOVERNANCE REPORT

The Board of Directors of SHS Holdings Ltd. is committed to maintain a high standard of measures, practices and transparency in the disclosure of material information in line with those set out in the Code of Corporate Governance 2012 (the “2012 Code”) issued by the Monetary Authority of Singapore (the “MAS”) on 2 May 2012.

The following report outlines the Company’s corporate governance processes and structures that were in place throughout the financial year with specific reference made to the principles and guidelines of the 2012 Code.

The Board is pleased that the Company has adhered in most material aspects with the principles as set out in the 2012 Code. Deviations from the 2012 Code, if any, the Company’s position in respect of the same are explained under the respective sections in this Report.

The Company is aware that MAS had on 6 August 2018 issued a revised Code of Corporate Governance (the “2018 Code”). The 2018 Code will take effect for annual reports covering financial years commencing 1 January 2019 and the Board will work towards the implementation of the 2018 Code.

## A. BOARD MATTERS

### Principle 1: Board’s Conduct of Affairs

The Board’s primary role is to protect and enhance long-term shareholder value. To fulfill this role, the Board is responsible for setting the Group’s corporate governance practices and overall strategic direction, reviewing key management performance, review operational and financial performance of the Group to enable the Group to meet its objective and maximizing return for shareholders at an acceptable level of risk.

The Board exercises due diligence and independent judgement in dealing with the business affairs of the Group and works with the Management to make objective decisions in the interest of the Group.

For more effective and efficient management, the Board has established a number of Board committees to assist in the execution of the Board’s responsibilities. Those committees include the Audit, Nominating and Remuneration Committees function within clearly defined terms of reference which are reviewed on a regular basis. The terms of reference for the respective committees have incorporated the guidelines under the 2012 Code.

The Board conducts regular scheduled meetings on a quarterly basis. Ad-hoc meetings are convened as and when warranted by matters requiring the Board’s attendance. Apart from its statutory responsibilities, the Board approves the Group’s business objectives, strategic plans, key initiatives, implementation plans, funding decisions, major investment and divestment decisions, appointment and remuneration of Directors, and ensure that the structure of the practices of the Board provide for sound corporate governance. In addition, the Board also reviews the Group’s financial and operational matters, oversees the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance, and satisfies itself as to the adequacy of such processes.

All Directors receive appropriate training to develop their individual skills, knowledge and competence necessary to be effective in their roles. It is our policy to provide new Directors with a detailed and thorough induction to familiarize them with the business, operations and financial performance; meeting with key management personnel and an overview of their responsibility; briefed on governance practices, including board processes, policies on disclosure of interests in securities, prohibitions on dealings in the Company’s securities and restrictions on disclosure of price-sensitive information. Where necessary, newly appointed Directors will attend training in areas such as accounting, legal and industry-specific knowledge. Since the last Annual General Meeting (“AGM”), no new directors were appointed as at the date of this report.

# CORPORATE GOVERNANCE REPORT

The Company will issue a formal letter of appointment, which sets out the Director's duties and obligations, to each director upon appointment.

On an on-going basis, the Company provides ongoing updates and briefings particularly, on relevant new laws, regulations and changing commercial risks, from time to time, to enable Directors to make well-informed decisions. Directors are also encouraged to attend relevant industry conferences, seminars or any training programme in connection with their duties as Directors, at the Group's expense. During the financial year ended 31 December 2018 ("FY2018"), the Directors were briefed on the new Corporate Governance 2018 as well as changes to the accounting standard. In addition, Management had informed the Directors of relevant training programs, seminars and workshops organised by various professional bodies and organisations.

The Constitution of the Company allows Board meetings to be conducted by way of a teleconference or by means of similar communication equipment whereby all persons participating in the meeting are able to hear each other.

The number of Board and Board committee meetings held in FY2018 and the attendance of each Director are as follows:

| | Board | Audit Committee | Nominating Committee | Remuneration Committee |
|---|---|---|---|---|
| No. of meetings held | 6 | 4 | 1 | 1 |
| Directors | No. of meetings attended | | | |
| Teng Choon Kiat | 6 | – | – | – |
| Ng Han Kok, Henry | 6 | – | 1 | – |
| Goh Koon Seng* | 6 | – | – | – |
| Lim Siok Kwee, Thomas | 6 | – | – | – |
| Lee Kuo Chuen, David | 6 | 4 | 1 | 1 |
| Oh Eng Bin, Kenneth | 6 | 4 | 1 | 1 |
| Lee Gee Aik | 6 | 4 | – | 1 |

* Mr Goh Koon Seng resigned as an Executive Director on 16 December 2018.

**Principle 2: Board Composition and Guidance**

During FY2018, Independent Directors make up half of the Board which comprises six Directors, three of whom are Non-Executive Independent Directors. The Non-Executive Independent Directors are considered to be independent within the meaning prescribed under Guideline 2.3 of the 2012 Code as well as SGX-ST Listing Rules 210(5)(d)(i) and (ii).

Mr Teng Choon Kiat was appointed as Non-Executive and Non-Independent Chairman on 14 February 2018 and was subsequently re-designated as the Executive Chairman on 25 October 2018. Mr Goh Koon Seng resigned as an Executive Director on 16 December 2018.

Under the 2012 Code, where the Chairman is non-independent, half of the Board should be independent and a lead independent director has to be appointed. In view of the aforementioned, Mr Lee Gee Aik, Chairman of Audit Committee ("AC"), was appointed as the Lead Independent Director with effect from 1 March 2018. As at the date of this report, there are no alternate Directors on the Board.

# CORPORATE GOVERNANCE REPORT

All Directors are required to disclose any relationships or appointments which would impair their independence to the Board timely. The independence of each Director is reviewed annually by the Nominating Committee ("NC") which has determined that no individual or small group of individuals dominates the Board's decision making. The process includes the use of a declaration form on independence which each Director is required to complete and submit to the NC for review. The results of the self-assessment are then collated, communicated and reported to the Board. Among the Directors are experienced business leaders, financial and legal professionals.

None of the independent directors have served the Company for a period exceeding nine years. As and when directors serve beyond nine years, the NC will perform a particularly rigorous review to assess the independence of the relevant directors.

The NC as well as the Board is of the view that the current size is appropriate and effective, taking into account the scope and nature of the Company's operations, and that the current Board comprises persons who as a group provide core competencies necessary to meet the Company's objectives. The NC is satisfied that members of the Board possess the relevant core competencies in areas such as accounting and finance, law and legislation, strategic planning, business and management experience required for the Board to be effective in all aspects of its roles. In particular, the Executive Directors possesses good industry knowledge while the Non-Executive Directors, who are mostly professionals and experts in their own fields, are able to contribute their valuable experiences and provide independent judgement during Board deliberations. The profiles and key information of the Directors are set out on page 10 and 11 of this Annual Report.

The Board and the various committees, as at the date of this report, comprise the following members:

| Name | Board of Committee as chairman or member | Directorship: Date of first appointment | Directorship: Date of last re-election | Board Appointment whether executive or non-executive/ independent | Due for re-election/ re-appointment at forthcoming Annual General Meeting |
|---|---|---|---|---|---|
| Teng Choon Kiat[1] | – | 14 February 2018 | 27 April 2018 | Executive Chairman | – |
| Ng Han Kok, Henry[2] | – | 3 January 2014 | 27 April 2017 | Executive Director | 29 April 2019 |
| Lim Siok Kwee, Thomas | – | 30 December 2015 | 27 April 2018 | Executive Director | – |
| Lee Gee Aik[3] | Chairman of AC and member of RC and NC | 24 July 2015 | 28 April 2016 | Lead Independent Director | 29 April 2019 |
| Lee Kuo Chuen, David | Chairman of NC and member of AC and RC | 1 October 2013 | 27 April 2018 | Independent Director | – |
| Oh Eng Bin, Kenneth | Chairman of RC and member of NC and AC | 14 January 2014 | 27 April 2017 | Independent Director | – |

1 Mr Teng Choon Kiat was re-designated as the Executive Chairman on 25 October 2018.
2 Mr Ng Han Kok, Henry resigned as a member of the NC on 15 March 2019.
3 Mr Lee Gee Aik was appointed as Lead Independent Director on 1 March 2018 and a member of NC on 15 March 2019.

# CORPORATE GOVERNANCE REPORT

**Principle 3: Chairman and Chief Executive Officer**

The Chairman and the Group Chief Executive Officer ("Group CEO") are separate individuals and are not related. Mr Teng Choon Kiat was re-designated as the Executive Chairman on 25 October 2018 and Mr Ng Han Kok, Henry is the Group CEO. The respective roles of the Chairman and the Group CEO are kept separate to ensure there is an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

The Chairman, Mr Teng Choon Kiat plays a pivotal role in providing strong leadership and vision. Mr Teng is responsible in managing the development of the Board and ensure the Board's effectiveness on all aspect of its role. In addition, he leads the Directors of the Company in carrying out their collective responsibilities of supervising the management of the business and affairs of the Company, to ensure integrity and effectiveness of the Company's governance process. Being a member of the senior management, Mr Teng is updated with the Group's business and provides support to the Group CEO. Mr Teng works closely with the Board to implement policies that are set by the Board to realize the Group's vision, and also promotes a culture of openness and debate at the Board. He encourages constructive relations within the Board and between the Board and Management.

The Group CEO, Mr Ng Han Kok, Henry is answerable to the Board for every aspect of the direct management and administration of the Company. Mr Ng is responsible in making strategic proposals to the Board and implementing the Group's strategies and policies as well as the Board's decisions. Mr Ng assumes the executive responsibility for the day-to-day management of the Group, with the support of Executive Director, Mr Lim Siok Kwee, Thomas and the senior management. He leads the development of the Group's business including identifying and managing the business risks and opportunities, and review the performance of its businesses.

**Principle 4: Board Membership**

The members of the NC at the date of this report comprise the following Directors:

- Lee Kuo Chuen, David (Chairman)
- Oh Eng Bin, Kenneth
- Lee Gee Aik

The NC comprises three members, all of whom are Non-Executive Directors and are independent of the management of the Company. In compliance with the 2012 Code, the Lead Independent Director, Mr Lee Gee Aik has been appointed as a member of the NC on 15 March 2019 in place of Mr Ng Han Kok, Henry.

The NC is regulated by a set of written terms of reference, in line with the 2012 Code, endorsed by the Board. The principal functions of the NC are summarized as follows:

i. Reviews and makes recommendations to the Board on all board appointments;

ii. Reviews and recommends newly-appointed Directors and Directors retiring by rotation for re-election at regular intervals;

iii. Reviews the Board structure, size and composition and makes recommendations to the Board with regards to any adjustment that are deemed necessary;

iv. Determines the independence of each Director pursuant to the guidelines set forth in the 2012 Code as well as the SGX-ST Listing Rules;

# CORPORATE GOVERNANCE REPORT

v. Assesses the effectiveness of the Board and its Board committees, the performance and contribution of each Director;

vi. Decides whether a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly when the Director has multiple Board representations;

vii. Reviews training and professional development programs for the Board; and

viii. Oversees the management, development and succession planning of the Group.

Each member of the NC abstains from voting on any resolutions and making any recommendation and/or participating in respect of matters in which he is interested.

In accordance with Article 90 of the Company's Constitution, one-third of the Directors (other than the Managing Director) who are eligible for re-election must retire by rotation at every AGM. The retiring Director who is eligible will offer himself for re-election.

By virtue of Article 96 of the Company's Constitution, any person so appointed by the Directors to fill a casual vacancy or as an additional Director shall hold office only until the next AGM and shall then be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

The NC has recommended the nomination of Mr Lee Gee Aik and Mr Ng Han Kok, Henry under Article 90 of the Company's Constitution, for re-election at the forthcoming AGM. They had duly abstained from making recommendations on their own nominations. The Board has accepted the recommendations.

Annually, each independent director is required to complete a Director's independence checklist to confirm his independence. The checklist is drawn up based on the guidelines provided in the 2012 Code. Thereafter, the NC reviews the checklist completed by director, assess the independence of the directors and recommend its assessment to the Board.

The NC has guidelines addressing competing time commitments faced when Directors serve on multiple listed company boards or have other principal commitments. Each Director is required to disclose to the NC his board representation, whenever there are changes to his directorship. In this respect, the Company's current policy stipulates that if a Director is a full-time employee of another listed company or a major corporation; he should not hold more than five other directorships on unrelated listed companies and/or major corporations. For FY2018, the NC has reviewed and is satisfied that Directors have been able to devote sufficient time and attention to the affairs of the Company to adequately discharge his duties as director of the Company.

The search and nomination process for new Directors, if any, are through contacts and recommendations. In the search, nomination and selection process for new directors, the NC identifies the key attributes that an incoming director should have, based on existing Board's requirement before making recommendation to the Board for consideration and approval. The potential candidate may be proposed by existing directors, substantial shareholder, Management or third-party referrals. The Board is to ensure that the selected candidate is aware of the expectations and the level of commitment required.

# CORPORATE GOVERNANCE REPORT

**Principle 5: Board Performance**

On an annual basis, the NC assesses the performance and effectiveness of the Board as a whole as well as the contribution of each individual director. The assessment process involves evaluation against a set of objective, quantitative and qualitative performance criteria proposed by the NC and approved by the Board.

The assessment parameters include objective performance criteria, which allow comparison with the Company's peers, attendance at meetings of the Board and Board Committees, contributions and participation at meetings, ability to make informed decisions and level of comprehension of legal, accounting and regulatory requirements affecting the Group.

The NC has conducted a Board performance evaluation to assess the effectiveness of the Board in FY2018. To ensure confidentiality, the evaluation returns completed by all Directors were submitted to the Company Secretary for collation. The results of the performance evaluation were presented first to the NC for review and discussion and then to the Board. The Board is satisfied that sufficient time and attention have been given by the Directors to the affairs of the Group.

**Principle 6: Access to Information**

Directors are updated regularly on the latest corporate governance, changes in listing rules and regulations, performance, business conditions and outlook of the Group. Directors have separate and independent access to the senior management, the Company Secretary and internal and external auditors of the Group at all times and are encouraged to speak to other employees to seek additional information if they so require. Should Directors, whether as a group of individually, need independent professional advice to fulfil their duties, such advice may be obtained from a professional firm, the cost of which will be borne by the Company.

To assist the Board in its discharge of its duties and responsibilities, all Directors are provided with complete, adequate and timely information prior to the Board meetings. The annual calendar of the Board activities is set in advance. The Board papers are dispatched to the Directors at least 3 days in advance before the Board meetings so that Directors have sufficient time to consider the background and explanatory information relating to matters to be tabled and discussed at relevant Board meetings. Management also provides the Executive Directors with monthly management accounts, and information on major development and material transaction are circulated to Directors when they arise.

The Company Secretary attends the Board and Board Committees meetings. The Company Secretary prepares the minutes, development of the agenda for the various meetings and assists in coordination and liaison between the Board, the Board Committees and Management. The role of the Company Secretary includes responsibility for ensuring that the Board procedures are followed and applicable rules and regulations are complied with. The Company Secretary also assists the Chairman and the Board in implementing and strengthening corporate governance practise and processes. Under the direction of the Chairman, the Company Secretary also ensures good information flows within the Board and its Board Committees and between Management and Independent Directors.

The appointment and removal of the Company Secretary are subject to the approval of the Board as stipulated in the Company's Constitution.

# CORPORATE GOVERNANCE REPORT

## B. REMUNERATION MATTERS

**Principle 7: Procedures for Developing Remuneration Policies**

**Principle 8: Level and Mix of Remuneration**

**Principle 9: Disclosure on Remuneration**

The members of the Remuneration Committee (the "RC") at the date of this report comprises entirely of Independent Directors:

- Oh Eng Bin, Kenneth (Chairman)
- Lee Gee Aik
- Lee Kuo Chuen, David

The RC is guided by its terms of reference that are in line with the 2012 Code and its duties of the RC include:

- to recommend to the Board, a framework of remuneration for all Directors and key management personnel, and to determine specific remuneration packages for each Executive Director. RC's recommendations will be made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board. RC's review covers all aspects of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, options and benefits-in-kind;

- to review the remuneration of key management personnel; and

- to function as "the Committee" referred to in the SHS Employees' Share Option Scheme ("the Scheme") and shall have all the powers as set out in the Scheme as per Circular dated 22 September 2008.

As part of its review, the RC shall ensure that:

- all aspects of remuneration including directors' fees, salaries, allowances, bonuses, options and benefits-in-kind are covered;

- the remuneration packages should be comparable within the industry and comparable companies and shall include a performance-related element coupled with appropriate and meaningful measures of assessing individual executive directors' and key management personnel's performances; and

- the remuneration package of employees related to executive directors and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibilities.

# CORPORATE GOVERNANCE REPORT

The RC's recommendations are made in consultation with the Chairman and submitted for endorsement by the entire Board. Annual reviews of the compensation of Directors are also carried out by the RC to ensure that the remuneration of Executive Directors and key management personnel are commensurate with their performance and value add to the Group, giving due regard to the financial and commercial health and business needs of the Group.

The Company adopts a remuneration policy for Executive Directors and key management personnel comprising a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the Company and individual performance. For the purpose of assessing the performance of the Executive Director and key management personnel, specific KPIs are clearly set out for each financial year and such KPIs comprise both quantitative and qualitative factors. The RC recommends for the Board's endorsement, a framework of remuneration which covers all aspects of remuneration, including but is not limited to directors' fees, salaries, allowances, bonuses, share options, and benefits-in-kind and specific remuneration packages for each director.

Having reviewed and considered variable components of Executive Directors and key management personnel which are moderate, the Company is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company.

The RC from time to time and where necessary seeks advice from external remuneration consultants in framing the remuneration policy and determining the level and mix of remuneration for Executive Directors and key management personnel. In FY2018, the RC did not engage the services of an external remuneration consultant. Subsequent to FY2018, RC has appointed an external consultant, HR Net One, to provide advice on market practice and benchmark data on the Group CEO's compensation. The consultants who carried out the review do not have any connection with the Group or any directors which could affect their independence and objectivity.

The RC has access to both internal and external expert advice on human resource matters whenever there is a need to consult. The RC from time to time reviews the reasonableness of termination clauses stated in the contracts of service of Executive Directors and key management personnel.

Non-Executive Directors receive directors' fees, in accordance with their contributions, taking into account factors such as responsibilities, effort and time spent for serving on the Board and Board Committees. Directors' fees recommended by the Board are subject to the approval of the shareholders at the forthcoming AGM. No Director is involved in deciding his own remuneration. The RC and the Board are of the view that the remuneration of the Directors is appropriate and not excessive taking into account factors such as effort and time spent, and the increasingly onerous responsibilities of the Directors.

# CORPORATE GOVERNANCE REPORT

The remuneration of Directors and the top 5 key management personnel of the Company for FY2018 are set out below:

| Remuneration band and name | Fees | Salary | Bonus | Others[(1)] | Total |
|---|---|---|---|---|---|
| **Directors – From S$500,000 to S$749,999** | | | | | |
| Ng Han Kok, Henry | – | 95% | – | 5% | 100% |
| **Directors – From S$250,000 to S$499,999** | | | | | |
| Lim Siok Kwee, Thomas | – | 88% | 7% | 5% | 100% |
| Goh Koon Seng | – | 82% | 13% | 5% | 100% |
| **Directors – Below S$250,000** | | | | | |
| Teng Choon Kiat | 42% | 56% | – | 2% | 100% |
| Lee Kuo Chuen, David | 100% | – | – | – | 100% |
| Oh Eng Bin, Kenneth | 100% | – | – | – | 100% |
| Chew Hoe Soon[(2)] | 100% | – | – | – | 100% |
| Lee Gee Aik | 100% | – | – | – | 100% |
| **Top 5 Management Personnel – Below S$250,000** | | | | | |
| Alistair William Raglan Sawer | – | 88% | – | 12% | 100% |
| Wagon Jeremy Jon | – | 82% | – | 18% | 100% |
| Lee Yin Yee, Philip | – | 86% | 7% | 7% | 100% |
| Chua Kok Keong, Joseph | – | 83% | 9% | 8% | 100% |
| Weng Feng Jung, Willie | – | 80% | 7% | 13% | 100% |

(1) Include employer contribution to the Central Provident Fund and benefits-in-kind such as club memberships, transport allowance and use of company vehicles etc.
(2) Resigned as Non-Executive and Non-Independent Chairman on 1 March 2018.

The Company has disclosed the remuneration of each Director and top 5 key management personnel in bands of S$250,000 rather than to the nearest dollar, is of the view that given the sensitive and confidential nature of employees' remuneration, detailed disclosure is not in the best interests of the Company and the Group. Such disclosure would disadvantage the Group in relation to its competitors and may affect adversely the cohesion and spirit of team work prevailing among the management and employees of the Group. The Company believes that the disclosure in bands of S$250,000 with a percentage breakdown, is sufficient indication, for the time being, of each Director and key management personnel's remuneration package.

Remuneration paid to Non-Executive Directors comprised solely director's fees paid quarterly in arrears. These director's fees were approved by the shareholders in the AGM held on 27 April 2018.

The annual aggregate remuneration paid to Directors and top 5 key management personnel of the Company for FY2018 is disclosed under Note 40 of the Notes to Financial Statements.

# CORPORATE GOVERNANCE REPORT

There were two employees who are immediate family members of a Director of the Company and whose remuneration exceeds S$50,000 for FY2018. The details of these two employees and their remunerations are as follows:–

| Name | Family relationship | Designation |
|---|---|---|
| **From S$50,000 to S$100,000** | | |
| Goh Sia Teck | Nephew of an Executive Director – Lim Siok Kwee, Thomas | Manager (Site Operations) |
| Lim Peng Cheng | Nephew of an Executive Director – Lim Siok Kwee, Thomas | Production Manager |

Shareholders' approval will be sought at the forthcoming AGM on 29 April 2019 for the payment of the proposed fees to Non-Executive Directors for the financial year ending 2019, quarterly in arrears.

The Company does not have any long-term incentive scheme or schemes involving the offer of shares or grant of options following the expiry of the initial share option scheme known as SHS Employees' Share Option Scheme in October 2018.

## C. Accountability and Audit

### Principle 10: Accountability

The Board endeavors to provide shareholders with a balanced and understandable assessment of the Group's performance, position and prospects on a regular basis. The Company has adopted quarterly results reporting. News releases and quarterly results announcements are published through SGXNET. Results for the first three quarters are released within 45 days from the end of the quarter, and full-year results within 60 days from the financial year end. For the full financial year under review, the Board will provide shareholders reassurance that in their opinion, the financial statements presented give a true and fair view of the state of affairs of the Group and of the Company.

The Company has received signed undertakings from all its Directors and executive officers based on the revised form of Appendix 7.7, pursuant to SGX-ST Listing Rule 720(1).

Management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a monthly basis.

### Principle 11: Risk Management and Internal Controls

The Company has an Enterprise Risk Management Framework in place for the Group. The key risks were identified and classified under five categories, namely, Strategic Risks, Financial Risks, Operational Risks, Compliance Risks and IT Risks. Action plans were in place to mitigate these risks. The said Framework has been reviewed by the AC and approved by the Board. The AC and the Board will continually assess the adequacy and effectiveness of the risk management framework and processes.

The Board is responsible for the overall internal control framework and is fully aware of the need to put in place a system of internal controls within the Group to safeguard the interests of the shareholders and the Group's assets.

Both the Company's internal auditors, Crowe Horwath First Trust Risk Advisory Pte Ltd and external auditors, Moore Stephens LLP (to the extent as required by them to form an audit opinion on the statutory financial statements) have conducted an annual review of the adequacy and effectiveness of the Group's key internal controls, including financial, operational and compliance controls and risk management. Any areas of review where the existing control

# CORPORATE GOVERNANCE REPORT

can be enhanced to enable the process to operate more effectively and efficiently, together with recommendation for improvement are reported to the AC. A copy of the report is also issued to the relevant department for its follow-up action. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored.

In FY2018, the Group's external and internal auditors had conducted an annual review of the adequacy and effectiveness of the Group's internal controls that address financial, operational, information technology and compliance risks. One significant weakness raised by internal auditors pertains to compliance with local laws and regulations in connection with payroll management and reporting for certain category of employees by one of the Group's subsidiaries in Vietnam. The internal auditors' recommendations to the control point have been promptly implemented by Management. As part of their 2019 work plan, the internal auditors plan to follow-up on the implementation. In addition, the Board and the AC came to be aware recently in late March 2019 that not all bank accounts of non-wholly owned subsidiaries to which the Group is a majority shareholder include a representative of the Group as bank account signatory. The Board, with the concurrence of the AC, has since directed for a representative of the Group to be included as bank account signatory for all non-wholly owned subsidiaries' bank accounts. Management is following up on implementation of this directive from the Board.

The Board has also received written assurance from the Group CEO, Executive Directors, Finance Advisor and the Group Finance Manager on the state of the Group's financial records, risk management and systems of internal controls, confirming that:

(a) the financial records of the Group have been properly maintained and the financial statements for FY2018 give a true and fair view of the Group's operations and finances; and

(b) the systems of internal controls and risk management in place were adequate and effective as at 31 December 2018, to address financial, operational, information technology and compliance risks of which considered relevant and material to its operations.

Management alone does not guarantee that business undertakings will not fail. However, by identifying and managing risks that may arise, the Group can make more informed decisions and benefit from a better balance between risk and reward. This will help protect and also create shareholders' value.

Based on the internal controls framework established, the independent review of the Group's governance and internal controls framework conducted by the internal and external auditors, and the assurance from the Management, the Board opines save for the abovementioned significant weakness, with the concurrence of the AC, that there are adequate and effective controls in place within the Group addressing financial, operational, information technology, compliance risks and risk management systems within the current scope of the Group's business operations.

**Principle 12: Audit Committee**

The members of the AC at the date of this report comprises of three Independent Directors:

- Lee Gee Aik (Chairman)
- Lee Kuo Chuen, David
- Oh Eng Bin, Kenneth

The majority of the AC, including the Chairman, has accounting or related financial management expertise or experience. The Board is of the view that the members of the AC are appropriately qualified to discharge their responsibilities. None of the AC members were previous partners of directors of the Company's external auditors, Moore Stephens LLP, within the last 12 months or hold any financial interest in the external auditors.

# CORPORATE GOVERNANCE REPORT

The overall objective of the AC is to ensure that Management has created and maintained effective control mechanisms within the Company and that such systems are strictly adhered to by all levels of Management and employees.

The AC has the explicit authority to investigate any matter within its terms of reference. It has full access to, and the co-operation of, management and full discretion to invite any director or senior manager to attend its meetings. The AC has adequate resources to enable it to discharge its responsibilities properly.

As a sub-committee of the Board, the AC provides a channel of communication between the Board, Management, the internal and external auditors with regards to findings and recommendations arising from internal and external audits.

In FY2018, the AC met with the Group's external auditors and the internal auditors to review the audit plans and the reports of the external auditors and internal auditors. The Group's external auditors are Moore Stephens LLP and Group's internal auditors are Crowe Howarth First Trust Risk Advisory Pte Ltd. The AC has also evaluated the adequacy of the internal controls of the Company with the auditors and discussed their findings with the Management. The AC reviewed the quarterly, half year and full-year results announcements before their submission to the Board for approval.

The AC is guided by its terms of reference which sets out its responsibilities. The terms of reference are in line with the 2012 Code. Specifically, the duties of the AC include:–

- assisting the Board in discharging its statutory responsibilities on financial and accounting matters;
- reviewing the financial and operating results and accounting policies of the Group;
- reviewing the significant financial reporting issues and judgments relating to financial statements for each financial year, interim and annual results announcement of financial statements before their submission to the Board for approval and the external auditors' report on the financial statements;
- reviews the adequacy of the Group's internal controls (financial, operational, compliance and information technology controls) and risk management via reviews carried out by the internal auditors;
- considers and reviews the assistance given by Management of the Group to the auditors;
- reviews the external audit plans and the review results of the external auditors' examination and evaluation of the Group's internal control system;
- reviews the audit plans and reports of the external auditors and considers the effectiveness of the actions taken by management on auditors' recommendations;
- recommends the re-appointment of the external auditors;
- reviews interested person transactions to ensure that they are on normal commercial terms and not prejudicial to the interests of the Company or its shareholders;
- reviews the internal audit plan and findings of the internal audit; and
- ensures that the nature and extent of non-audit services provided by external auditors would not affect their independence as external auditors of the Company; and generally undertakes such other functions and duties as may be required by statute or the SGX-ST Listing Rules, and by such amendments made thereto from time to time.

# CORPORATE GOVERNANCE REPORT

To create an environment for open discussion on audit matters, the AC meets with the external and internal auditors without the presence of the Company's Management at least once a year.

The AC members met four times during FY2018. The CEO, CFO, Company Secretary, external and internal auditors were invited to attend these meetings.

In the review of the financial statements for FY2018, the AC has discussed with Management on the accounting principles that were applied and their judgment of items that might affect the integrity of the financial statements and considered the clarity of key disclosure in the financial statements. The AC reviewed, amongst other matters, the significant matters identified by external auditor and have been included in the Independent Auditor's Report to the Shareholders of the Company under "Key Audit Matters". Following the review, the AC satisfied that those matters have been properly addressed and recommended the Board to approve the audited financial statements of the Group for FY2018. The Board has on 3 April 2019 approved the FY2018 financial statements.

The Company has complied with SGX-ST Listing Rules 712 and 716 in engaging Moore Stephens LLP ("MSLLP"), as the external auditors of the Company which is registered with the Accounting and Corporate Regulatory Authority. MSLLP are the external auditors of the Company and of its Singapore subsidiaries.

The AC has reviewed the amount of non-audit services rendered to the Group by the external auditors. During the financial year, there are no professional fees paid/payable to the external auditors of the Company for non-audit services.

Being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, the AC has recommended their re-nomination to the Board.

The details of audit services provided by the external auditors are outlined in Note 6 to the financial statements.

**Principle 13: Internal Audit ("IA")**

The Group's IA function has been outsourced to Crowe Horwath First Trust Risk Advisory Pte Ltd. The internal auditor has unrestricted access to the AC as well as the documents, records, properties and personnel of the Company and the Group, where relevant to their work. The internal auditor reports directly to the chairman of the AC on audit matters. The AC also reviews and approves the annual internal audit plans and resources to ensure that the internal auditor has the adequately resources to perform its functions. The AC approves the hiring, removal and evaluation of the internal auditor.

The Group's IA function is independent of the external audit. The internal auditor, is a corporate member of Singapore chapter of the Institute of Internal Auditors ("IIA"), and staffed with professionals with relevant qualifications and experience. Our engagement with Crowe Horwath First Trust Risk Advisory Pte Ltd stipulates that its work shall comply with the relevant International or local Standards for the Professional Practice of Internal Auditing issued by IIA. The appointment, assessment, and compensation of the internal auditor are approved by AC.

In the second quarter of FY2018, an annual internal audit plan is developed and agreed by the AC.

The AC reviews the internal auditor's reports and the adequacy of the IA function to ensure that IA is conducted effectively, has the appropriate standing within the Company and that the Management provides the necessary co-operation to enable the internal auditor to perform its function. The AC and the Board are satisfied that there are adequate internal controls in the Company.

# CORPORATE GOVERNANCE REPORT

**Whistle-Blowing Policy**

The Company has put in place a whistle-blowing framework, endorsed by the AC where employees of the Company may, in confidence, raise concerns about possible corporate improprieties on matters of financial reporting or other legal or ethical issues and to ensure that procedures are in place to address them. The details of the whistle-blowing policy and reporting mechanisms have been made available to all employees.

The Whistle Blowing Officers are appointed members of the AC. Any Whistle Blowing Officer to whom a concern has been raised, is obliged to make a report to the Board of the substance of the concern without breaching employee confidentiality. The AC is obliged to review all reports received and take or approve the appropriate actions.

## D. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

**Principle 14: Shareholder Rights**

**Principle 15: Communication with Shareholders**

**Principle 16: Conduct of shareholders meetings**

In line with the continuous disclosure obligations of the Company pursuant to the SGX-ST Listing Rules and the Companies Act, the Board's policy is that all shareholders should be equally informed of all major developments that impact the Group.

Any major or material developments are first disseminated via SGXNET followed by a press release, whenever necessary.

Price sensitive information is first publicly released, either before the Group meets with any group of investors or analysts or simultaneously with such meetings. Results and annual reports are announced or issued within the mandatory period. The Company does not practice selective disclosure of information.

The Company's website at www.shsholdings.com.sg provides updated information to shareholders and investors on its corporate development.

General meetings have been and are still the principal forum for dialogue with shareholders. Information on general meetings is disseminated through notices in the annual report or circulars sent to all shareholders.

All shareholders receive the Annual Report and the notice of AGM. The notice of AGM is also released via SGXNET, published in local newspaper and uploaded on the corporate website. Shareholders have the opportunity to participate effectively in and to vote at all general meetings.

At general meetings, shareholders are given the opportunity to express their views and ask questions regarding the Group and its businesses. The Company is open to meetings with investors and analysts, and in conducting such meetings, the Company is mindful of the need to ensure fair disclosure.

The Company adopt poll voting for all resolutions to be passed at general meetings. An independent scrutineer firm is present to validate the votes at each general meeting. The detail results by showing the number of votes cast for and against each resolution are also announced via SGXNET after the said meeting. The minutes of general meetings, which include substantial comments or queries raised by shareholders and answers given by the Board and Management will be prepared by the Company and are available to shareholders upon written request.

# CORPORATE GOVERNANCE REPORT

The Board ensures that separate resolutions are proposed for approval on each distinct issue at general meetings. Detailed information on each item in the AGM agenda is also provided in the explanatory notes to the Notice of AGM in this Annual Report.

Directors, including the chairpersons of the Board and the respective committees are present at the annual general meetings to answer shareholders' questions. The external auditors will also be present to assist the Directors in addressing any relevant queries by shareholders.

The Company's Constitution provides that Shareholders of the Company are allowed to vote in person or by way of duly appointed proxies. The Company's Constitution also allows a shareholder to appoint not more than two proxies to attend and vote in the shareholder's place at the general meetings of shareholders. The proxy need not be a Member of the Company. Pursuant to the introduction of the multiple proxies regime under the Singapore Companies (Amendment) Act 2014, indirect investors who hold SGX shares through a nominee company or custodian bank or through a CPF agent bank may attend and vote at each general meeting of shareholders. Currently, the Company's Constitution does not allow for shareholders to vote at general meetings in absentia.

**Dividend Policy**

The Group has a policy which governs how much to pay out to shareholders in dividends. The Group usually declares annual dividend at the rate of approximately 25-40% of the net profit after tax in accordance with the consolidated financial statements. No dividend has been declared or recommended for FY2018, as the Group recorded net loss in FY2018 and the Board of Directors deem it appropriate to conserve funds for the Group's business activities.

**SECURITIES TRANSACTIONS**

The Company has a clear policy on the trading of its share by directors and executives within the Group. The Company has adopted its own internal Code of Best Practices on Securities Transactions (the "Securities Transactions Code"). The Securities Transactions Code provides guidance to directors and executives of the Group with regard to dealing in the Company's shares. It emphasizes that the law on insider trading is applicable at all times, notwithstanding the window periods for dealing in the shares. The Securities Transactions Code also enables the Company to monitor such share transactions by requiring employees to report to the Company whenever they deal in the Company's shares.

The Group issues circulars to its directors, executives and employees informing them that they must not trade in the listed securities of the Company one month before the announcement of the Group's full year or two weeks before quarterly results and ending on the date of the announcement of such results. They are also encouraged not to deal in the Company's securities on short-term considerations.

Directors are required to notify the Company of any dealings in the Company's securities (during the open window period) within two (2) business days of the transactions.

The Group has complied with the Securities Transactions Code.

# CORPORATE GOVERNANCE REPORT

## INTERESTED PERSON TRANSACTIONS

There were no interested person transactions for financial year ended 31 December 2018.

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are carried out on a normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

The AC has reviewed, and is satisfied that the transactions are conducted at arm's length and on terms that are fair and reasonable. The AC and the Board of Directors are satisfied that the terms of the above transactions are not prejudicial to the interests of the Company or its minority shareholders.

The Company did not have a shareholders' mandate pursuant to SGX-ST Listing Rule 920 during FY2018.

## MATERIAL CONTRACTS

There were no material contracts between the Company and its subsidiaries involving the interests of the Chairman, Group CEO, directors and controlling shareholders that are still subsisting at the end of the financial year or if not then subsisting, entered into since the previous financial year ended 31 December 2017.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The directors present their statement to the members together with the audited consolidated financial statements of SHS Holdings Ltd. (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2018 and the statement of financial position of the Company as at 31 December 2018.

In the opinion of the directors:

(a) the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## 1 Directors

The directors of the Company in office at the date of this statement are:

| | |
|---|---|
| Teng Choon Kiat | *Executive Chairman* |
| Ng Han Kok, Henry | *Executive Director and Group Chief Executive Officer* |
| Lim Siok Kwee, Thomas | *Executive Director* |
| Lee Gee Aik | *Lead Independent Director* |
| Lee Kuo Chuen, David | *Independent Director* |
| Oh Eng Bin, Kenneth | *Independent Director* |

## 2 Arrangements to Enable Directors to Acquire Shares or Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other corporate body.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 Directors' Interests in Shares or Debentures

According to the register of directors' shareholdings kept by the Company under section 164 of the Singapore Companies Act, Chapter 50, the directors of the Company who held office at the end of the financial year had no interests in the shares, warrants or debentures of the Company and its related corporations except as follows:

| | Holdings registered in the name of director | | | Holdings in which a director is deemed to have an interest | | |
|---|---|---|---|---|---|---|
| **Name of directors** | **As at beginning of the year** | **As at end of the year** | **As at 21/1/2019** | **As at beginning of the year** | **As at end of the year** | **As at 21/1/2019** |
| **The Company** | | | | | | |
| *No. of ordinary shares* | | | | | | |
| Teng Choon Kiat | 1,250,000 | 1,250,000 | 1,250,000 | 193,688,100 | 193,688,100 | 193,688,100 |
| Ng Han Kok, Henry | – | – | – | 119,446,053 | 119,446,053 | 119,446,053 |
| Goh Koon Seng* | 130,000 | 130,000 | 130,000 | – | – | – |
| Lim Siok Kwee, Thomas | – | – | – | 6,020,575 | 6,020,575 | 6,020,575 |
| *Warrants* | | | | | | |
| Ng Han Kok, Henry | 37,151,026 | 37,151,026 | 37,151,026 | 26,292,500 | 26,292,500 | 26,292,500 |
| Goh Koon Seng* | 65,000 | 65,000 | 65,000 | – | – | – |
| Lim Siok Kwee, Thomas | – | – | – | 2,410,287 | 2,410,287 | 2,410,287 |

* Resigned on 16 December 2018.

## 4 Share Options

The SHS Employee Share Option Scheme

The SHS Share Option Scheme (the "Scheme") was approved and adopted by the members of the Company at an Extraordinary General Meeting held on 8 October 2008.

The Scheme provides a means to recruit and retain quality employees with talent that will assist the Group to realise its strategic and long-term business goals.

The Remuneration Committee (the "Committee") of the Company has been designated as the committee responsible for the administration of the Scheme. The selection of the participants in the Scheme and the grant of options are to be determined by the Committee at its absolute discretion.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4 **Share Options** (Continued)

The SHS Employee Share Option Scheme (Continued)

The Remuneration Committee comprises the following members:

Oh Eng Bin, Kenneth (Chairman)
Lee Gee Aik
Lee Kuo Chuen, David

The principal terms of the Scheme are:

(i) Scheme Size and Duration

The aggregate number of shares over which the Committee may grant options on any date, when added to the number of shares issued and issuable in respect of all options granted under the Scheme, shall not exceed ten per cent (10%) ("Maximum Limit") of the issued shares of the Company on the day immediately preceding the date of grant of the option. Any shares which are held as treasury shares will be disregarded for the purpose of computing the Maximum Limit.

The Scheme shall continue to be in force at the discretion of the Committee, subject to a maximum period of ten (10) years, commencing on the adoption date. Subject to compliance with any applicable laws and regulations in Singapore, the Scheme may be continued beyond the above stipulated period with the approval of the shareholders by ordinary resolution at a general meeting and of any relevant authorities which may then be required.

The Scheme may also be terminated at any time by the Committee or by resolution of the shareholders at a general meeting subject to all other relevant approvals which may be required and if the Scheme is so terminated; no further options shall be offered by the Company hereunder.

The termination, discontinuance or expiry of the Scheme shall be without prejudice to the rights accrued to options which have been granted and accepted, whether such options have been exercised (whether fully or partially) or not.

(ii) Eligibility to participate in the Scheme

Confirmed group employees (including Directors) who have attained the age of 21 years on or prior to the relevant date of grant and are not undischarged bankrupts and have not entered into a composition with their respective creditors, and who have, as of the date of grant, been in the employment of the Group for a period of at least twelve (12) months or such shorter period as the Committee may determine, shall be eligible to participate in the Scheme at the absolute discretion of the Committee.

Controlling shareholders and their associates (as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited) are not entitled to participate in the Scheme.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**4 Share Options** (Continued)

The SHS Employee Share Option Scheme (Continued)

(iii) Grant of Options

The Committee may offer to grant options as it may select in its absolute discretion at any time during the period when the Scheme is in force, except that no option shall be granted during the period of 30 days immediately preceding the date of announcement of the Company's interim and/or final results. In addition, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is made, an offer to grant options may only be made on or after the second Market Day (as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited) on which such announcement is released.

(iv) Exercise Period

Subject to the other rules of the Scheme and any other conditions as may be introduced by the Committee from time to time, an option granted can be exercised by the option holder as follows:

(a) in the case of a market price option which is granted to a group employee, a period commencing after the 1st anniversary of the date of grant and expiring on the 4th anniversary of such date of grant; and

(b) in the case of a discount option which is granted to a group employee, a period commencing after the 2nd anniversary of the date of grant and expiring on the 5th anniversary of such date of grant.

(v) Exercise Price

The exercise price for each share in respect of which an option is exercisable shall be determined by the Committee, in its absolute discretion, on the date of grant, at:

(a) in the case of a market price option which is granted to a group employee, a price equal to the average of the last dealt prices of the shares of the Company on the SGX-ST for the three consecutive Market Days immediately preceding the date of grant ("Market Price"); or

(b) in the case of a discount option which is granted to a group employee, a price which is set at a discount not exceeding ten per cent (10%) of the Market Price.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**4 Share Options** (Continued)

The SHS Employee Share Option Scheme (Continued)

(vi) Termination of Options

Special provisions in the rules of the Scheme deal with the lapse or earlier exercise of options in circumstances which include the termination of the participant's employment in the Company, the bankruptcy of the participant, the death of the participant, a take-over of the Company and the winding-up of the Company.

(vii) Acceptance of Options

The grant of options shall be accepted within 30 days from the date of offer. Offers of options made to grantees, if not accepted by the closing date, will lapse. Upon acceptance of the offer, the grantee must pay the Company a consideration of S$1.00.

No employee share options have been granted under the Scheme since the Scheme was approved and adopted by the members of the Company on 8 October 2008. The Scheme has since expired during the current financial year.

*Options Granted*

During the financial year, there were no share options granted to subscribe for unissued shares of the Company or any corporation in the Group.

*Options Exercised*

During the financial year, there were no shares issued by virtue of the exercise of options to take up unissued shares of the Company or any corporation in the Group.

*Options Outstanding*

As at the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 5 Warrants

On 18 December 2014, the Company issued 303,641,586 warrants pursuant to a bonus issue on the basis of 1 (one) warrant for every 2 (two) existing ordinary shares held in the capital of the Company. On 19 December 2014, the warrants were listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). Each warrant entitles the warrant holder to subscribe for 1 (one) new ordinary share in the Company at the exercise price of S$0.20 per share. The warrants do not entitle the holders of the warrants, by virtue of such holdings, to any rights to participate in any share issue of any other company.

As at the end of the financial year, details of the unissued ordinary shares of the Company under warrants are as follows:

| Date of issue | Warrants outstanding at 1/1/2018 | Warrants exercised | Warrants expired | Warrants outstanding at 31/12/2018 | Date of expiry |
|---|---|---|---|---|---|
| 18/12/2014 | 218,582,052 | – | – | 218,582,052 | Note 1 |

(Note 1: The date immediately preceding the 5th anniversary of the date of issue unless such date is not a market day, in which case the warrant will expire on the date prior to the closure of the Register of Members or the immediately preceding market day.)

As at the end of the financial year, except as disclosed above, no other warrants to take up unissued shares of the Company were granted and no shares were issued by virtue of the exercise of warrants to take up unissued shares of the Company. Except for the above outstanding warrants, no other options to take up unissued shares of the Company were outstanding as at the end of the financial year.

## 6 Audit Committee

The Audit Committee ("AC") comprises the following independent directors as at the date of this statement:

Lee Gee Aik (Chairman)
Lee Kuo Chuen, David
Oh Eng Bin, Kenneth

The duties of the AC, amongst other things, include:

(i) review the audit plans of the internal and external auditors of the Company and reviewed the internal auditor's evaluation of the adequacy of the Group's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 6 Audit Committee (Continued)

(ii) review the quarterly financial information and annual financial statements and the auditors' report on the annual financial statements of the Group before their submission to the Board of Directors (the "Board");

(iii) review the effectiveness of the Group's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;

(iv) meet with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

(v) review legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

(vi) review the cost effectiveness and the independence and objectivity of the external auditors, and the nature and extent of non-audit services provided by the external auditors;

(vii) recommend to the Board the external auditors to be nominated, and review the scope and results of the audit;

(viii) report actions and minutes of the AC to the Board with such recommendations as the AC considered appropriate;

(ix) review interested persons transactions in accordance with the requirements of the SGX-ST Listing Manual; and

(x) undertake such other functions and duties as may be agreed to by the AC and the Board.

The AC carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50, the Code of Corporate Governance and the SGX-ST Listing Manual and assists the Board in the execution of its corporate governance responsibilities within its established terms of reference.

The AC has also undertaken a review of the nature and extent of non-audit services provided by the external auditors, and was of the opinion that there were no non-audit services rendered that would affect the independence of the external auditors.

Further information regarding the AC are detailed in the Corporate Governance Report included in the Annual Report of the Company.

The AC has recommended to the Board that the independent auditors, Moore Stephens LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**7 Independent Auditors**

The auditors, Moore Stephens LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors,

| | |
|---|---|
| TENG CHOON KIAT | NG HAN KOK, HENRY |
| Director | Director |

Singapore
3 April 2019

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SHS HOLDINGS LTD. (Incorporated in Singapore)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of SHS Holdings Ltd. (the "Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with Singapore Standards of Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA 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 judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SHS HOLDINGS LTD. (Incorporated in Singapore)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Key Audit Matters (Continued)

| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| **Revenue from construction contracts** | |
| In accordance with SFRS(I) 15 *Revenue from Contracts with Customers*, the analysis of whether the construction contracts comprise one or more performance obligations, determination of whether variable consideration are allocated to one or more performance obligations, and whether the performance obligations are satisfied over time or at a point in time are areas requiring critical judgement and estimates by the Group.<br><br>One of the Group's significant revenue streams is derived from construction contracts in relation to engineering & construction services.<br><br>Revenue from these construction contracts is recognised over time on a cost-to-cost method. The determination of the percentage of completion involves the use of significant management judgements and estimates to measure the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, which in turn may have a material impact on the amount of contract work in progress, contract revenues and contract costs recognised during the year. Accordingly, we determined this as a key audit matter.<br><br>The Group's accounting policies on the revenue and the critical accounting estimates and judgements thereon are disclosed in Note 3(e) and Note 4(vi) to the financial statements, respectively. | We have performed the audit procedures in relation to revenue from construction contracts, amongst others, as follows:<br><br>• obtained an understanding of the terms and conditions of significant construction contract through discussion with management and the basis of management's identification of performance obligations to determine whether the criteria for recognising revenue over time were met.<br><br>• evaluated the key controls and processes that management has in place in respect of revenue recognition and budgeting from construction contracts.<br><br>• assessed the reasonableness of the total budgeted costs for individual significant projects prepared by management. Reviewed the appropriateness of inputs, amongst others, contractors or sub-contractors costs, materials, labour costs, variation works, and other construction costs used by management in their estimation of the total cost to complete and obtained supporting documentation on the major inputs.<br><br>• assessed the robustness of the budgets from our understanding of the projects and comparing the budgeted profit margins to the actual profit margins achieved for completed projects during the year and subsequent to year end.<br><br>• verified the costs incurred during the year against underlying documents, such as quotations or contracts entered.<br><br>• in relation to total contract revenue for construction projects, we verified total contract sum to contracts entered with the customers and additional claims and variation orders recognised to supporting documents. |

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SHS HOLDINGS LTD. (Incorporated in Singapore)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Key Audit Matters (Continued)

| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| | • re-computed the arithmetic accuracy of the revenue, cost and profit recognised according to the percentage of completion for significant projects measured by reference to the ratio of costs incurred to-date to the estimated costs for each project.<br><br>• reviewed the contracts for any penalty and liquidated damages clauses and discussed with management on the progress of significant projects to determine if there are any changes such as delays, penalties, overruns where it is probable that total contract costs will exceed total contract revenue and require the recognition of loss allowance on such projects.<br><br>In addition, we reviewed the adequacy of the disclosure in relation to the areas of judgements and estimation uncertainties involving recognition of revenue from construction contracts in Note 4(vi) and the disclosure in relation to revenue from construction contracts and related contract balances in Note 5 to the financial statements. |

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SHS HOLDINGS LTD. (Incorporated in Singapore)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Key Audit Matters (Continued)

| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment of goodwill**<br><br>As at 31 December 2018, the Group has goodwill that arose from various acquisitions with an aggregate carrying amount of S$16,850,000. The goodwill has been allocated to the relevant cash generating unit ("CGU") under the respective operating segments as disclosed in Note 16 to the financial statements. For the current financial year, the Group has a total impairment of goodwill of S$3,651,000.<br><br>As part of its annual impairment testing, management prepares value in use calculations ("VIU") to arrive at the recoverable amount of each CGU. These VIUs are based on cash flow forecasts of the CGUs, the preparation of which requires management to use assumptions and estimates relating to budgeted gross margin, revenue growth rate, terminal growth rate and discount rate of each CGU, which are inherently subjective. Accordingly, we determined this as a key audit matter.<br><br>The Group's accounting policies on impairment of goodwill is disclosed in Note 3(j) to the financial statements. The critical accounting estimates and judgements made in arriving at the assumptions used in the preparation of the cash flow forecasts by management are stated in Note 4(iii) to the financial statements. | Our audit procedures included, amongst others, evaluating management's assumptions applied in the cash flow forecasts taking into consideration our knowledge of the CGUs' operations, performance and industry benchmarks. We also obtained an understanding of management's planned strategies on revenue growth and cost initiatives for these CGUs. We tested the robustness of management's forecasts by comparing previous forecasts to actual results. In addition, we also validated key inputs used in the discounted cash flow forecasts, such as growth rates and discount rates, to historical data and external market data to assess the reasonableness of management's forecasts. We tested management's sensitivity analysis of the recoverable amounts of the CGUs based on reasonable changes to the key assumptions used in the cash flow forecasts. We also checked the mathematical accuracy of the underlying calculations.<br><br>In addition, we reviewed the adequacy of the disclosure relating to impairment testing of goodwill, including management's sensitivity analysis, in Note 16 to the financial statements. |

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SHS HOLDINGS LTD. (Incorporated in Singapore)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

### Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SHS HOLDINGS LTD. (Incorporated in Singapore)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 management.

- Conclude on the appropriateness of management's 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 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 financial statements, including the disclosures, and whether the 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.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SHS HOLDINGS LTD. (Incorporated in Singapore)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS** (CONTINUED)

**Auditor's Responsibilities for the Audit of the Financial Statements** (Continued)

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

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

**Report on Other Legal and Regulatory Requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Mr Ng Chiou Gee Willy.

**Moore Stephens LLP**
Public Accountants and
Chartered Accountants

Singapore
3 April 2019

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

| | Note | Group | |
|---|---|---|---|
| | | **2018** | **2017** |
| | | **S$'000** | **S$'000** |
| **Continuing operations** | | | |
| Revenue | 5 | **46,606** | 37,725 |
| Cost of sales and services | | **(42,779)** | (33,493) |
| Gross profit | | **3,827** | 4,232 |
| Other income | | **3,837** | 2,096 |
| Selling and distribution expenses | | **(972)** | (770) |
| Administrative expenses | | **(9,159)** | (8,688) |
| Other operating expenses | | **(11,498)** | (15,577) |
| Net impairment losses on contract assets | | **(84)** | – |
| Net impairment losses on trade receivables | | **(341)** | (791) |
| Finance costs | | **(576)** | (246) |
| Share of losses of associates, net of tax | | **(197)** | (571) |
| Share of profits of joint ventures, net of tax | | **58** | 102 |
| (Loss) before income tax | | **(15,105)** | (20,213) |
| Income tax | 6 | **84** | 12 |
| **(Loss) for the year from continuing operations** | 7 | **(15,021)** | (20,201) |
| **Discontinued operation** | | | |
| Profit for the year from discontinued operation | 8 | **101** | 149 |
| **Total (loss) for the year** | | **(14,920)** | (20,052) |
| Other comprehensive (loss)/income, net of tax: | | | |
| *Items that will not be reclassified subsequently to profit or loss:* | | | |
| Revaluation of property, plant and equipment | | **–** | 5,708 |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences on translation | | **(529)** | (268) |
| Net loss on fair value changes of equity instruments at fair value through other comprehensive income | | **(1,145)** | – |
| **Other comprehensive (loss)/income for the year** | | **(1,674)** | 5,440 |
| **Total comprehensive (loss) for the year** | | **(16,594)** | (14,612) |
| **Total (loss) for the year attributable to:** | | | |
| Equity holders of the Company | | **(11,169)** | (18,227) |
| Non-controlling interests | | **(3,751)** | (1,825) |
| | | **(14,920)** | (20,052) |
| **Total comprehensive (loss) for the year attributable to:** | | | |
| Equity holders of the Company | | **(12,641)** | (12,745) |
| Non-controlling interests | | **(3,953)** | (1,867) |
| | | **(16,594)** | (14,612) |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

| | Note | Group 2018 S$ | Group 2017 S$ |
|---|---|---|---|
| **(Loss) per share from continuing and discontinued operations attributable to equity holders of the Company:** | | | |
| – Basic (cents per share) | 9 | **(1.63)** | (2.66) |
| – Diluted (cents per share) | 9 | **(1.59)** | (2.58) |
| **(Loss) per share from continuing operations attributable to equity holders of the Company:** | | | |
| – Basic (cents per share) | 9 | **(1.64)** | (2.68) |
| – Diluted (cents per share) | 9 | **(1.60)** | (2.61) |
| **Earnings per share from discontinued operation attributable to equity holders of the Company:** | | | |
| – Basic (cents per share) | 9 | **0.01** | 0.02 |
| – Diluted (cents per share) | 9 | **0.01** | 0.02 |

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

| | | Group | | | Company | | |
|---|---|---|---|---|---|---|---|
| | Note | 2018 S$'000 | 2017 S$'000 | 1 January 2017 S$'000 | 2018 S$'000 | 2017 S$'000 | 1 January 2017 S$'000 |
| **ASSETS** | | | | | | | |
| **Non-Current Assets** | | | | | | | |
| Property, plant and equipment | 10 | **91,530** | 75,408 | 42,793 | **134** | 199 | 8,399 |
| Investment property | 11 | **–** | – | – | **13,228** | 14,400 | – |
| Investment in subsidiaries | 12 | **–** | – | – | **44,747** | 54,347 | 54,347 |
| Investment in associates | 13 | **1,302** | 9,330 | 22,291 | **–** | 7,004 | 7,004 |
| Investment in joint ventures | 14 | **–** | 102 | 6 | **–** | – | – |
| Other financial assets | 15 | **23,840** | 19,711 | 19,711 | **22,686** | 17,135 | 17,135 |
| Goodwill | 16 | **16,850** | 20,501 | 26,450 | **–** | – | – |
| Intangible assets | 17 | **–** | – | 52 | **–** | – | – |
| Prepaid land leases | 18 | **6,303** | 6,470 | – | **–** | – | – |
| Other receivables and prepayments | 23 | **7,990** | 16,541 | 1,355 | **7,990** | – | – |
| Total Non-Current Assets | | **147,815** | 148,063 | 112,658 | **88,785** | 93,085 | 86,885 |
| **Current Assets** | | | | | | | |
| Prepaid land leases | 18 | **187** | 189 | – | **–** | – | – |
| Inventories | 19 | **7,849** | 8,151 | 3,848 | **–** | – | 429 |
| Land held for development | 20 | **5,591** | – | – | **–** | – | – |
| Trade receivables | 21 | **9,286** | 11,445 | 16,417 | **–** | 352 | 88 |
| Contract assets | 5 | **19,362** | 15,603 | 10,823 | **86** | 81 | 113 |
| Other receivables and prepayments | 23 | **10,098** | 21,473 | 30,533 | **129** | 7,980 | 17,727 |
| Amount due from subsidiaries | 22 | **–** | – | – | **90,121** | 72,432 | 39,517 |
| Amount due from a joint venture | 24 | **–** | – | 328 | **–** | – | – |
| Loan receivable from an associate | 24 | **–** | – | 600 | **–** | – | – |
| Loan receivables from joint ventures | 25 | **–** | 2,276 | 2,633 | **–** | – | – |
| Cash and bank balances | 26 | **29,890** | 49,107 | 70,792 | **20,609** | 37,670 | 54,787 |
| Assets classified as held for sale | 27 | **6,299** | – | – | **–** | – | – |
| Total Current Assets | | **88,562** | 108,244 | 135,974 | **110,945** | 118,515 | 112,661 |
| **Total Assets** | | **236,377** | 256,307 | 248,632 | **199,730** | 211,600 | 199,546 |

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

| | | Group | | | Company | | |
|---|---|---|---|---|---|---|---|
| | Note | 2018 S$'000 | 2017 S$'000 | 1 January 2017 S$'000 | 2018 S$'000 | 2017 S$'000 | 1 January 2017 S$'000 |
| **LIABILITIES AND EQUITY** | | | | | | | |
| **Current Liabilities** | | | | | | | |
| Trade payables and accruals | 28 | **10,893** | 13,634 | 12,311 | **268** | 982 | 1,722 |
| Contract liabilities | 5 | **5,037** | 1,012 | – | **–** | – | – |
| Other payables | 29 | **7,713** | 10,005 | 4,397 | **307** | 310 | 263 |
| Amount due to subsidiaries | 22 | **–** | – | – | **776** | 83 | 4,980 |
| Amount due to associates | 30 | **801** | 1,029 | – | **–** | – | – |
| Term loans | 31 | **4,878** | 13,050 | 18 | **–** | – | – |
| Other amounts due to bankers | 32 | **3,147** | 2,927 | 5,314 | **–** | – | – |
| Finance leases | 33 | **59** | 79 | 103 | **–** | – | – |
| Provision for income tax | | **608** | 811 | 528 | **–** | – | – |
| Liabilities directly associated with assets classified as held for sale | 27 | **29** | – | – | **–** | – | – |
| Total Current Liabilities | | **33,165** | 42,547 | 22,671 | **1,351** | 1,375 | 6,965 |
| **Non-Current Liabilities** | | | | | | | |
| Term loans | 31 | **13,062** | 3,776 | 3,840 | **–** | – | – |
| Finance leases | 33 | **49** | 128 | 278 | **–** | – | – |
| Deferred tax liabilities | 35 | **3,507** | 3,598 | 2,015 | **1,802** | 1,802 | 633 |
| Total Non-Current Liabilities | | **16,618** | 7,502 | 6,133 | **1,802** | 1,802 | 633 |
| **Total Liabilities** | | **49,783** | 50,049 | 28,804 | **3,153** | 3,177 | 7,598 |
| **Capital, Reserves and Non-Controlling Interests** | | | | | | | |
| Share capital | 36 | **160,637** | 160,637 | 160,636 | **160,637** | 160,637 | 160,636 |
| Treasury shares | 37 | **(5,003)** | (5,003) | (5,003) | **(5,003)** | (5,003) | (5,003) |
| Asset revaluation reserve | 38 | **7,456** | 7,456 | 1,748 | **8,582** | 8,582 | 2,874 |
| Foreign currency translation reserve | 38 | **(553)** | (226) | – | **–** | – | – |
| Other reserve | 38 | **–** | – | – | **3,297** | 3,297 | 3,297 |
| Fair value adjustment | 38 | **(1,145)** | – | – | **(1,453)** | – | – |
| Retained earnings | | **26,910** | 40,456 | 60,396 | **30,517** | 40,910 | 30,144 |
| | | **188,302** | 203,320 | 217,777 | **196,577** | 208,423 | 191,948 |
| Non-controlling interests | 12 | **(1,708)** | 2,938 | 2,051 | **–** | – | – |
| Total Equity | | **186,594** | 206,258 | 219,828 | **196,577** | 208,423 | 191,948 |
| **Total Liabilities and Equity** | | **236,377** | 256,307 | 248,632 | **199,730** | 211,600 | 199,546 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

| | Attributable to equity holders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share Capital S$'000 | Treasury Shares S$'000 | Asset Revaluation Reserve S$'000 | Foreign Currency Translation Reserve S$'000 | Other Reserve S$'000 | Fair value Adjustment S$'000 | Retained Earnings S$'000 | Total S$'000 | Non-controlling Interests S$'000 | Total Equity S$'000 |
| **Group** | | | | | | | | | | |
| **Balance at 1 January 2018** | **160,637** | **(5,003)** | **7,456** | **(226)** | **–** | **–** | **40,456** | **203,320** | **2,938** | **206,258** |
| Adjustment on initial application of SFRS(I) 9 | **–** | **–** | **–** | **–** | **–** | **–** | **(1,007)** | **(1,007)** | **(17)** | **(1,024)** |
| **Adjusted balance at 1 January 2018** | **160,637** | **(5,003)** | **7,456** | **(226)** | **–** | **–** | **39,449** | **202,313** | **2,921** | **205,234** |
| (Loss) for the year | **–** | **–** | **–** | **–** | **–** | **–** | **(11,169)** | **(11,169)** | **(3,751)** | **(14,920)** |
| Other comprehensive income/(loss) for the year, net of tax | **–** | **–** | **–** | **(327)** | **–** | **(1,145)** | **–** | **(1,472)** | **(202)** | **(1,674)** |
| Total comprehensive (loss) for the year | **–** | **–** | **–** | **(327)** | **–** | **(1,145)** | **(11,169)** | **(12,641)** | **(3,953)** | **(16,594)** |
| Dividends (Note 42) | **–** | **–** | **–** | **–** | **–** | **–** | **(1,370)** | **(1,370)** | **–** | **(1,370)** |
| Acquisition of non-controlling interests (Note 12) | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(676)** | **(676)** |
| **Balance at 31 December 2018** | **160,637** | **(5,003)** | **7,456** | **(553)** | **–** | **(1,145)** | **26,910** | **188,302** | **(1,708)** | **186,594** |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

| | Attributable to equity holders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share Capital S$'000 | Treasury Shares S$'000 | Asset Revaluation Reserve S$'000 | Foreign Currency Translation Reserve S$'000 | Other Reserve S$'000 | Retained Earnings S$'000 | Total S$'000 | Non-controlling Interests S$'000 | Total Equity S$'000 |
| **Group** | | | | | | | | | |
| **Balance at 1 January 2017** | 160,636 | (5,003) | 1,748 | 897 | – | 59,499 | 217,777 | 2,051 | 219,828 |
| Adjustment on initial application of SFRS(I) 1 | – | – | – | (897) | – | 897 | – | – | – |
| **Adjusted balance at 1 January 2017** | 160,636 | (5,003) | 1,748 | – | – | 60,396 | 217,777 | 2,051 | 219,828 |
| (Loss) for the year | – | – | – | – | – | (18,227) | (18,227) | (1,825) | (20,052) |
| Other comprehensive income/(loss) for the year, net of tax | – | – | 5,708 | (226) | – | – | 5,482 | (42) | 5,440 |
| Total comprehensive income/(loss) for the year | – | – | 5,708 | (226) | – | (18,227) | (12,745) | (1,867) | (14,612) |
| Issue of ordinary shares | 1 | – | – | – | – | – | 1 | – | 1 |
| Dividends | – | – | – | – | – | (1,713) | (1,713) | – | (1,713) |
| Acquisition of a subsidiary | – | – | – | – | – | – | – | 1,558 | 1,558 |
| Acquisition of non-controlling interests | – | – | – | – | – | – | – | (173) | (173) |
| Capital contribution by non-controlling interests | – | – | – | – | – | – | – | 1,369 | 1,369 |
| **Balance at 31 December 2017** | 160,637 | (5,003) | 7,456 | (226) | – | 40,456 | 203,320 | 2,938 | 206,258 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | S$'000 | S$'000 |
| **Cash Flows from Operating Activities** | | |
| (Loss) for the year | **(14,920)** | (20,052) |
| Adjustments for: | | |
| Income tax expense recognised in profit or loss | **(84)** | (12) |
| Amortisation of intangible assets | **–** | 48 |
| Amortisation of prepaid land leases | **186** | 34 |
| Depreciation of property, plant and equipment | **5,239** | 3,529 |
| Bad debts written-off (trade) | **7** | – |
| Inventory write back | **(6)** | (12) |
| Property, plant and equipment written-off | **4** | 34 |
| Gain on disposal of property, plant and equipment | **(192)** | (59) |
| Contingent consideration written off | **(1,193)** | – |
| Share of losses of associates, net of tax | **197** | 571 |
| Share of profits of joint ventures, net of tax | **(58)** | (102) |
| (Gain)/Loss on disposal of a joint venture | **(238)** | 22 |
| Impairment of goodwill | **3,651** | 9,600 |
| Written down of land held for development | **1,650** | – |
| Allowance for impairment of trade receivables | **341** | 791 |
| Allowance of impairment of contract assets | **84** | – |
| Allowance for stock obsolescence | **25** | 3 |
| Reversal of allowance for stock obsolescence | **–** | (154) |
| Provision for cost of demolition | **–** | 473 |
| Dividend income | **(126)** | (175) |
| Interest expense | **576** | 246 |
| Interest income | **(377)** | (1,045) |
| Unrealised foreign exchange gain – net | **(39)** | (202) |
| Operating cash flows before working capital changes | **(5,273)** | (6,462) |
| Changes in working capital: | | |
| Inventories | **283** | (6,803) |
| Land held for development | **(6,691)** | – |
| Deposit paid for acquisition of land held for development | **(1,755)** | – |
| Contract assets, receivables and prepayments | **(1,192)** | 9,882 |
| Contract liabilities and payables | **(1,712)** | (6,521) |
| Cash used in operations | **(16,340)** | (9,904) |
| Interest paid | **(556)** | (231) |
| Interest received | **377** | 1,045 |
| Income tax (paid)/refund | **(220)** | 26 |
| **Net cash used in operating activities** | **(16,739)** | (9,064) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

| | Group | |
|---|---|---|
| | 2018 S$'000 | 2017 S$'000 |
| **Cash Flows from Investing Activities** | | |
| Dividend received from other financial assets | **126** | 175 |
| Dividend received from an associate | **450** | 13,500 |
| Proceeds from capital reduction in other financial assets | **907** | – |
| Proceeds from capital reduction in associates | **1,200** | – |
| Payment for prepaid land leases | **–** | (2,890) |
| Payment for purchase of property, plant and equipment | **(7,976)** | (25,072) |
| Proceed from disposal of intangible assets | **–** | 4 |
| Increase in prepaid development costs | **(2,432)** | (17,088) |
| Proceeds from disposal of property, plant and equipment | **354** | 94 |
| Proceeds from disposal of a joint venture | **2,674** | 396 |
| Loans to joint ventures | **–** | (55) |
| Investment in an associate | **–** | (1,110) |
| Repayment from an associate | **–** | 600 |
| Net cash outflow on acquisition of a subsidiary | **–** | (2,217) |
| Acquisition of non-controlling interests | **–** | (173) |
| Deposit paid for acquisition of land | **–** | (550) |
| Receipt of deposit held in escrow | **–** | 10,000 |
| **Net cash used in investing activities** | **(4,697)** | (24,386) |
| **Cash Flows from Financing Activities** | | |
| Proceeds from issue of ordinary shares | **–** | 1 |
| Dividends paid on ordinary shares | **(1,370)** | (1,713) |
| Net increase in amount due to associates | **1,440** | 1,029 |
| Repayment of finance leases | **(99)** | (174) |
| Proceeds from term loans | **2,680** | 12,820 |
| Repayment of term loans | **(1,568)** | – |
| Drawdown of trust receipts | **3,130** | 2,912 |
| Repayment of trust receipts | **(2,927)** | (5,314) |
| Capital contribution by non-controlling interests | **–** | 1,369 |
| Increase in amount due to directors of the subsidiaries | **201** | – |
| Increase in amount due from non-controlling interests | **(463)** | (3,055) |
| Increase in amount due to non-controlling interests | **1,160** | 3,949 |
| **Net cash generated from financing activities** | **2,184** | 11,824 |
| **Net decrease in cash and cash equivalents** | **(19,252)** | (21,626) |
| **Cash and cash equivalents at the beginning of the year** | **49,107** | 70,792 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | **35** | (59) |
| **Cash and cash equivalents at the end of the year (Note 26)** | **29,890** | 49,107 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

These notes form an integral part of and should be read in conjunction with the accompanying financial statements:

## 1 General

SHS Holdings Ltd. (the "Company") is a public limited company incorporated and domiciled in Singapore and is listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Company's registered address and principal place of business is at 19 Tuas Avenue 20, Singapore 638830.

The principal activities of the Company are investment holding and those of grit blasting and painting. The principal activities of the subsidiaries are set out in Note 12.

The financial statements for the financial year ended 31 December 2018 were approved and authorised for issue by the Board of Directors of the Company in accordance with a resolution of the directors on the date of the Directors' Statement.

## 2 Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s")

The Group has adopted SFRS(I) 1 on 1 January 2018 and has prepared its first set of financial statements under SFRS(I) for the financial year ended 31 December 2018. As a result, the audited financial statements for the year ended 31 December 2017 was the last set of financial statements prepared under the previous Financial Reporting Standards in Singapore ("FRS").

In adopting SFRS(I) 1, the Group is required to apply all the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. Under SFRS(I) 1, these financial statements are required to be prepared using accounting policies that comply with SFRS(I) 1 effective as at 1 January 2018. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

### Optional exemptions applied on adoption of SFRS(I) 1

For first-time adopters, SFRS(I) 1 allows the exemptions from the retrospective application of certain requirements under SFRS(I) 1. The Group has applied the following exemptions:

(a) SFRS(I) 3 *Business Combinations* has not been applied to business combinations that occurred before the date of transition on 1 January 2017. The same classification as in its previous FRS financial statements has been adopted.

(b) SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* has not been applied retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I) on 1 January 2017. Such fair value adjustments and goodwill continue to be accounted for using the same basis as under FRS 21.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**2 Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s")** (Continued)

**Optional exemptions applied on adoption of SFRS(I)** (Continued)

For first-time adopters, SFRS(I) 1 allows the exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions: (Continued)

(c) Cumulative translation differences for all foreign operations are reset to zero as at the date of transition to SFRS(I) on 1 January 2017.

(d) The Group has not reassessed the determination of whether an arrangement contained a lease in accordance with SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*.

(e) The Group has elected to apply the requirements in the SFRS(I) 1-23 Borrowing Costs from the date of transition to SFRS(I) on 1 January 2017. Borrowing costs that were accounted for previously under FRS prior to date of transition are not restated.

(f) The Group elected the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the information presented for 2017 is presented, as previously reported, under FRS 39 *Financial Instruments: Recognition and Measurement*. Arising from this election, the Group is exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosures* to the extent that the disclosures as required by SFRS(I) 7 to items within the scope of SFRS(I) 9.

(g) The Group has elected to apply the transitional provisions under paragraph C5 of SFRS(I) 15 at 1 January 2018 and have used the following practical expedients as allowed under SFRS(I) 1 as follows:

    (i) The Group has not restated those completed contracts that began and ended in the same annual reporting in 2017 and contracts completed at 1 January 2017;

    (ii) For completed contracts that have variable consideration, the Group has used the transaction price at the date the contract was completed, rather than estimating the variable consideration amounts in the comparative reporting period;

    (iii) For contracts which were modified before the 1 January 2017, the Group did not retrospectively restate the contract for those contract modifications; and

    (iv) For the financial year ended 31 December 2017, the Group did not disclose the amount of transaction price allocated to the remaining performance obligations and explanation of when the Group expects to recognise that amount as revenue.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**2 Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s")** (Continued)

**(a) First-time adoption of SFRS(I) and adoption of new standards**

Reconciliation of the Group's equity

| | | 31 December 2017 | | | | 1 January 2018 | |
|---|---|---|---|---|---|---|---|
| | Note | **SFRS S$'000** | **SFRS(I) 1 S$'000** | **SFRS(I) 15 S$'000** | **SFRS(I)s S$'000** | **SFRS(I) 9 S$'000** | **SFRS(I)s S$'000** |
| **ASSETS** | | | | | | | |
| **Non-Current Assets** | | | | | | | |
| Property, plant and equipment | | 75,408 | – | – | 75,408 | **–** | **75,408** |
| Investment in associates | | 9,330 | – | – | 9,330 | **–** | **9,330** |
| Investment in joint ventures | | 102 | – | – | 102 | **–** | **102** |
| Other financial assets | C(i)(b) | 19,711 | – | – | 19,711 | **–** | **19,711** |
| Goodwill | | 20,501 | – | – | 20,501 | **–** | **20,501** |
| Intangible assets | | – | – | – | – | **–** | **–** |
| Prepaid land leases | | 6,470 | – | – | 6,470 | **–** | **6,470** |
| Other receivables and prepayments | | 16,541 | – | – | 16,541 | **–** | **16,541** |
| Total Non-Current Assets | | 148,063 | – | – | 148,063 | **–** | **148,063** |
| **Current Assets** | | | | | | | |
| Prepaid land leases | | 189 | – | – | 189 | **–** | **189** |
| Inventories | B | 20,483 | – | (12,332) | 8,151 | **–** | **8,151** |
| Trade receivables | B, C(ii) | 14,716 | – | (3,271) | 11,445 | **(1,024)** | **10,421** |
| Contract assets | B | – | – | 15,603 | 15,603 | **–** | **15,603** |
| Other receivables and prepayments | | 21,473 | – | – | 21,473 | **–** | **21,473** |
| Loan receivables from joint ventures | | 2,276 | – | – | 2,276 | **–** | **2,276** |
| Cash and bank balances | | 49,107 | – | – | 49,107 | **–** | **49,107** |
| Assets classified as held for sale | | – | – | – | – | **–** | **–** |
| Total Current Assets | | 108,244 | – | – | 108,244 | **(1,024)** | **107,220** |
| **Total Assets** | | 256,307 | – | – | 256,307 | **(1,024)** | **255,283** |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 2 Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s") (Continued)

### (a) First-time adoption of SFRS(I) and adoption of new standards (Continued)

Reconciliation of the Group's equity (Continued)

| | Note | 31 December 2017 | | | | 1 January 2018 | |
|---|---|---|---|---|---|---|---|
| | | SFRS S$'000 | SFRS(I) 1 S$'000 | SFRS(I) 15 S$'000 | SFRS(I)s S$'000 | SFRS(I) 9 S$'000 | SFRS(I)s S$'000 |
| **LIABILITIES AND EQUITY** | | | | | | | |
| **Current Liabilities** | | | | | | | |
| Trade payables and accruals | B | 14,646 | – | (1,012) | 13,634 | **–** | **13,634** |
| Contract liabilities | B | – | – | 1,012 | 1,012 | **–** | **1,012** |
| Other payables | | 10,005 | – | – | 10,005 | **–** | **10,005** |
| Amount due to associates | | 1,029 | – | – | 1,029 | **–** | **1,029** |
| Term loans | | 13,050 | – | – | 13,050 | **–** | **13,050** |
| Other amounts due to bankers | | 2,927 | – | – | 2,927 | **–** | **2,927** |
| Finance leases | | 79 | – | – | 79 | **–** | **79** |
| Provision for income tax | | 811 | – | – | 811 | **–** | **811** |
| Total Current Liabilities | | 42,547 | – | – | 42,547 | **–** | **42,547** |
| **Non-Current Liabilities** | | | | | | | |
| Term loans | | 3,776 | – | – | 3,776 | **–** | **3,776** |
| Finance leases | | 128 | – | – | 128 | **–** | **128** |
| Deferred tax liabilities | | 3,598 | – | – | 3,598 | **–** | **3,598** |
| Total Non-Current Liabilities | | 7,502 | – | – | 7,502 | **–** | **7,502** |
| **Total Liabilities** | | 50,049 | – | – | 50,049 | **–** | **50,049** |
| **Capital, Reserves and Non-Controlling Interests** | | | | | | | |
| Share capital | | 160,637 | – | – | 160,637 | **–** | **160,637** |
| Treasury shares | | (5,003) | – | – | (5,003) | **–** | **(5,003)** |
| Asset revaluation reserve | | 7,456 | – | – | 7,456 | **–** | **7,456** |
| Foreign currency translation reserve | A | 671 | (897) | – | (226) | **–** | **(226)** |
| Retained earnings | A | 39,559 | 897 | – | 40,456 | **(1,007)** | **39,449** |
| | | 203,320 | – | – | 203,320 | **(1,007)** | **202,313** |
| Non-controlling interests | | 2,938 | – | – | 2,938 | **(17)** | **2,921** |
| Total Equity | | 206,258 | – | – | 206,258 | **(1,024)** | **205,234** |
| **Total Liabilities and Equity** | | 256,307 | – | – | 256,307 | **(1,024)** | **255,283** |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 2 Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s") (Continued)

### (a) First-time adoption of SFRS(I) and adoption of new standards (Continued)

Reconciliation of the Group's equity (Continued)

| | | 1 January 2017 | | | |
|---|---|---|---|---|---|
| | Note | SFRS S$'000 | SFRS(I) 1 S$'000 | SFRS(I) 15 S$'000 | SFRS(I)s S$'000 |
| **ASSETS** | | | | | |
| **Non-Current Assets** | | | | | |
| Property, plant and equipment | | 42,793 | – | – | 42,793 |
| Investment in associates | | 22,291 | – | – | 22,291 |
| Investment in joint ventures | | 6 | – | – | 6 |
| Other financial assets | | 19,711 | – | – | 19,711 |
| Goodwill | | 26,450 | – | – | 26,450 |
| Intangible assets | | 52 | – | – | 52 |
| Other receivables and prepayments | | 1,355 | – | – | 1,355 |
| Total Non-Current Assets | | 112,658 | – | – | 112,658 |
| **Current Assets** | | | | | |
| Inventories | B | 9,941 | – | (6,093) | 3,848 |
| Trade receivables | B | 21,147 | – | (4,730) | 16,417 |
| Contract assets | B | – | – | 10,823 | 10,823 |
| Other receivables and prepayments | | 30,533 | – | – | 30,533 |
| Amount due from a joint venture | | 328 | – | – | 328 |
| Loan receivable from an associate | | 600 | – | – | 600 |
| Loan receivables from joint ventures | | 2,633 | – | – | 2,633 |
| Cash and bank balances | | 70,792 | – | – | 70,792 |
| Total Current Assets | | 135,974 | – | – | 135,974 |
| **Total Assets** | | 248,632 | – | – | 248,632 |
| **LIABILITIES AND EQUITY** | | | | | |
| **Current Liabilities** | | | | | |
| Trade payables and accruals | | 12,311 | – | – | 12,311 |
| Other payables | | 4,397 | – | – | 4,397 |
| Term loans | | 18 | – | – | 18 |
| Other amounts due to bankers | | 5,314 | – | – | 5,314 |
| Finance leases | | 103 | – | – | 103 |
| Provision for income tax | | 528 | – | – | 528 |
| Total Current Liabilities | | 22,671 | – | – | 22,671 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**2 Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s")** (Continued)

**(a) First-time adoption of SFRS(I) and adoption of new standards** (Continued)

Reconciliation of the Group's equity (Continued)

| | Note | 1 January 2017 SFRS S$'000 | SFRS(I) 1 S$'000 | SFRS(I) 15 S$'000 | SFRS(I)s S$'000 |
|---|---|---|---|---|---|
| **Non-Current Liabilities** | | | | | |
| Term loans | | 3,840 | – | – | 3,840 |
| Finance leases | | 278 | – | – | 278 |
| Deferred tax liabilities | | 2,015 | – | – | 2,015 |
| Total Non-Current Liabilities | | 6,133 | – | – | 6,133 |
| **Total Liabilities** | | 28,804 | – | – | 28,804 |
| **Capital, Reserves and Non-Controlling Interests** | | | | | |
| Share capital | | 160,636 | – | – | 160,636 |
| Treasury shares | | (5,003) | – | – | (5,003) |
| Asset revaluation reserve | | 1,748 | – | – | 1,748 |
| Foreign currency translation reserve | A | 897 | (897) | – | – |
| Retained earnings | A | 59,499 | 897 | – | 60,396 |
| | | 217,777 | – | – | 217,777 |
| Non-controlling interests | | 2,051 | – | – | 2,051 |
| Total Equity | | 219,828 | – | – | 219,828 |
| **Total Liabilities and Equity** | | 248,632 | – | – | 248,632 |

The Company's opening statement of financial position was prepared as at 1 January 2017, which was the Company's date of transition to SFRS(I). There were no material impact to the Company's balances on adoption of SFRS(I).

Notes to the reconciliation of the Group's equity and total comprehensive income

*A. SFRS(I) 1 First-time Adoption of SFRS(I)*

In adopting SFRS(I) in 2018, the Group has applied the transition requirements in SFRS(I) 1 with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective as at 31 December 2018 on a retrospective basis, as if such accounting policy had always been applied, subject to the mandatory exceptions and optional exemptions in SFRS(I) 1. Except as described below, the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**2 Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s")** (Continued)

**(a) First-time adoption of SFRS(I) and adoption of new standards** (Continued)

Notes to the reconciliation of the Group's equity and total comprehensive income (Continued)

*A. SFRS(I) 1 First-time Adoption of SFRS(I) (Continued)*

*Cumulative translation difference*

The Group elected the optional exemption in SFRS(I) 1 to reset its cumulative translation difference for all foreign operations to nil at the date of transition, and reclassified the cumulative translation difference of S$897,000 as at 1 January 2017 determined in accordance with FRS to retained earnings. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition. By electing this optional exemption, the cumulative translation difference decreased by S$897,000 and retained earnings increased by the same amount as at 1 January 2017.

*B. SFRS(I) 15 Revenue from Contracts with Customers*

SFRS(I) 15 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under SFRS(I) 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group adopted SFRS(I) 15 in its financial statements using the retrospective approach. All requirements of SFRS(I) 15 have been applied retrospectively, except for the application of the practical expedients as described below, and the information presented for 2017 has been restated.

The Group has elected to apply the following practical expedients provided under SFRS(I) 15 as follows:

- for contracts which were modified before the date of transition, the Group did not retrospectively restate the contract for those contract modifications; and

- for the financial year ended 31 December 2017, the Group did not disclose the amount of transaction price allocated to the remaining performance obligations and explanation of when the Group expects to recognise that amount as revenue.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**2 Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s")** (Continued)

**(a) First-time adoption of SFRS(I) and adoption of new standards** (Continued)

Notes to the reconciliation of the Group's equity and total comprehensive income (Continued)

*B. SFRS(I) 15 Revenue from Contracts with Customers (Continued)*

The impact on the financial statements upon the adoption of SFRS(I) 15 is described below.

*Construction contracts*

Certain reclassifications was made with the adoption of SFRS(I) 15 to align the Group's financial statements with the terminology in SFRS(I) 15:

- Total work in progress and construction in progress amounted to S$12,332,000 (1 January 2017: S$6,093,000) as at 31 December 2017, is presented as contract assets.
- Amounts due from customers under construction contracts amounted to S$3,271,000 (1 January 2017: S$4,730,000) as at 31 December 2017, is presented as contract assets.
- Amounts due to customers under construction contracts amounted to S$1,012,000 (1 January 2017: Nil) as at 31 December 2017, is presented as contract liabilities.

*C. SFRS(I) 9 Financial Instruments*

SFRS(I) 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' (ECL) model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 January 2018.

The Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, requirements of FRS 39 *Financial Instruments: Recognition and Measurement* will continue to apply to financial instruments up to the financial year ended 31 December 2017 (Note 3(l)). Additionally, the Group is exempted from complying with SFRS(I) 7 for the comparative period to the extent that the disclosures required by the SFRS(I) 7 relate to the items within scope of SFRS(I) 9. As a result, the requirements under FRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within the scope of the SFRS(I) 9.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**2 Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s")** (Continued)

**(a) First-time adoption of SFRS(I) and adoption of new standards** (Continued)

Notes to the reconciliation of the Group's equity and total comprehensive income (Continued)

*C. SFRS(I) 9 Financial Instruments (Continued)*

Changes in accounting policies resulting from the adoption of SFRS(I) 9 have been generally applied by the Group retrospectively, except as described below.

- The following assessments were made on the basis of facts and circumstances that existed at 1 January 2018:
  - The determination of the business model within which a financial asset is held;
  - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding;
  - The designation of an equity investment that is not held-for-trading as at FVOCI; and
  - The designation and revocation of previous designations of certain financial assets and financial liabilities measured at FVPL.
- If a debt investment has low credit risk at 1 January 2018, the Group had assumed that the credit risk on the asset has not increased significantly since its initial recognition.

The adoption of SFRS(I) 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

The impact on the financial statements upon the adoption of SFRS(I) 9 as well as the new requirements are described below.

*(i) Classification of financial assets and financial liabilities*

The following are the qualitative information regarding the reclassification between categories of financial instruments at the date of initial application of SFRS(I) 9.

Under SFRS(I) 9, financial assets are classified in the following categories: measured at amortised cost, FVOCI (debt instrument), FVOCI (equity instrument); or FVPL. The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous FRS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under SFRS(I) 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 2 Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s") (Continued)

### (a) First-time adoption of SFRS(I) and adoption of new standards (Continued)

Notes to the reconciliation of the Group's equity and total comprehensive income (Continued)

*C. SFRS(I) 9 Financial Instruments (Continued)*

*(i) Classification of financial assets and financial liabilities (Continued)*

On the date of initial application of SFRS(I) 9 on 1 January 2018, the following table and the accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under SFRS(I) 9 for each class of the Group's and the Company's financial assets as at 1 January 2018:

| | | Group | | | | |
|---|---|---|---|---|---|---|
| | Note | Measurement category | | Carrying amount | | |
| | | **FRS 39** | **SFRS(I) 9** | **FRS 39 S$'000** | **SFRS(I) 9 S$'000** | **Differences S$'000** |
| Non-current financial assets | | | | | | |
| Other financial assets | | | | | | |
| – Unquoted equity shares | (a) | AFS (at cost) | FVOCI | 19,711 | 19,711 | – |
| Current financial assets | | | | | | |
| Trade receivables | (b) | Loans and receivables (amortised cost) | Amortised cost | 11,445 | 10,421 | 1,024 |
| Other receivables | (b) | Loans and receivables (amortised cost) | Amortised cost | 17,198 | 17,198 | – |
| Loan receivable from joint venture | (b) | Loans and receivables (amortised cost) | Amortised cost | 2,276 | 2,276 | – |
| Cash and bank balances | | Loans and receivables (amortised cost) | Amortised cost | 49,107 | 49,107 | – |
| Non-current financial liabilities | | | | | | |
| Term loans | | Financial liabilities (amortised cost) | Amortised cost | 3,776 | 3,776 | – |
| Finance leases | | Financial liabilities (amortised cost) | Amortised cost | 128 | 128 | – |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**2 Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s")** (Continued)

**(a) First-time adoption of SFRS(I) and adoption of new standards** (Continued)

Notes to the reconciliation of Group's equity and total comprehensive income (Continued)

*C. SFRS(I) 9 Financial Instruments (Continued)*

*(i) Classification of financial assets and financial liabilities (Continued)*

| | Note | Group | | | | |
|---|---|---|---|---|---|---|
| | | **Measurement category** | | **Carrying amount** | | |
| | | **FRS 39** | **SFRS(I) 9** | **FRS 39 S$'000** | **SFRS(I) 9 S$'000** | **Differences S$'000** |
| Current financial liabilities | | | | | | |
| Trade payables and accruals | | Financial liabilities (amortised cost) | Amortised cost | 13,161 | 13,161 | – |
| Other payables | | Financial liabilities (amortised cost) | Amortised cost | 9,989 | 9,989 | – |
| Amount due to associates | | Financial liabilities (amortised cost) | Amortised cost | 1,029 | 1,029 | – |
| Term loans | | Financial liabilities (amortised cost) | Amortised cost | 13,050 | 13,050 | – |
| Other amounts due to bankers | | Financial liabilities (amortised cost) | Amortised cost | 2,927 | 2,927 | – |
| Finance leases | | Financial liabilities (amortised cost) | Amortised cost | 79 | 79 | – |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**2 Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s")** (Continued)

**(a) First-time adoption of SFRS(I) and adoption of new standards** (Continued)

Notes to the reconciliation of Group's equity and total comprehensive income (Continued)

*C. SFRS(I) 9 Financial Instruments (Continued)*

*(i) Classification of financial assets and financial liabilities (Continued)*

| | | Group | | | | |
|---|---|---|---|---|---|---|
| | Note | **Measurement category** | | **Carrying amount** | | |
| | | **FRS 39** | **SFRS(I) 9** | **FRS 39 S$'000** | **SFRS(I) 9 S$'000** | **Differences S$'000** |
| Non-current financial assets | | | | | | |
| Other financial assets | | | | | | |
| – Unquoted equity shares | (a) | AFS (at cost) | FVOCI | 17,135 | 17,135 | – |
| Current financial assets | | | | | | |
| Trade receivables | (b) | Loans and receivables (amortised cost) | Amortised cost | 352 | 352 | – |
| Other receivable | (b) | Loans and receivables (amortised cost) | Amortised cost | 7,960 | 7,960 | – |
| Amount due from subsidiaries | (b) | Loans and receivables (amortised cost) | Amortised cost | 72,432 | 72,432 | – |
| Cash and bank balances | | Loans and receivables (amortised cost) | Amortised cost | 37,670 | 37,670 | – |
| Current financial liabilities | | | | | | |
| Trade payables and accruals | | Financial liabilities (amortised cost) | Amortised cost | 982 | 982 | – |
| Other payables | | Financial liabilities (amortised cost) | Amortised cost | 214 | 214 | – |
| Amount due to subsidiaries | | Financial liabilities (amortised cost) | Amortised cost | 83 | 83 | – |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 2 Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s") (Continued)

### (a) First-time adoption of SFRS(I) and adoption of new standards (Continued)

Notes to the reconciliation of the Group's equity and total comprehensive income (Continued)

*C. SFRS(I) 9 Financial Instruments (Continued)*

*(i) Classification of financial assets and financial liabilities (Continued)*

a. Trade receivables, contract assets and other receivables

Trade receivables, contract assets and other receivables that were classified as loans and receivables under FRS 39 are now classified at amortised cost.

b. Available-for-sale equity securities

Unquoted equity investments, which were measured at cost, is re-measured to fair value under SFRS(I) 9. The Group has elected to present fair value changes on these unquoted equity securities in other comprehensive income under SFRS(I) 9, because these instruments are not held for trading. Accordingly, these assets are categorised as "Equity investments at fair value through other comprehensive income". There is no difference between the cost and the fair value as at 1 January 2018 when the Group applies SFRS(I) 9.

*(ii) Impairment of financial assets*

SFRS(I) 9 replaces the "incurred loss" model in FRS 39 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost but not to equity investments. As a result of the adoption of SFRS(I) 9, the Group presented impairment loss related to trade receivables and contract assets separately in the statement of profit or loss. As a result, the Group reclassified net impairment loss amounted to S$791,000 recognised under FRS 39, from other operating expenses to 'net impairment loss on trade receivables and contract assets' in the consolidated statement of comprehensive income for the financial year ended 31 December 2017.

The Group has applied the simplified impairment approach to recognise only lifetime ECL impairment charges on all trade receivables and contract assets and that arise from SFRS(I) 15. Based on the assessment made, there was an increase of S$1,024,000 in the allowance for impairment loss was recognised in opening retained earnings of the Group at 1 January 2018 on transition to SFRS(I) 9. For other receivables, the Group has assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Group measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**2 Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s")** (Continued)

**(a) First-time adoption of SFRS(I) and adoption of new standards** (Continued)

Notes to the reconciliation of the Group's equity and total comprehensive income (Continued)

*C. SFRS(I) 9 Financial Instruments (Continued)*

*(ii) Impairment of financial assets (Continued)*

On the date of initial application of SFRS(I) 9 on 1 January 2018, the closing loss allowances reconciling to the opening loss allowances is provided below.

| | Trade receivables S$'000 |
|---|---|
| **Group** | |
| Closing balance at 31 December 2017 (FRS 39) | 4,033 |
| Additional impairment loss recognised on trade receivables restated through retained earnings (SFRS(I) 9) | 1,024 |
| Opening balance at 1 January 2018 | 5,057 |

The application of SFRS(I) 9 impairment requirements at 1 January 2018 does not have significant effect on the Company. Additional information about how the Group and the Company measure the loss allowances is described in Note 44(a)(ii).

*(iii) Transition impact on equity*

A summary of the impact, excluding immaterial corresponding tax effect, of transition to SFRS(I) 9 on equity at 1 January 2018 is provided below.

| | Impact of adopting SFRS(I) 9 at 1 January 2018 | |
|---|---|---|
| | Retained earnings S$'000 | Non-controlling interest S$'000 |
| **Group** | | |
| Closing balance at 31 December 2018 (FRS 39) | 40,456 | 2,938 |
| Recognition of expected credit losses (SFRS(I) 9) | (1,007) | (17) |
| Opening balance at 1 January 2018 | 39,449 | 2,921 |

*D. Impact on the Consolidated Statement of Cash Flows*

There were no material adjustments to the Group's consolidated statement of cash flows arising from the transition from SFRS to SFRS(I) and the initial application of SFRS(I) 9 and SFRS(I) 15.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 2 Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s") (Continued)

### (b) SFRS(I)s and SFRS(I) INTs issued but not yet effective

At the date of authorisation of these financial statements, the following standards that have been issued and are relevant to the Group and Company but are not yet effective:

| Description | | Effective for annual periods beginning on or after |
|---|---|---|
| SFRS(I) 16 | *Leases* | 1 January 2019 |
| SFRS(I) INT 23 | *Uncertainty over Income Tax Treatments* | 1 January 2019 |
| Amendments to SFRS(I) 9 | *Prepayment Features with Negative Compensation* | 1 January 2019 |
| Amendments to SFRS(I) 1-28 | *Long term Interests in Associates and Joint Ventures* | 1 January 2019 |
| Annual improvements to SFRS(I)s 2015-2017 cycle | *– Amendments to SFRS(I) 3 Business Combinations*<br>*– Amendments to SFRS(I) 11 Joint Arrangements*<br>*– Amendments to SFRS(I) 1-12 Income Taxes*<br>*– Amendments to SFRS(I) 1-23 Borrowing Costs* | 1 January 2019 |
| Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 | *Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors* | 1 January 2020 |
| Amendments to SFRS(I) 3 | *Business Combinations* | 1 January 2020 |
| Amendments to SFRS(I) 10 and SFRS(I) 1-28 | *Investments in Associates and Joint Ventures – Sale or contribution of assets between an investor and its associate or joint venture* | Deferred indefinitely, early application is still permitted |

Except for SFRS(I) 16 described below, the Group anticipates that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application.

SFRS(I) 16 *Leases*

SFRS(I) 16 sets out a revised framework for the recognition, measurement, presentation and disclosure of leases, and replaces SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives*; and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. SFRS(I) 16 requires lessees to recognise right-of-use assets and lease liabilities for all leases with a term of more than twelve months, except where the underlying asset is of low value. The right-of-use asset is depreciated and interest expense is recognised on the lease liability. The accounting requirements for lessors have not been changed substantially, and continue to be based on classification as operating and finance leases. Disclosure requirements have been enhanced for both lessors and lessees.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**2 Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s")** (Continued)

**(b) SFRS(I)s and SFRS(I) INTs issued but not yet effective** (Continued)

SFRS(I) 16 *Leases* (Continued)

The Group plans to adopt SFRS(I) 16 on 1 January 2019 based on a permitted transition approach that does not restate comparative information, but recognises the cumulative effect of initially applying SFRS 116 as an adjustment to the opening balance of retained earnings on 1 January 2019. The Group will elect the transition option to record, in respect of leases previously classified as operating leases, the right-of-use asset on 1 January 2019 at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments as at 31 December 2018. The Group also plans to adopt an expedient offered by SFRS(I) 16 exempting the Group from having to reassess whether pre-existing contracts contain a lease.

As disclosed in Note 39(a), the Group has entered into various non-cancellable operating leases as lessee. The Group expects their existing ROU (right of use) assets with corresponding lease liabilities under SFRS(I) 16. The Group does not expect any significant impact on the financial statements based on the existing operating leases, when the standard is applied as of 1 January 2019. However, the nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

The Group's activities as a lessor are not material and the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required.

**3 Significant Accounting Policies**

(a) Basis of Preparation

The consolidated financial statements of the Group and the statement of financial position of the Company have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)s") as issued by Accounting Standards Council. These are the Group's first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 *First-time adoption of Singapore Financial Reporting Standards (International)* has been applied. In the previous financial years, the financial statements were prepared in accordance with the Financial Reporting Standards in Singapore ("FRS"). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 and SFRS(I) 15 have affected the reported financial position, financial performance and cash flows is provided in Note 2(a). These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SFRS(I) statements of financial position at 1 January 2017 for the purposes of the transition to SFRS(I), unless otherwise indicated. The accounting policies have been applied consistently by Group entities.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 Significant Accounting Policies (Continued)

(b) Group Accounting

*Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

Goodwill on acquisitions of subsidiaries and businesses, represents the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous held equity interest in the acquiree over the fair value of the investee's identifiable net assets acquired. Goodwill on acquisitions of subsidiaries is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Gains and losses on the disposal of subsidiaries, include the carrying amount of goodwill relating to the entity sold.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 **Significant Accounting Policies** (Continued)

(b) Group Accounting (Continued)

<u>Subsidiaries</u> *(Continued)*

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group loses control of a subsidiary, it:

- derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- derecognises the carrying amount of any non-controlling interest (including any components of other comprehensive income attributable to them);
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained in the former subsidiary at its fair value;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate; and
- recognises any resulting difference as a gain or loss in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**3 Significant Accounting Policies** (Continued)

(b) Group Accounting (Continued)

*Associates and joint ventures*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

Goodwill on acquisition of associates and joint ventures represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets acquired. Goodwill on associates and joint ventures is included in the carrying amount of the investments. Gains and losses on the disposal of associates and joint ventures include the carrying amounts of goodwill relating to the entity sold.

Investments in associates and joint ventures are accounted for using the equity method of accounting less impairment losses, if any. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

When the Group reduces its ownership interest in an associate or a joint venture, but the Group continues to apply the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate or joint venture are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates or joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates or joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 Significant Accounting Policies (Continued)

(c) Investments in Subsidiaries and Associates

Investments in subsidiaries and associates are carried at cost less accumulated impairment losses in the statement of financial position of the Company.

On disposal of investments in subsidiaries and associates, the difference between net disposal proceeds and the carrying amount of the investments are recognised in the profit or loss.

(d) Non-current Assets Held for Sale and Discontinued Operations

Non-current assets or disposal groups are classified as held for sale or distribution if their carrying amount will be recovered through a sale transaction or distribution rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria set out above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale. Non-current assets (or disposal groups) classified as held for sale (held for distribution) are measured at the lower of the assets' previous carrying amount and fair value less cost to sell (fair value less costs to distribute).

The assets are not depreciated or amortised while they are classified as held-for-sale. In addition, equity accounting of associates and joint ventures ceases once classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale and:

- represents a separate major line of business or geographical area of operations; or
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

When a component of an entity qualifies as a discontinued operation, the comparative statement of comprehensive income is retrospectively restated to segregate the results of all operations that have been discontinued by the end of the latest reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**3 Significant Accounting Policies** (Continued)

(e) Revenue Recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to as customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

*Sale of goods (including blasting equipment goods, modular goods and solar power equipment goods)*

Revenue on the sale of goods is recognised when control of the goods has transferred, being when the goods are delivered to the customer. Revenue is not recognised to the extent there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

*Services rendered – grit blasting and painting and solar power installation*

The Group provide the services of grit blasting and painting and solar power installation. Revenue may be recognised at a point in time or over time following the timing of satisfaction of the performance obligation. If a performance obligation is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that performance obligation.

*Construction*

The Group provide engineering & construction/modular construction services and generates revenue under construction contracts with customers. Such contracts are entered into before construction begins. Revenue is recognised when control over the construction contract has been transferred to the customer, either over time or at a point in time, depending on the contractual terms.

For engineering & construction contracts whereby the Group is contractually restricted from redirecting to another customer and has an enforceable right to payment for performance completed to date, revenue is recognised over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The Group considers that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under SFRS(I) 15.

For development of real estate contracts whereby the Group does not have an enforceable right to payment for performance completed to date, revenue is recognised when the construction has been completed or substantially completed and the real estate is delivered to the customer and the customer has accepted it in accordance with the terms of the contracts.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**3 Significant Accounting Policies** (Continued)

(e) Revenue Recognition (Continued)

*Construction (Continued)*

For construction contracts in progress, the Group becomes entitled to invoice customers based on achieving a series of performance-related milestones. When a particular milestone is reached the customer is sent a relevant statement of work and an invoice for the related milestone payment. A contract asset is recognised for the Group's right to consideration for the work performed under the contract but not billed to the customer. Conversely, a contract liability is recognised when the Group received advance consideration from customer or progress billings issued in excess of the Group's rights to consideration under the contract. Contract assets are transferred to trade receivables when the rights to the consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs the work under the contract.

(f) Property, Plant and Equipment

Leasehold properties are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

Leasehold properties are revalued at regular intervals by the directors and whenever their carrying amounts are likely to differ materially from their revalued amounts. When an asset is revalued, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset.

Increases in carrying amounts arising from revaluation, including currency translation differences, are recognised in other comprehensive income, unless they offset previous decreases in the carrying amounts of the same asset, in which case, they are recognised in profit or loss. Decreases in carrying amounts that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases in carrying amounts are recognised in profit or loss.

All items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Subsequent expenditure related to property, plant and equipment that has already been recognised is added to the carrying amount of the asset 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 repairs and maintenance expenses are recognised in profit or loss when incurred.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**3 Significant Accounting Policies** (Continued)

(f) Property, Plant and Equipment (Continued)

Freehold land has an unlimited useful life and therefore is not depreciated.

Depreciation is recognised so as to write off the depreciable amounts of the assets over their estimated useful lives, using the straight-line method:

| | | |
|---|---|---|
| Leasehold buildings | – | over the land lease term |
| Renovation/leasehold improvements | – | 5 – 10 years |
| Furniture and fittings | – | 5 – 10 years |
| Machinery and yard equipment | – | 5 – 10 years |
| Motor vehicles | – | 5 – 10 years |
| Office and computer equipment | – | 2 – 10 years |

Properties in the course of construction are carried at cost less any recognised impairment losses. Cost includes, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant leases.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The effect of any revision are recognised in profit or loss when the changes arise.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any amount in the revaluation reserve relating to that asset is transferred to retained earnings directly. No transfer is made from the revaluation reserve to retained earnings except when the asset is derecognised.

(g) Investment Properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate the depreciable amount over the estimated useful life of 13.33 years. The residual value, useful life and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The effect of any revision are recognised in profit or loss when the changes arise.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 **Significant Accounting Policies** (Continued)

(g) Investment Properties (Continued)

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. All other costs of maintenance, repairs and minor improvements are recognised in profit or loss when incurred.

Investment properties are derecognised when either they have been disposed of or when the asset is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property, calculated as the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or loss. When the property is sold, the related amount in the revaluation reserve is transferred to retained earnings.

(h) Prepaid Land Leases

Prepaid land leases, which represent land use rights, is stated at cost less accumulated amortisation and accumulated impairment losses. The prepaid land leases are amortised on a straight-line method over the term of the land lease of 29 to 38 years. The amortisation period and method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The effect of any revision are recognised in profit or loss when the changes arise.

(i) Land Held for Development

Development properties are held as inventories and are measured at the lower of cost and net realisable value. Net realisable value of development properties is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

The costs of development properties recognised in profit or loss on disposal are determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**3 Significant Accounting Policies** (Continued)

(j) Goodwill

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated, from the acquisition date, to each of the Group's cash generating units (CGU) or groups of CGU, that are expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost of disposal and value in use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised in profit or loss and is not reversed in a subsequent period.

Where goodwill forms part of a cash generating unit and part of the operation within that cash generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

(k) Other Intangible Assets

Intangible assets acquired separately are measured initially at cost or acquired in a business combination are identified and recognised separately from goodwill at their fair value at the acquisition date. Intangible assets are subsequently stated at cost less accumulated amortisation and accumulated impairment losses.

The carrying amounts of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The useful life and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The effect of any revision are recognised in profit or loss when the changes arise.

Intangible assets are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the asset is derecognised.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 **Significant Accounting Policies** (Continued)

(k) Other Intangible Assets (Continued)

The Group's finite intangible assets comprise:

*i. Capitalised developments*

Capitalised developments are amortised on a straight-line method over its estimated useful life of 10 years.

*ii. Customer contractual backlog*

Customer contractual backlog are amortised on a straight-line method over its estimated useful life of 2 years.

(l) Impairment of Non-financial Assets Excluding Goodwill

Non-financial assets (including finite intangible assets) other than goodwill are tested for impairment whenever there is any indication that these assets may be impaired.

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any), on an individual asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount where the revaluation was previously taken to other comprehensive income. In this case, such impairment loss of revalued asset is treated as a revaluation decrease.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 **Significant Accounting Policies** (Continued)

(l) Impairment of Non-Financial Assets Excluding Goodwill (Continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so 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 (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also credited to profit or loss.

(m) Financial Assets – accounting policies are applicable from 1 January 2018

i. Classification and measurement

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value either through Other Comprehensive Income ("FVOCI") or through profit or loss ("FVPL"), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

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

Initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transactions costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 **Significant Accounting Policies** (Continued)

(m) Financial Assets – accounting policies are applicable from 1 January 2018 (Continued)

i. Classification and measurement (Continued)

Subsequent Measurement

(a) Debt instruments

Debt instruments mainly comprise of cash and bank balances, trade receivables, other receivables, contract assets, amount due from subsidiaries, amount due from a joint venture and loan receivable from an associate and joint ventures. 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. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. For debt instrument that is measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss. Impairment losses are deducted from the gross carrying amount of these assets and are presented as separate line item in the statement of profit or loss.

Interest income is recognised in profit or loss using the effective interest rate method and is included in the "other income" line item.

(b) Equity instruments

The Group subsequently measures all equity investments at fair value. On initial recognition of an equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value of equity investments in OCI and there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Designation at FVOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Dividends are included in the "other income" line item in profit or loss.

Changes in fair value of equity instruments at FVOCI are recognised in other comprehensive income. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**3 Significant Accounting Policies** (Continued)

(m) Financial Assets – accounting policies are applicable from 1 January 2018 (Continued)

ii. Impairment

The Group assesses on a forward looking basis the expected credit losses associated with the financial assets measured at amortised costs.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs – represents the ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or

- Lifetime ECLs – represents the ECLs that will result from all possible default events over the expected life of a financial instrument or contract asset.

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

*Simplified approach – Trade receivables and contract assets*

The Group applies the simplified approach to provide ECLs for all trade receivables and contract assets as permitted by SFRS(I) 9. The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

*General approach – Other financial instruments*

The Group applies the general approach to provide for ECLs on other financial instruments, which requires the loss allowance to be measured at an amount equal to 12-month ECLs at initial recognition.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 **Significant Accounting Policies** (Continued)

(m) Financial Assets – accounting policies are applicable from 1 January 2018 (Continued)

ii. Impairment (Continued)

*General approach – Other financial instruments* (Continued)

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information that is reasonable and supportable, including the Group's historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

- the financial asset is more than 1 year and 9 months past due.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 Significant Accounting Policies (Continued)

(m) Financial Assets – accounting policies are applicable from 1 January 2018 (Continued)

ii. Impairment (Continued)

*Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired.

Evidence that a financial asset is credit-impaired includes the observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower or a concession(s) that the lender(s) would not other consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

*Measurement of ECLs*

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the, present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

*Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 **Significant Accounting Policies** (Continued)

(m) Financial Assets – accounting policies are applicable from 1 January 2018 (Continued)

iii. Recognition and derecognition

Financial assets are recognised when, and only when the Group becomes party to the contractual provisions of the instruments. All regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of an investment in equity instrument, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise the fair value changes in other comprehensive income.

(n) Financial Assets – accounting policies applied until 31 December 2017

i. Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than twelve months after the reporting period which are presented as non-current assets. Loans and receivables are presented as "trade or other receivables", "loan receivables", "amounts due from subsidiaries, associates or joint ventures" and "cash and bank balances" on the statement of financial position.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 **Significant Accounting Policies** (Continued)

(n) Financial Assets – accounting policies applied until 31 December 2017 (Continued)

i. Classification (Continued)

*Financial assets, available-for-sale*

Financial assets, available-for-sale are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within twelve months after the reporting period.

ii. Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the financial asset has expired, or has been transferred and transferred substantially all the risks and rewards of ownership of the financial asset to another entity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is transferred to profit or loss.

iii. Initial and subsequent measurements

Financial assets are initially recognised at fair value plus transaction costs. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Financial assets, available-for-sale are subsequently carried at fair value.

Interest and dividend income on financial assets, available-for-sale are recognised separately in income.

Gains and losses arising from changes in fair value of available-for-sale debt investments are recognised in other comprehensive income with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses which are recognised directly in profit or loss. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences, with the exception of impairment losses. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**3 Significant Accounting Policies** (Continued)

(n) Financial Assets – accounting policies applied until 1 January 2017 (Continued)

iii. Initial and subsequent measurements (Continued)

For financial assets, available-for-sale that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured are stated at cost less impairment losses subsequent to initial recognition.

iv. Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

*Loans and receivables*

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

*Financial assets, available-for-sale*

In addition to the objective evidence of impairment described above, a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that an available-for-sale equity investment is impaired.

If any evidence of impairment exists, the cumulative loss that was previously recognised in other comprehensive income is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on available-for-sale equity investment are not reversed through profit or loss.

For financial assets, available-for-sale that are carried at cost, the amount of the impairment loss is measured as the difference between the equity security's carrying amount and the present value of the estimated cash flows discounted at the current market return for a similar financial asset. The impairment losses recognised as an expense on equity security are not reversed.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 **Significant Accounting Policies** (Continued)

(o) Financial Liabilities

The Group shall recognise a financial liability on its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially measured at fair value, plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method.

Financial liabilities are presented as “trade and other payables”, “amount due to subsidiaries and associates”, “term loans and amounts due to bankers” and “finance leases” on the statement of financial position.

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least twelve months after the reporting period.

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(p) Offsetting Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**3 Significant Accounting Policies** (Continued)

(r) Financial Guarantees

Financial guarantees in the separate financial statements – accounting policies from 1 January 2018

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. Financial guarantees are measured initially at their fair values and, if not designated as at FVPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with expected credit loss model under SFRS(I) 9.
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the principles of SFRS(I) 15.

ECLs are a probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Company expects to recover. Loss allowances for ECLs for financial guarantees issued are presented in the Company's statement of financial position as 'loans and borrowings'.

Intra-group transactions with regards to the financial guarantees are eliminated on consolidation.

Financial guarantees in the separate financial statements – accounting policies applied until 1 January 2018

Financial guarantees are contracts that require the issuer to reimburse the holder for a loss it incurs because a specified debtor fails to make principal or interest payments when due in accordance with the terms of the debtor's borrowings.

Financial guarantees are measured initially at their fair values and, if not designated as "fair value through profit and loss", are subsequently measured at the higher of:

a. the amount of the obligation under the contract, as determined in accordance with SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*; and

b. the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Financial guarantees are initially recognised at their fair values plus transaction costs in the issuer's statement of financial position. Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the bank in the Company's statement of financial position. Intra-group transactions with regards to the financial guarantees are eliminated on consolidation.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 **Significant Accounting Policies** (Continued)

(s) Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined on a weighted average basis. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads but excludes borrowing costs. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Allowance is made for obsolete, slow moving and defective inventories.

(t) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, bank balances and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. These also include bank overdrafts that form an integral part of the Group's cash management. For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(u) Share Capital and Treasury Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When an entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid including any directly attributable incremental cost is presented as component within the equity attributable to the Company's equity holders, until they are cancelled, sold or re-issued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or re-issued, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or re-issue, net of any directly attributable incremental transaction costs and related income tax, is recognised in capital reserve.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 Significant Accounting Policies (Continued)

(v) Dividends to Company's Shareholders

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved for payment by the shareholders.

(w) Government Grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Company will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grants relating to assets are deducted against the carrying amount of the assets.

(x) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowings of funds.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(y) Leases

*Finance lease* (when the Group is a lessee)

Leases where the Group assumes substantially the risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the statement of financial position as property, plant and equipment and borrowings respectively, at the inception of the leases at the lower of the fair values of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on the basis that reflects a constant periodic rate of interest on the finance lease liability.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 Significant Accounting Policies (Continued)

(y) Leases (Continued)

*Operating lease* (when the Group is a lessor)

Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Leasing income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Contingent rents are recognised as income in profit or loss when earned.

*Operating lease* (when the Group is a lessee)

Leases where substantially all risks and rewards incidental to ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (when the Group is a lessee) are recognised in profit or loss on a straight-line basis over the period of the lease. Contingent rents are recognised as an expense in profit or loss when incurred.

(z) Employee Benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

*Defined contribution plan*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

*Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. A provision for the estimated liability for annual leave is recognised for services rendered by employees up to the reporting date.

*Share-based compensation*

The Group has in place the SHS Employee Share Option Scheme for granting share options to confirmed group employees, including Directors.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which the share options are granted. At each statement of financial position date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in profit or loss and a corresponding adjustment to share option reserve.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3 **Significant Accounting Policies** (Continued)

(z) Employee Benefits (Continued)

*Share-based compensation (Continued)*

The cost of equity-settled transactions is recognised, together with a corresponding increase in the share option reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date which the relevant employees become fully entitled to the award ("the vesting period"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

When the options are exercised, the proceeds received net of any directly attributable transaction costs and the related balance previously recognised in the share option reserve are credited to share capital account when new ordinary shares are issued, or to the treasury shares account when treasury shares are re-issued to the employees.

(aa) Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

*Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

*Deferred tax*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates except 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 assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 Significant Accounting Policies (Continued)

### (aa) Income Tax (Continued)

*Deferred tax (Continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefit embodied in the investment property over time, rather than through sale.

*Current and deferred tax for the year*

Current and deferred tax are recognised as income or an expense in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where the current and deferred tax arises from the initial accounting for a business combination, the tax effect is taken into account in the accounting for the business combination.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 Significant Accounting Policies (Continued)

(bb) Foreign Currencies

*Functional and presentation currency*

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

For the purpose of the consolidated financial statements, the results and financial position of each entity in the Group are expressed in Singapore Dollar ("S$"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements. All values are rounded to the nearest thousand (S$'000) except when otherwise indicated.

*Transactions and balances*

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss, unless they arise from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations.

Those currency translation differences are recognised in the translation reserve in the consolidated financial statements and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 Significant Accounting Policies (Continued)

### (bb) Foreign Currencies (Continued)

*Translation of Group entities' financial statements*

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing exchange rates at the reporting date;
- income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transactions dates, in which the case income and expenses are translated using the exchange rates at the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

### (cc) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the management whose members are responsible for allocating resources and assessing performance of the operating segments.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3 Significant Accounting Policies (Continued)

(dd) Related Parties

A related party is defined as follows:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the "reporting entity").

a. A person or a close member of that person's family is related to a reporting entity if that person:

   i. has control or joint control over the reporting entity;

   ii. has significant influence over the reporting entity; or

   iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b. An entity is related to the Company and to a reporting entity if any of the following conditions applies:

   i. the entity and the reporting entity 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 employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;

   vi. the entity is controlled or jointly controlled by a person identified in (a);

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are set out in Note 3 above, the management is 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 may 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.

*Critical judgements in applying accounting policies*

In the process of applying the Group's accounting policies, there were no critical judgements that management made in the process of applying the Group's accounting policies that have a significant effect on the amounts recognised in the financial statements.

*Key sources of estimation uncertainty*

The estimates at 1 January 2017 and at 31 December 2017 are consistent with those made for the same dates in accordance with FRS. The estimates used by the Group to present these amounts in accordance with SFRS(I) reflect conditions at 1 January 2017, the date of transition to SFRS(I) and as of 31 December 2017.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the financial year that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

*i. Useful lives of property, plant and equipment*

Property, plant and equipment are depreciated on a straight-line method over their estimated useful lives. Management estimates the useful lives of the leasehold buildings to be within 12 to 29 years and 2 to 10 years for other assets. Changes in the expected level of usage and technological development could impact the economic useful life of these assets, therefore future depreciation charges could be revised.

A 10% difference in the expected useful lives of the property, plant and equipment from management's estimates would result in an approximately 3.5% (2017: 1.8%) variance to the Group's loss for the year.

*ii. Impairment of property, plant and equipment*

Property, plant and equipment are reviewed for impairment whenever there is any indication that the assets are impaired. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less cost to sell and value in use.

No allowance for impairment loss of property, plant and equipment was recognised in the profit or loss of the Group for the current financial year (2017: Nil). The carrying amount of the Group's property, plant and equipment as at 31 December 2018 is disclosed in Note 10.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty** (Continued)

*Key sources of estimation uncertainty (Continued)*

*iii. Impairment of goodwill*

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. The recoverable amount of the cash generating unit (CGU) to which goodwill has been allocated is based on value in use (VIU) calculation. VIU is based on discounted cash flow forecast, the preparation of which requires management to use assumptions and estimates relating budgeted growth margin, revenue growth rate, terminal growth rate and discount rate of each CGU. Changes to the assumptions and estimates used may result in changes in the carrying amount of the goodwill.

The carrying amount of the goodwill as at 31 December 2018 and details on the impairment testing of goodwill, including management's sensitivity analysis, are disclosed in Note 16.

*iv. Allowance for expected credit loss of trade receivables and contract assets*

The Group uses a provision matrix to calculate allowance for expected credit loss (ECL) for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates in the recent past 2 years. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 44(a)(ii). The carrying amount of the Group's trade receivables and contract assets as at 31 December 2018 is disclosed in Notes 21 and 5, respectively.

*v. Impairment of investment in subsidiaries and associates*

Investment in subsidiaries and associates are reviewed at the end of each reporting period to determine whether there is any indication that those investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less cost to sell and value in use.

The carrying amounts of the investment in subsidiaries and associates as at 31 December 2018 and its related allowances for impairment losses are disclosed in Notes 12 and 13, respectively.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4 **Critical Accounting Judgements and Key Sources of Estimation Uncertainty** (Continued)

*Key sources of estimation uncertainty (Continued)*

*vi. Revenue from construction contracts*

The Group has determined that a cost-based input method provides a faithful depiction of the Group's performance in transferring control of the construction contract to the customers, as it reflects the Group's development efforts incurred to date relative to the total inputs expected to be incurred for the construction contract. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to the completion of the construction contract. Significant management judgements are required to estimate the total budgeted contract costs. In making these estimation, management relies on past experience and technical expertise, including the historical trends of the amounts incurred in the development of similar construction contract, analysed by different construction contract types and geographical areas.

As at 31 December 2018, the Group's construction revenue from engineering & construction services were subject to the estimation of progress towards completion using the input method. A 5% difference in the estimated total contract cost of on-going contracts from management's estimation would result in an approximately 4.5% (2017: 2.3%) variance to the Group's revenue from engineering & construction services recognised for the year.

5 **Revenue**

(a) Disaggregation of revenue from contract with customers

The Group's revenue is disaggregated by principal geographical areas, major product and services lines and timing of revenue recognition. This is consistent with the revenue information as disclosed in Note 43.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5 **Revenue** (Continued)

(a) Disaggregation of revenue from contract with customers (Continued)

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **S$'000** | **S$'000** |
| **Principal geographical market** | | |
| Singapore | | |
| – Sale of blasting equipment goods | **1,727** | 2,290 |
| – Sale of modular goods | **5,555** | 928 |
| – Sale of solar power equipment goods | **405** | 288 |
| – Engineering & construction services | **17,835** | 20,921 |
| – Solar power installation service | **6,448** | 762 |
| – Services rendered – grit blasting and painting | **10,602** | 5,458 |
| – Storage and leasing income | **759** | 926 |
| | **43,331** | 31,573 |
| Rest of South East Asia[(a)] | | |
| – Sale of blasting equipment goods | **2,318** | 2,186 |
| – Sale of modular goods | **759** | 1,734 |
| – Sale of solar power equipment goods | **34** | – |
| | **3,111** | 3,920 |
| People's Republic of China | | |
| – Sale of blasting equipment goods | **5** | 2 |
| – Sale of solar power equipment goods | **3** | – |
| | **8** | 2 |
| Others[(b)] | | |
| – Sale of blasting equipment goods | **109** | 40 |
| – Sale of modular goods | **47** | – |
| – Engineering & construction services | **–** | 2,190 |
| | **156** | 2,230 |
| Total | **46,606** | 37,725 |

(a) Rest of South East Asia includes Malaysia and Vietnam

(b) Others include New Zealand, Australia and Bangladesh

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5 **Revenue** (Continued)

(a) Disaggregation of revenue from contract with customers (Continued)

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **S$'000** | **S$'000** |
| **Major product or service lines and time of revenue recognition** | | |
| At a point in time | | |
| – Sale of blasting equipment goods | **4,159** | 4,518 |
| – Sale of modular goods | **6,361** | 2,662 |
| – Sale of solar power equipment goods | **442** | 288 |
| | **10,962** | 7,468 |
| Over time | | |
| – Engineering & construction services | **17,835** | 23,111 |
| – Solar power installation service | **6,448** | 762 |
| – Services rendered – grit blasting and painting | **10,602** | 5,458 |
| – Storage and leasing income | **759** | 926 |
| | **35,644** | 30,257 |
| Total | **46,606** | 37,725 |

(b) Contract balances

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | | | **1 January** | | | **1 January** |
| | **2018** | **2017** | **2017** | **2018** | **2017** | **2017** |
| | **S$'000** | **S$'000** | **S$'000** | **S$'000** | **S$'000** | **S$'000** |
| **Contract assets** | | | | | | |
| Construction work in progress – modular (i) | **10,183** | 6,716 | – | **–** | – | – |
| Contracts work in progress (ii) | **521** | 5,616 | 6,093 | **–** | – | – |
| Amount due from customers (iii) | **8,658** | 3,271 | 4,730 | **86** | 81 | 113 |
| | **19,362** | 15,603 | 10,823 | **86** | 81 | 113 |
| **Contract liabilities** | | | | | | |
| Amount due to customers (i) | **5,037** | 1,012 | – | **–** | – | – |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5 **Revenue** (Continued)

(b) Contract balances (Continued)

i. Construction work in progress – modular relates to a Group's contract for the construction of a real estate in New Zealand that was entered into with the customer. Pursuant to the terms and conditions of the contract, the Group only delivers the real estate to the customer upon receipt of the Certificate of Right to Occupy. Accordingly, revenue is recognised when the control of this real estate has been transferred to the customer in accordance with the Group's accounting policy as disclosed in Note 3(e).

At the reporting date, the real estate is still under construction and accordingly no revenue has been recognised in the profit or loss of the Group for the current and previous financial years. Deposit received/progress billings amounted to S$5,037,000 (2017: S$1,021,000; 1 January 2017: Nil) on this contract are included in contract liabilities – amount due to customers.

ii. Contracts work in progress relates to engineering & construction contract costs recognised that relate to future activity and have not been used in contract performance at the reporting date.

iii. Amount due from customers represents the Group's rights to consideration for engineering & construction work completed but not billed at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when invoices are billed to the customer.

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | **S$'000** | **S$'000** | **S$'000** | **S$'000** |
| **Contract assets** | | | | |
| Contract assets reclassified to trade receivables | **(8,887)** | (10,823) | **–** | (32) |
| Additional work completed but not billed | **12,730** | 15,603 | **7** | – |
| Impairment loss on contract assets | **(84)** | – | **(2)** | – |
| **Contract liabilities** | | | | |
| Increase due to cash received, excluding amounts recognised as revenue during the year | **4,025** | 1,012 | **–** | – |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5 **Revenue** (Continued)

(b) Contract balances (Continued)

Management always estimates the loss allowance on contract assets at an amount equal to lifetime ECL, taking into account the historical default experience and the future prospects of the construction industry. None of the contract assets at the end of the reporting period is past due. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the impairment loss on contract assets.

The Group's and Company's credit risk exposure in relation to contract assets under SFRS(I) 9 as at 31 December 2018 are set out in the provision matrix as presented below. The Group's loss allowance is based on past due as the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments.

| | Group 2018 S$'000 | Company 2018 S$'000 |
|---|---|---|
| Expected credit loss rate | **0.43%** | **2.27%** |
| Contract assets – gross carrying amount (not past due) | **19,446** | **88** |
| Loss allowance – lifetime ECL | **(84)** | **(2)** |
| Net carrying amount | **19,362** | **86** |

The movements in lifetime ECL that have been recognised for the Group's contract assets in accordance with the simplified approach set out in SFRS(I) 9 is as follows:

| | Group 2018 S$'000 | Company 2018 S$'000 |
|---|---|---|
| At 1 January 2018 | **–** | **–** |
| Adjustment on initial application of SFRS(I) 9 | **–** | **–** |
| Adjusted balance at 1 January 2018 | **–** | **–** |
| Net increase in loss allowance arising from new amounts recognised in current year, net of those derecognised upon billing | **84** | **2** |
| At 31 December 2018 | **84** | **2** |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 6 Income Tax

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **S$'000** | **S$'000** |
| Income tax | | |
| – Current year | **47** | 46 |
| – (Over)/Underprovision in prior years | **(30)** | 30 |
| | **17** | 76 |
| Deferred tax | | |
| – Current year | **(94)** | (70) |
| – Overprovision in prior years | **(7)** | (18) |
| | **(101)** | (88) |
| | **(84)** | (12) |

The corporate income tax applicable to the Company and other Singapore incorporated entities of the Group is 17% (2017: 17%). The entities of the Group in Bangladesh and Vietnam are subject to corporate income tax rate of 25% (2017: 25%) and 20% (2017: 20%), respectively. The remaining entities of the Group operating in other jurisdictions are considered not material.

The income tax on the (loss) before income tax varies from the amount of income tax determined by applying the Singapore statutory income tax rate of 17% (2017: 17%) due to the following:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **S$'000** | **S$'000** |
| (Loss) before income tax | **(15,105)** | (20,213) |
| Tax at statutory tax rate | **(2,568)** | (3,436) |
| Non-deductible expenses* | **2,817** | 2,352 |
| Non-taxable items | **(386)** | (72) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **(663)** | 33 |
| Share of losses of associates and joint ventures, net of tax | **24** | 80 |
| Tax allowances and incentives | **(23)** | (134) |
| Singapore statutory tax exemption | **(10)** | (46) |
| Corporate income tax rebate | **(3)** | – |
| Deferred tax assets not recognised** | **765** | 1,199 |
| (Over)/Underprovision of current income tax in prior years | **(30)** | 30 |
| Overprovision of deferred tax in prior years | **(7)** | (18) |
| | **(84)** | (12) |

* Non-deductible expenses relates mainly to the impairment of goodwill in the current financial year.

** Deferred tax assets not recognised relates mainly to the unutilised tax losses and capital allowances carried forward as disclosed in Note 35.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 7 (Loss) for the Year from Continuing Operations

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | S$'000 | S$'000 |
| Except as disclosed elsewhere in the notes to the financial statements, (loss) before income tax is arrived at after crediting/(charging) the following: | | |
| Included in cost of sales | | |
| Cost of inventories | **(17,320)** | (5,284) |
| Sub-contract fees | **(5,593)** | (5,109) |
| Rental expense – operating leases | **(238)** | (253) |
| Depreciation of property, plant and equipment | **(3,547)** | (2,506) |
| Staff costs | | |
| – Salaries | **(6,195)** | (6,084) |
| – Defined contribution plans | **(586)** | (159) |
| – Foreign workers levy | **(1,218)** | (1,329) |
| Included in other income | | |
| Interest income | **377** | 1,045 |
| Government grants | **283** | 224 |
| Dividend income from other financial assets | **126** | 175 |
| Gain on disposal of property, plant and equipment | **192** | 59 |
| Scrap sales and service income | **384** | 229 |
| Rental income – operating leases | **668** | – |
| Gain on disposal of joint venture | **238** | – |
| Reversal of Contingent Consideration (Note 12) | **1,193** | – |
| Included in administrative expenses | | |
| Directors' fees | **(275)** | (284) |
| Directors' remuneration | | |
| – Salaries and bonus | **(1,192)** | (947) |
| – Defined contribution plans | **(38)** | (35) |
| Staff costs | | |
| – Salaries | **(5,830)** | (5,783) |
| – Defined contribution plans | **(488)** | (441) |
| – Staff welfare | **(139)** | (122) |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 7 (Loss) for the Year from Continuing Operations (Continued)

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **S$'000** | **S$'000** |
| Except as disclosed elsewhere in the notes to the financial statements, (loss) before income tax is arrived at after crediting/(charging) the following: (Continued) | | |
| Included in other operating expenses | | |
| Audit fees paid/payable to: | | |
| – Auditors of the Company | **(260)** | (204) |
| – Auditors of the subsidiaries | **(30)** | (20) |
| Non-audit fees paid/payable to: | | |
| – Auditors of the Company | **–** | – |
| Allowance for inventory obsolescence | **(25)** | (3) |
| Reversal of allowance for inventory obsolescence | **–** | 5 |
| Inventory written back | **6** | 12 |
| Impairment of goodwill (Note 16) | **(3,651)** | (9,600) |
| Property, plant and equipment written off | **(4)** | (34) |
| Depreciation of property, plant and equipment | **(1,692)** | (1,023) |
| Amortisation of intangible assets | **–** | (48) |
| Amortisation of prepaid land leases | **(186)** | (34) |
| Land held for development written down (Note 20) | **(1,650)** | – |
| Loss on disposal of joint venture | **–** | (22) |
| Professional fees | **(952)** | (466) |
| Provision for cost of demolition | **–** | (473) |
| Bad debts written off (trade) | **(7)** | – |
| Rental expense – operating leases | **(710)** | (513) |
| Foreign exchange gain/(loss) – net | **58** | (914) |
| Included in finance costs | | |
| Finance leases | **(9)** | (13) |
| Term loans | **(473)** | (121) |
| Trust receipts | **(94)** | (108) |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 8 Discontinued Operation

In 2015, the Group had entered into a conditional sale and purchase agreement with Brenntag (Holding) B.V. (the “Buyer”) on 18 September 2015, for the sale of its entire shareholding interests in TAT Petroleum Pte Ltd, Axxmo International Pte Ltd and PT TAT Petroleum Indonesia (the “RP segment” or “TAT Group”).

The results of the discontinued operation arising from the disposal of the TAT Group above included in the consolidated statement of comprehensive income for the financial years ended 31 December 2018 and 2017 are set out below.

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **S$'000** | **S$'000** |
| Revenue | **–** | – |
| Cost of sales | **–** | – |
| Gross profit | **–** | – |
| Other income | **–** | – |
| Distribution costs | **–** | – |
| Administrative expenses | **–** | – |
| Other operating expenses | **101** | 149 |
| Finance costs | **–** | – |
| **Profit before income tax** | **101** | 149 |
| Income tax | **–** | – |
| **Profit for the year from discontinued operation** | **101** | 149 |
| | | |
| **Attributable to:** | | |
| Equity holders of the Company | **101** | 149 |
| Non-controlling interest | **–** | – |
| | **101** | 149 |
| | | |
| **Cash flows from discontinued operation** | | |
| Cash flow generated from operating activities | **101** | 149 |
| Cash flow generated from investing activities | **–** | – |
| Cash flow used in financing activities | **–** | – |
| Net cash inflow from discontinued operation | **101** | 149 |

In December 2016, the Company had agreed to bear the loss of certain unsold stocks of TAT Group in the event those stocks are not sold by TAT Group. The risks and rewards of those stocks had been transferred to the Company on 31 December 2016. Accordingly, the Company had recognised the carrying amount of the unsold refined petroleum products of S$858,000 as inventories and provided an allowance, being 50% of the carrying amount of those stocks, for stock obsolescence included in discontinued operation as at 31 December 2016. During the current financial year, certain of those stocks were sold to customers by TAT Group and a reversal of allowance for stock obsolescence of S$101,000 (2017: S$149,000) was recognised and included in discontinued operation.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 9 (Loss) Per Share, Basic and Diluted

Basic (loss) per share is calculated by dividing the net (loss) attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. The (loss) and weighted number of ordinary shares used in the calculation of basic (loss) per share are as follows:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **S$'000** | **S$'000** |
| (Loss) for the year attributable to equity holders of the Company | **(11,169)** | (18,227) |
| (Loss) used in the calculation of basic (loss) per share | **(11,169)** | (18,227) |
| Profit for the year from discontinued operation used in the calculation of basic earnings per share from discontinued operation | **101** | 149 |
| (Loss) used in the calculation of basic (loss) per share from continuing operations | **(11,270)** | (18,376) |

For the purpose of calculating diluted (loss) per share, (loss) attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of dilutive potential ordinary shares that could have been issued upon the exercise of all dilutive warrants. The average market value of the Company's shares for the purposes of calculating the dilutive effect of warrants was based on quoted market prices for the period during which the warrants were outstanding.

The (loss) used in the calculation of diluted (loss) per share are as follows:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **S$'000** | **S$'000** |
| (Loss) used in the calculation of diluted (loss) per share | **(11,169)** | (18,227) |
| Profit for the year from discontinued operation used in the calculation of diluted earnings per share from discontinued operation | **101** | 149 |
| (Loss) used in the calculation of diluted (loss) per share from continuing operations | **(11,270)** | (18,376) |

The weighted average number of ordinary shares for the purpose of diluted (loss) per share reconciles to the weighted average number of ordinary shares used in the calculation of basic (loss) per share as follows:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| Weighted average number of ordinary shares used in the calculation of basic (loss) per share | **685,129,812** | 685,127,863 |
| Effects of dilutive potential ordinary shares: | | |
| Warrants | **21,318,702** | 20,246,312 |
| | **706,448,514** | 705,374,175 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 10 Property, Plant and Equipment

| | Land & leasehold buildings S$'000 | Renovation/ leasehold improvements S$'000 | Machinery & yard equipment S$'000 | Motor vehicles S$'000 | Office, computer equipment furniture & fittings S$'000 | Construction in progress S$'000 | Total S$'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| 2018 | | | | | | | |
| Cost or Valuation | | | | | | | |
| At 1 January | 77,422 | 859 | 20,197 | 2,688 | 3,545 | 600 | 105,311 |
| Additions | 2,994 | 39 | 850 | 93 | 194 | 3,806 | 7,976 |
| Disposals/Written off | – | – | (3,035) | (109) | (107) | – | (3,251) |
| Reclassification | 646 | – | – | – | – | (646) | – |
| Reclassified from prepaid development costs (Note 23) | – | – | – | – | – | 16,541 | 16,541 |
| Reclassified to asset classified as held for sale (Note 27) | (1,000) | – | – | – | – | – | (1,000) |
| Currency alignment | (572) | 1 | 6 | 2 | 1 | 39 | (523) |
| At 31 December | 79,490 | 899 | 18,018 | 2,674 | 3,633 | 20,340 | 125,054 |
| Cost | 17,258 | 899 | 18,018 | 2,674 | 3,633 | 20,340 | 62,822 |
| Valuation | 62,232 | – | – | – | – | – | 62,232 |
| Total | 79,490 | 899 | 18,018 | 2,674 | 3,633 | 20,340 | 125,054 |
| Accumulated depreciation and impairment losses | | | | | | | |
| At 1 January | 13,053 | 630 | 12,227 | 1,502 | 2,491 | – | 29,903 |
| Depreciation charge | 2,830 | 59 | 1,837 | 402 | 466 | – | 5,594 |
| Disposals/Written off | – | – | (1,837) | (101) | (40) | – | (1,978) |
| Currency alignment | 1 | – | 3 | 1 | – | – | 5 |
| At 31 December | 15,884 | 689 | 12,230 | 1,804 | 2,917 | – | 33,524 |
| Net book value | | | | | | | |
| At 31 December 2018 | 63,606 | 210 | 5,788 | 870 | 716 | 20,340 | 91,530 |
| 2017 | | | | | | | |
| Cost or Valuation | | | | | | | |
| At 1 January | 36,447 | 719 | 14,077 | 2,274 | 2,574 | 13,615 | 69,706 |
| Acquisition through business combination (Note 12) | 2,856 | – | 1,342 | 412 | 84 | 131 | 4,825 |
| Additions | 10,851 | 25 | 3,174 | 109 | 698 | 10,215 | 25,072 |
| Revaluation | 6,877 | – | – | – | – | – | 6,877 |
| Disposals/Written off | – | – | (960) | (99) | (82) | – | (1,141) |
| Reclassification | 20,385 | 115 | 2,588 | – | 275 | (23,363) | – |
| Currency alignment | 6 | – | (24) | (8) | (4) | 2 | (28) |
| At 31 December | 77,422 | 859 | 20,197 | 2,688 | 3,545 | 600 | 105,311 |
| Cost | 16,346 | 859 | 20,197 | 2,688 | 3,545 | 600 | 44,235 |
| Valuation | 61,076 | – | – | – | – | – | 61,076 |
| Total | 77,422 | 859 | 20,197 | 2,688 | 3,545 | 600 | 105,311 |
| Accumulated depreciation and impairment losses | | | | | | | |
| At 1 January | 11,401 | 578 | 11,577 | 1,115 | 2,242 | – | 26,913 |
| Depreciation charge | 1,653 | 52 | 1,582 | 448 | 331 | – | 4,066 |
| Disposals/Written off | – | – | (930) | (61) | (80) | – | (1,072) |
| Currency alignment | (1) | – | (2) | – | (2) | – | (4) |
| At 31 December | 13,053 | 630 | 12,227 | 1,502 | 2,491 | – | 29,903 |
| Net book value | | | | | | | |
| At 31 December 2017 | 64,369 | 229 | 7,970 | 1,186 | 1,054 | 600 | 75,408 |
| Net book value | | | | | | | |
| At 1 January 2017 | 25,046 | 141 | 2,500 | 1,159 | 332 | 13,615 | 42,793 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 10 Property, Plant and Equipment (Continued)

| | Leasehold buildings S$'000 | Renovation/ leasehold improvements S$'000 | Furniture & fittings S$'000 | Motor vehicles S$'000 | Office & computer equipment S$'000 | Total S$'000 |
|---|---|---|---|---|---|---|
| **Company** | | | | | | |
| **2018** | | | | | | |
| Cost or Valuation | | | | | | |
| At 1 January | **–** | **404** | **1,024** | **356** | **487** | **2,271** |
| Disposals/Written off | **–** | **–** | **(3)** | **–** | **–** | **(3)** |
| At 31 December | **–** | **404** | **1,021** | **356** | **487** | **2,268** |
| Accumulated depreciation and impairment losses | | | | | | |
| At 1 January | **–** | **341** | **1,022** | **233** | **476** | **2,072** |
| Depreciation charge | **–** | **26** | **–** | **36** | **3** | **65** |
| Disposals/Written off | **–** | **–** | **(3)** | **–** | **–** | **(3)** |
| At 31 December | **–** | **367** | **1,019** | **269** | **479** | **2,134** |
| Net book value | | | | | | |
| At 31 December 2018 | **–** | **37** | **2** | **87** | **8** | **134** |
| **2017** | | | | | | |
| Cost or Valuation | | | | | | |
| At 1 January | 14,729 | 404 | 1,024 | 356 | 507 | 17,020 |
| Additions | – | – | – | – | 2 | 2 |
| Disposals/Written off | – | – | – | – | (22) | (22) |
| Revaluation | 6,877 | – | – | – | – | 6,877 |
| Reclassified to investment property (Note 11) | (21,606) | – | – | – | – | (21,606) |
| At 31 December | – | 404 | 1,024 | 356 | 487 | 2,271 |
| Accumulated depreciation and impairment losses | | | | | | |
| At 1 January | 6,593 | 315 | 1,021 | 198 | 494 | 8,621 |
| Depreciation charge | 613 | 26 | 1 | 35 | 4 | 679 |
| Disposals/Written off | – | – | – | – | (22) | (22) |
| Reclassified to investment property (Note 11) | (7,206) | – | – | – | – | (7,206) |
| At 31 December | – | 341 | 1,022 | 233 | 476 | 2,072 |
| Net book value | | | | | | |
| At 31 December 2017 | – | 63 | 2 | 123 | 11 | 199 |
| Net book value | | | | | | |
| At 1 January 2017 | 8,136 | 89 | 3 | 158 | 13 | 8,399 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 10 Property, Plant and Equipment (Continued)

(a) Details of the leasehold buildings of the Group are as follows:

| Property Address | Description | Tenure |
|---|---|---|
| 81 Tuas South Street 5, Singapore 637651[(1)] | Single storey detached factory with ancillary 2-storey warehouse, and a 3-storey annexe office block | 30 years leasehold from 1999 with an option to renew for an additional 1 year |
| 19 Tuas Avenue 20, Singapore 638830 | Single-storey factory block with mezzanine office and a 3-storey ancillary office block | 20 years leasehold from 2015 |
| Ward 10, Vung Tau City, Ba Ria-Vung Tau Province, Vietnam | A single-storey detached factory building with side/rear extension | 42 years leasehold from 2004 |

(1) During the previous financial year, the leasehold building of the Company located at 81 Tuas South Street 5 had been leased to certain subsidiaries of the Group to earn leasing revenue. Accordingly, the property had been reclassified from leasehold buildings (owner-occupied) to investment properties at fair value as disclosed in Note 11.

(b) Leasehold buildings carried at revaluation amount

*2018*

For the current financial year, management has not performed a revaluation of the Group's leasehold buildings as in their opinion the carrying amounts do not differ materially from that which would be determined using the fair value at the end of the reporting period.

*2017*

The Group's leasehold building at 81 Tuas South Street 5 was professionally valued by an independent valuer based on open market value in 2017 (see Note 11).

The construction of the Group's leasehold building at 19 Tuas Avenue 20 was completed during the year and management was of the opinion that the carrying amount approximated the fair value at the end of the reporting period.

The Group's leasehold building at Ward 10, Vung Tau City was professionally valued by an independent valuer based on cost approach in 2016, prior to the acquisition of TLC by the Group (see Note 12).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**10 Property, Plant and Equipment** (Continued)

(b) Leasehold buildings carried at revaluation amount (Continued)

Had the leasehold buildings stated at valuation been included in the financial statements at cost less accumulated depreciation and accumulated impairment losses, their net book value at the reporting date would have been as follows:

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | | | 1 January | | | 1 January |
| | 2018 | 2017 | 2017 | 2018 | 2017 | 2017 |
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| Leasehold buildings | **33,491** | 33,692 | 10,513 | **–** | – | 7,550 |

(c) Freehold lands

Included in land and leasehold buildings of the Group are freehold lands, which are located in Malaysia and Bangladesh, with carrying amounts totalling S$17,258,000 (2017: S$16,346,000; 1 January 2017: S$6,071,000) as at 31 December 2018.

(d) As at 31 December 2018, land and leasehold buildings of the Group and the Company with carrying amounts of S$50,999,000 (2017: S$52,892,000; 1 January 2017: S$23,531,000) and Nil (2017: Nil; 1 January 2017: S$8,136,000), respectively, are mortgaged to secure the credit facilities of the Group (Note 31).

(e) Net book value of motor vehicles of the Group acquired under finance leases amounted to S$210,000 (2017: S$484,000; 1 January 2017: S$664,000) as at 31 December 2018.

(f) Depreciation charge for the current financial year is recognised in the consolidated financial statements of the Group as follows:

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | S$'000 | S$'000 |
| Continuing operations | **5,239** | 3,529 |
| Contract assets | **355** | 537 |
| | **5,594** | 4,066 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 11 Investment Properties

| | Company | |
|---|---|---|
| | **2018** | **2017** |
| | **S$'000** | **S$'000** |
| Investment property | | |
| At 1 January | **14,400** | – |
| Reclassified from leasehold buildings (Note 10) | **–** | 14,400 |
| At 31 December | **14,400** | 14,400 |
| | | |
| Accumulated depreciation | | |
| At 1 January | **–** | – |
| Depreciation charge | **1,172** | – |
| At 31 December | **1,172** | – |
| | | |
| Net book value | | |
| At 31 December | **13,228** | 14,400 |

During the previous financial year, the leasehold property of the Company located at 81 Tuas South Street 5 had been leased to certain subsidiaries of the Group to earn leasing income. Due to the change of use, the property was accordingly remeasured to fair value at the date of change of use and reclassified from leasehold buildings (owner-occupied) to investment properties. The gain from the fair value adjustment amounted to S$6,877,000 had been recognised in the revaluation reserve.

The fair value was determined based on directors' valuation which relied on the valuation by an independent professional valuer, based on open market value. The valuer used the direct comparison method by referring to market evidence of recent transactions for similar properties. With the valuation report as a reference, management has exercised their judgement to assess the fair value that reflects the highest and best use of the property. The fair value of the investment property was measured under Level 3 of the Fair Value Hierarchy (Note 45).

Management is of the opinion that the carrying amount of the investment property approximates the fair value at the end of the current reporting period.

Leasing income recognised for the financial year ended 31 December 2018 amounted to S$1,218,000 (2017: S$1,218,000). Direct operating expenses arising from the investment property that generated the leasing income during the financial year were considered not material.

As at 31 December 2018 and 2017, the investment property of the Company is mortgaged to secure the credit facilities of the Group (Note 31).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 12 Investment in Subsidiaries

| | Company | | |
|---|---|---|---|
| | **2018** | **2017** | **1 January 2017** |
| | **S$'000** | **S$'000** | **S$'000** |
| Unquoted equity shares, at cost | | | |
| Eastern Tankstore (S) Pte. Ltd. | **4,080** | 4,080 | 4,080 |
| Hetat Holdings Pte. Ltd. | **45,300** | 45,300 | 45,300 |
| See Hup Seng CP Pte. Ltd. | **8,047** | 8,047 | 8,047 |
| Sinenergy Holdings Pte. Ltd. | **1,000** | 1,000 | 1,000 |
| SHS Trading Pte. Ltd. | **–*** | –* | –* |
| SHS Capital Pte. Ltd. | **–*** | –* | –* |
| | **58,427** | 58,427 | 58,427 |
| Less: Allowance for impairment loss | | | |
| At 1 January | **(4,080)** | (4,080) | (4,080) |
| Additions | **(9,600)** | – | – |
| At 31 December | **(13,680)** | (4,080) | (4,080) |
| | **44,747** | 54,347 | 54,347 |

* Amount is less than S$1,000.

Details of the subsidiaries of the Group are as follows:

| | | | Effective equity interest held by the Group | | |
|---|---|---|---|---|---|
| | **Name of Company (Country of incorporation and place of business)** | **Principal activities** | **2018 %** | **2017 %** | **1 January 2017 %** |
| | **Held by the Company:** | | | | |
| ** | Hetat Holdings Pte. Ltd. Singapore | Investment holding | **100** | 100 | 100 |
| ** | See Hup Seng CP Pte. Ltd. Singapore | Provision of corrosion prevention services | **100** | 100 | 100 |
| ** | SHS Capital Pte. Ltd. Singapore | Investment holding | **100** | 100 | 100 |
| ** | Eastern Tankstore (S) Pte. Ltd. Singapore | Warehousing and storage handling services | **51** | 51 | 51 |
| **** | SHS Trading Pte. Ltd. Singapore | Dormant | **100** | 100 | 100 |
| ** | Sinenergy Holdings Pte. Ltd. Singapore | Investment holding | **100** | 100 | 100 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 12 Investment in Subsidiaries (Continued)

Details of the subsidiaries of the Group are as follows: (Continued)

| | Name of Company (Country of incorporation and place of business) | Principal activities | Effective equity interest held by the Group 2018 % | 2017 % | 1 January 2017 % |
|---|---|---|---|---|---|
| | **Held by subsidiary companies:** | | | | |
| | See Hup Seng CP Pte. Ltd. | | | | |
| ** | SHS Special Coating Pte Ltd<br>Singapore | Grit blasting and painting | **100** | 100 | 100 |
| ** | SHS System Pte Ltd<br>Singapore | Tank coating, grit blasting and painting | **100** | 100 | 100 |
| ** | SHS Offshore Pte Ltd<br>Singapore | Grit blasting and painting | **100** | 100 | 100 |
| ** | Gardella Singapore Coating Pte Ltd<br>Singapore | Dormant | **100** | 100 | 100 |
| ** | Lesoon Equipment Pte. Ltd.<br>Singapore | Trading and manufacturing of blasting and painting equipment | **94.5** | 94.5 | 94.5 |
| ** | Speedo Corrosion Control Pte Ltd<br>Singapore | Tank coating, grit blasting and painting | **100** | 100 | 100 |
| | Lesoon Equipment Pte. Ltd. | | | | |
| *** | Speedlock Equipment Sdn. Bhd.<br>Malaysia | Trading and manufacturing of blasting and painting equipment | **94.5** | 94.5 | 94.5 |
| | Gardella Singapore Coating Pte Ltd | | | | |
| *** | Gardella Coating Philippines, Inc.<br>Philippines | Dormant | **99.9** | 99.9 | 99.9 |
| | Hetat Holdings Pte. Ltd. | | | | |
| ** | Hetat Pte. Ltd.<br>Singapore | Engineering and project management for steel, glass and aluminum contracts | **100** | 100 | 100 |
| ** | Hetat Construction Pte. Ltd.<br>Singapore | General contractors (building construction including major upgrading works) | **100** | 100 | 100 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 12 Investment in Subsidiaries (Continued)

Details of the subsidiaries of the Group are as follows: (Continued)

| | Name of Company (Country of incorporation and place of business) | Principal activities | Effective equity interest held by the Group 2018 % | 2017 % | 1 January 2017 % |
|---|---|---|---|---|---|
| | **Held by subsidiary companies:** (Continued) | | | | |
| | Hetat Holdings Pte. Ltd. (Continued) | | | | |
| *** | Xiang Tong (Shanghai) International Trading Co., Ltd<br>The People's Republic of China | Import and export of construction materials | **100** | 100 | 100 |
| ** | TLC Modular Pte. Ltd.<br>Singapore | Modular construction, manufacturing, engineering and project management for steel, glass and aluminium contracts | **60** | 60 | 60 |
| *** | TLC Modular Sdn. Bhd.<br>Malaysia | Modular construction, manufacturing, engineering and project management for steel, glass and aluminium contracts | **60** | 60 | 60 |
| *** | TLC Modular Construction Joint Stock Company<br>Vietnam | Modular construction, manufacturing, engineering and project management for steel, glass and aluminium contracts | **60** | 60 | – |
| | TLC Modular Pte. Ltd. | | | | |
| *** | TLC Modular Manufacturing (Vietnam) Co Ltd.<br>Vietnam | Modular construction, manufacturing, engineering and project management for steel, glass and aluminium contracts | **60** | 60 | – |
| *** | TLC Modular & Construction (NZ) Pty Limited<br>New Zealand | Modular construction, manufacturing, engineering and project management for steel, glass and aluminium contracts | **60** | 60 | – |
| * | Hetat Pte. Ltd. | | | | |
| | Hetat Global Mongolia LLC<br>Mongolia | Engineering and project management for steel, glass and aluminum contracts | **–** | – | 100 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 12 Investment in Subsidiaries (Continued)

Details of the subsidiaries of the Group are as follows: (Continued)

| | Name of Company (Country of incorporation and place of business) | Principal activities | Effective equity interest held by the Group 2018 % | 2017 % | 1 January 2017 % |
|---|---|---|---|---|---|
| | **Held by subsidiary companies:** (Continued) | | | | |
| | Hetat Pte. Ltd. (Continued) | | | | |
| *** | Hetat Engineering & Construction Sdn. Bhd. Malaysia | Engineering and project management for steel, glass and aluminium contracts | **100** | 100 | 100 |
| | Sinenergy Holdings Pte. Ltd. | | | | |
| ** | Sinenergy Pte. Ltd. Singapore | Engineering and project management for electrical works | **85** | 85 | 60 |
| ** | Sinenergy Engineering Pte. Ltd. Singapore | Air-conditioning and mechanical ventilation | **60** | 60 | 60 |
| *** | HDFC SinPower Ltd.(2) Bangladesh | Built, develop, install, setup, and operate Power Plants in Bangladesh | **75** | 65 | 65 |
| ** | Hua Sheng Energy Pte. Ltd. Singapore | Trading of electrical and wiring accessories | **100** | 100 | – |
| *** | Sinenergy TL Energy Joint Stock Company Vietnam | Develop and install solar power projects | **65** | 65 | – |
| *** | Sinenergy Ninh Thuan Power LLC(1) Vietnam | Securing power purchase agreement to sell solar power | **100** | – | – |
| ** | Solar NT Holdings Pte Ltd(1) Singapore | Investment holdings | **100** | – | – |
| | SHS Capital Pte. Ltd. | | | | |
| **** | SHS Ferny Pty Ltd | Investment holdings | **100** | 100 | – |

* Audited by Reliance Securities Auditing LLC – non-significant subsidiary
** Audited by Moore Stephens LLP, Singapore
*** Audited by member firms of Moore Stephens International Limited
**** Exempted from audit under the laws of the country of incorporation. Reviewed by Moore Stephens LLP for group consolidation
(1) Subsidiaries incorporated during the year
(2) Step acquisition during the year

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 12 Investment in Subsidiaries (Continued)

Impairment of subsidiaries

For the current financial year, the Group recognised an impairment loss of S$9,600,000 (2017: Nil) for the cost of investment in Hetat Holdings Pte. Ltd. as the recoverable amount of the allocated group of cash generating units, to which the investment relates to, was assessed to be lower than its carrying amount. The impairment is consequent from the slowdown in the construction sector in Singapore for the last few years, resulting in fewer projects completed and/or delays in the start of projects on hand.

Incorporation of subsidiaries

*2018*

On 8 February 2018, the Company through its wholly owned subsidiary, Sinenergy Holdings Pte. Ltd., incorporated a wholly owned subsidiary, Sinenergy Ninh Thuan Power Limited Liability Company, in Vietnam with a paid-up share capital of up to VND79.2 million (equivalent to S$4.788 million).

On 8 August 2018, the Company through its wholly owned subsidiary, Sinenergy Holdings Pte. Ltd., incorporated a wholly owned subsidiary, Solar NT Holdings Pte Ltd, in Singapore with an issued and paid-up share capital of US$1,000,000 (equivalent to S$1,363,000), comprising 1,000,000 ordinary shares.

*2017*

On 3 February 2017, the Company's wholly owned subsidiary, Sinenergy Holdings Pte. Ltd., had incorporated a wholly owned subsidiary, Hua Sheng Energy Pte. Ltd., in Singapore with an issued and paid-up share capital of S$100,000, comprising 100,000 ordinary shares.

On 30 March 2017, the Company's wholly owned subsidiary, Sinenergy Holdings Pte. Ltd., had invested in 65% equity interest in Sinenergy TL Energy Joint Stock Company, a newly incorporated company in Vietnam. The issued and paid-up capital of Sinenergy TL Energy Joint Stock Company was VND5,000,000,000 (equivalent to S$334,000), which Sinenergy Holdings Pte. Ltd.'s 65% equity interest contribution amounted to S$217,000.

On 4 August 2017, the Company's wholly owned subsidiary, SHS Capital Pte. Ltd., had incorporated a wholly owned subsidiary, SHS Ferny Pty Ltd, in Australia with an initial paid-up capital of AUD10, comprising of 10 ordinary shares.

On 13 September 2017, the Group's 60% owned subsidiary, TLC Modular Pte. Ltd., had incorporated a wholly owned subsidiary, TLC Modular and Construction (NZ) Pty Ltd, in New Zealand with an issued and paid-up share capital of NZD10, comprising 10 ordinary shares.

On 19 September 2017, the Group's 60% owned subsidiary, TLC Modular Pte. Ltd., had incorporated a wholly owned subsidiary, TLC Modular Manufacturing (Vietnam) Co., Ltd, in Vietnam with a paid-up share capital of VND51,218,418,782 (equivalent to S$3,075,000).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 12 Investment in Subsidiaries (Continued)

Addition investment in a subsidiary

During the previous financial year, the Company's wholly owned subsidiary, Sinenergy Holdings Pte. Ltd., had increased the registered share capital of its 65% owned subsidiary, HDFC SinPower Ltd, from BDT197,377,000 (equivalent to S$3,568,000) to BDT395,002,000 (equivalent to S$7,144,000). The Group's effective equity interest remained at 65% of the enlarged share capital.

Liquidation of a subsidiary

During the previous financial year, the Group's wholly owned subsidiary, Hetat Pte. Ltd., had liquidated its wholly owned subsidiary, Hetat Global Mongolia LLC, which was dormant. There was no material gain or loss recognised in the profit or loss of the Group.

Acquisition of a subsidiary

In 2016, the Group through its wholly owned subsidiary, Hetat Holdings Pte. Ltd., had entered into a conditional sale and purchase agreement with Ms Duong Thi Thuy Mai (the "Vendor") for the proposed acquisition of the 60% issued and paid-up share capital of TLC Modular Construction Joint Stock Company ("TLC") (the "Acquisition"), a company incorporated in Vietnam and engaged in the business of, among others, providing design, construction and manufacturing services in modular construction projects, for a total consideration of US$4.215 million (equivalent to S$5,988,000) (the "Consideration").

The Acquisition was completed on 6 February 2017 and accordingly TLC had become a subsidiary of the Group. On completion of the Acquisition, US$3.375 million (equivalent to S$4,795,000) was paid in cash to the Vendor and the balance of the Consideration of US$0.84 million (equivalent to S$1,193,000) was to be paid subject to the achievement of certain profit targets (the "Contingent Consideration") over a two-year period till 31 December 2018. The Contingent Consideration has been written off as other income during the current financial year (see Note 29).

At the reporting date, the Contingent Consideration has been reversed and recognised as other income in the profit or loss of the Group as the aforesaid profit targets had not been met by TLC.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 12 Investment in Subsidiaries (Continued)

Acquisition of a subsidiary (Continued)

The fair values of the identifiable assets and liabilities of the acquired subsidiary as at the date of acquisition were:

| | 2017 S$'000 |
|---|---|
| **Non-current assets** | |
| Property, plant and equipment | 4,825 |
| Prepaid land lease | 1,085 |
| **Current assets** | |
| Cash and bank balances | 150 |
| Inventories and construction in progress | 3,031 |
| Trade and other receivables | 1,721 |
| Other current assets | 55 |
| **Current liabilities** | |
| Trade and other payables | (6,442) |
| **Non-current liabilities** | |
| Deferred tax liabilities | (530) |
| Total identifiable net assets acquired at fair value | 3,895 |
| Purchase consideration | |
| Consideration paid in cash | 4,795 |
| Contingent Consideration | 1,193 |
| Total consideration transferred for the business combination | 5,988 |
| Plus: Non-controlling interest* | 1,558 |
| Less: Fair value of identifiable net assets acquired | (3,895) |
| Goodwill arising on acquisition | 3,651 |
| Effect on cash flows of the Group | |
| Consideration paid in cash | 4,795 |
| Less: Cash and cash equivalents in acquired subsidiary | (150) |
| Less: Loan to an investee company | (2,428) |
| Net cash outflow on acquisition | 2,217 |

* The Group had elected to measure the non-controlling interest at the non-controlling interest's proportionate share of the acquired subsidiary's identifiable net assets.

Step acquisition of a subsidiary

During the current financial year, the Company through its wholly owned subsidiary, Sinenergy Holdings Pte. Ltd., entered into a Sale & Purchase Agreement with Ditrolic (S) Pte Ltd, a non-controlling interest, to acquire an additional 10% in HDFC SinPower Ltd. ("HDFC") for a total consideration US$2.30 million (approximately S$3.039 million). The consideration was settled via the set-off against the amount due from non-controlling interest (Note 23).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 12 Investment in Subsidiaries (Continued)

Step acquisition of a subsidiary (Continued)

During the previous financial year, the Group through its wholly owned subsidiary, Sinenergy Holdings Pte. Ltd., had acquired an additional 25% equity interest in Sinenergy Pte. Ltd. from its non-controlling interests for a total consideration of approximately S$173,000, fully paid in cash. The effect of the change in the Group's effective equity interest in Sinenergy Pte. Ltd. from 60% to 85% on the equity attributable to equity holders of the Company is summarised below.

The effect of the change in the Group's effective equity interest in HDFC SinPower Ltd./Sinenergy Pte. Ltd. on the equity attributable to equity holders of the Company is as follows:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **S$'000** | **S$'000** |
| Consideration paid for acquisition of non-controlling interests | **3,039** | 173 |
| Decrease in amount due to non-controlling interests | **(2,363)** | – |
| Decrease in equity attributable to non-controlling interests | **(676)** | (173) |
| Increase in equity attributable to equity holders of the Company | **–** | – |

Non-controlling interests

The Group has the following subsidiaries that have material non-controlling interests:

| **Name of subsidiary (Place of incorporation and principal place of business)** | **Proportion of ownership interests and voting rights held by non-controlling interests** | | | **Loss allocated to non-controlling interests** | | **Accumulated non-controlling interests** | | |
|---|---|---|---|---|---|---|---|---|
| | **2018** | **2017** | **1 January 2017** | **2018** | **2017** | **2018** | **2017** | **1 January 2017** |
| | | | **S$'000** | **S$'000** | **S$'000** | **S$'000** | **S$'000** | **S$'000** |
| HDFC SinPower Ltd. Bangladesh | **25%** | 35% | 35% | **(26)** | (22) | **1,527** | 2,379 | 1,240 |
| TLC Modular Construction Joint Stock Company Vietnam | **40%** | 40% | – | **(2,452)** | (1,050) | **(1,971)** | 484 | – |
| TLC Modular Pte. Ltd. Singapore | **40%** | 40% | 40% | **(393)** | (211) | **(666)** | (273) | (62) |
| Individually immaterial subsidiaries with non-controlling interests | | | | | | **(598)** | 348 | 873 |
| | | | | | | **(1,708)** | 2,938 | 2,051 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 12 Investment in Subsidiaries (Continued)

Non-controlling interests (Continued)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interest is set out below. The summarised financial information below represents amounts before intragroup eliminations.

| | 2018 S$'000 | 2017 S$'000 | 1 January 2017 S$'000 |
|---|---|---|---|
| *HDFC SinPower Ltd.* | | | |
| Current assets | **1,822** | 2,929 | 1,516 |
| Non-current assets | **14,233** | 11,522 | 4,318 |
| Current liabilities | **(9,948)** | (7,536) | (2,178) |
| Non-current liabilities | **–** | – | – |
| Equity attributable to equity holders of the Company | **4,580** | 4,536 | 2,416 |
| Non-controlling interests | **1,527** | 2,379 | 1,240 |
| Revenue | **–** | – | |
| Cost of sales and expenses | **(86)** | (317) | |
| (Loss) for the year | **(86)** | (317) | |
| (Loss) attributable to owners of the Company | **(60)** | (206) | |
| (Loss) attributable to the non-controlling interests | **(26)** | (111) | |
| (Loss) for the year | **(86)** | (317) | |
| Total comprehensive (loss) attributable to equity holders of the Company | **(60)** | (206) | |
| Total comprehensive (loss) attributable to the non-controlling interests | **(26)** | (111) | |
| Total comprehensive (loss) for the year | **(86)** | (317) | |
| Net cash flows used in operating activities | **(44)** | (82) | |
| Net cash flows used in investing activities | **(2,682)** | (8,012) | |
| Net cash flows generated from financing activities | **2,186** | 8,552 | |
| Net cash (outflow)/inflow | **(540)** | 458 | |
| Dividends paid to non-controlling interests | **–** | – | |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 12 Investment in Subsidiaries (Continued)

Non-controlling interests (Continued)

| | 2018<br>S$'000 | 2017<br>S$'000 |
|---|---|---|
| *TLC Modular Construction Joint Stock Company** | | |
| Current assets | **6,608** | 3,103 |
| Non-current assets | **6,074** | 6,750 |
| Current liabilities | **(17,143)** | (8,151) |
| Non-current liabilities | **(468)** | (493) |
| Equity attributable to owners of the Company | **(2,958)** | 725 |
| Non-controlling interests | **(1,971)** | 484 |
| Revenue | **8,519** | 7,196 |
| Cost of sales and expenses | **(14,649)** | (9,821) |
| (Loss) for the year | **(6,130)** | (2,625) |
| (Loss) attributable to equity holders of the Company | **(3,678)** | (1,575) |
| (Loss) attributable to the non-controlling interests | **(2,452)** | (1,050) |
| (Loss) for the year | **(6,130)** | (2,625) |
| Total comprehensive (loss) attributable to equity holders of the Company | **(3,678)** | (1,575) |
| Total comprehensive (loss) attributable to the non-controlling interests | **(2,452)** | (1,050) |
| Total comprehensive (loss) for the year | **(6,130)** | (2,625) |
| Net cash flows (used in)/generated from operating activities | **(325)** | 326 |
| Net cash flows used in investing activities | **(101)** | (1,191) |
| Net cash flows generated from financing activities | **555** | – |
| Net cash inflow/(outflow) | **129** | (865) |
| Dividends paid to non-controlling interests | **–** | – |

* Acquired during 2017.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 12 Investment in Subsidiaries (Continued)

Non-controlling interests (Continued)

| | 2018 S$'000 | 2017 S$'000 | 1 January 2017 S$'000 |
|---|---|---|---|
| *TLC Modular Pte. Ltd.* | | | |
| Current assets | **23,003** | 12,751 | 3,585 |
| Non-current assets | **3,165** | 3,326 | 22 |
| Current liabilities | **(27,833)** | (16,759) | (3,762) |
| Non-current liabilities | **–** | – | – |
| Equity attributable to owners of the Company | **(999)** | (409) | (93) |
| Non-controlling interests | **(666)** | (273) | (62) |
| Revenue | **5,555** | 928 | |
| Cost of sales and expenses | **(6,538)** | (1,455) | |
| (Loss) for the year | **(983)** | (527) | |
| (Loss) attributable to equity holders of the Company | **(590)** | (316) | |
| (Loss) attributable to the non-controlling interests | **(393)** | (211) | |
| (Loss) for the year | **(983)** | (527) | |
| Total comprehensive (loss) attributable to equity holders of the Company | **(590)** | (316) | |
| Total comprehensive (loss) attributable to the non-controlling interests | **(393)** | (211) | |
| Total comprehensive (loss) for the year | **(983)** | (527) | |
| Net cash flows generated from/(used in) operating activities | **3,169** | (7,203) | |
| Net cash flows used in investing activities | **(9,003)** | (4,294) | |
| Net cash flows generated from financing activities | **6,161** | 11,509 | |
| Net cash inflow | **327** | 12 | |
| Dividends paid to non-controlling interests | **–** | – | |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 13 Investment in Associates

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | | | 1 January | | | 1 January |
| | 2018 | 2017 | 2017 | 2018 | 2017 | 2017 |
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| Unquoted equity shares, at cost | | | | | | |
| At 1 January | **10,463** | 9,353 | 9,353 | **7,853** | 7,853 | 7,853 |
| Additions | **–** | 1,110 | – | **–** | – | – |
| Reclassified to other financial assets | | | | | | |
| – Aenergy | **(7,004)** | – | – | **(7,004)** | – | – |
| Capital reduction | **(1,200)** | – | – | **–** | – | – |
| At 31 December | **2,259** | 10,463 | 9,353 | **849** | 7,853 | 7,853 |
| Less: Allowance for impairment loss | **–** | – | – | **(849)** | (849) | (849) |
| Dividend received | **(450)** | (13,500) | – | **–** | – | – |
| Share of net post acquisition reserves | **(1,330)** | 12,484 | 13,055 | **–** | – | – |
| Share of translation differences | **–** | (117) | (117) | **–** | – | – |
| Reclassified to other financial assets | | | | | | |
| – Aenergy | **823** | – | – | **–** | – | – |
| At 31 December | **1,302** | 9,330 | 22,291 | **–** | 7,004 | 7,004 |

Details of the Group's associates are as follows:

| Name of Company (Country of incorporation and place of business) | Principal activities | Cost 2018 S$'000 | Cost 2017 S$'000 | Cost 1 January 2017 S$'000 | Effective equity interest held by the Group 2018 % | Effective equity interest held by the Group 2017 % | Effective equity interest held by the Group 1 January 2017 % |
|---|---|---|---|---|---|---|---|
| Held by the Company: | | | | | | | |
| * Guangzhou City South Special Coating Company Limited The People's Republic of China | Grit blasting, tank cleaning and painting | **849** | 849 | 849 | **47** | 47 | 47 |
| **** Aenergy Holdings Company Limited(2) Hong Kong | Investment holding company and its subsidiaries are engaged in constructing, operating and maintaining hydropower plants and the production of electric power | **–** | 7,004 | 7,004 | **–** | 20 | 25 |
| | | **849** | 7,853 | 7,853 | | | |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 13 Investment in Associates (Continued)

Details of the Group's associates are as follows: (Continued)

| Name of Company (Country of incorporation and place of business) | Principal activities | Cost 2018 S$'000 | Cost 2017 S$'000 | Cost 1 January 2017 S$'000 | Effective equity interest held by the Group 2018 % | Effective equity interest held by the Group 2017 % | Effective equity interest held by the Group 1 January 2017 % |
|---|---|---|---|---|---|---|---|
| Held by Hetat Holdings Pte. Ltd. | | | | | | | |
| *** Yokomori Singapore Pte Ltd[1] Singapore | Manufacturing of steel structural component | **1,110** | 1,110 | – | **30** | 30 | – |
| Held by SHS Capital Pte. Ltd. | | | | | | | |
| ** Serangoon EC Pte. Ltd.[3] Singapore | Real estate development | **300** | 1,500 | 1,500 | **30** | 30 | 30 |
| | | **2,259** | 10,463 | 9,353 | | | |

* Audited by Moore Stephens LLP, Singapore for consolidation purpose
** Audited by Philip Liew & Co
*** Audited by Moore Stephens LLP, Singapore
**** Audited by Tandem (HK) CPA Limited
(1) Associate incorporated during the previous year
(2) Dilution of effective equity interest and accordingly reclassified to other financial assets
(3) A capital reduction proportional to all shareholders during the year

Incorporation of an associate

During the previous financial year, the Company's wholly owned subsidiary, Hetat Holdings Pte. Ltd., had invested in 30% equity interest in Yokomori Singapore Pte Ltd, a newly incorporated company in Singapore. The issued and paid-up capital of Yokomori Singapore Pte Ltd was S$3,700,000, which Hetat Holdings Pte. Ltd.'s 30% equity interest contribution amounted to S$1,110,000.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 13 Investment in Associates (Continued)

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with SFRS(I) adjusted by the Group for equity accounting purposes.

| | 2018 S$'000 | 2017 S$'000 | 1 January 2017 S$'000 |
|---|---|---|---|
| *Serangoon EC Pte. Ltd.* | | | |
| Current assets | **2,063** | 12,848 | 69,548 |
| Non-current assets | **–** | – | – |
| Current liabilities | **(631)** | (6,574) | (6,117) |
| Non-current liabilities | **–** | – | (11,212) |
| Revenue | **–** | 3,074 | |
| Profit/(Loss) for the year | **618** | (946) | |
| Total comprehensive income/(loss) for the year | **618** | (946) | |
| Dividends received from the associate | **450** | 13,500 | |

Reconciliation of the above summarised financial information to the carrying amount of the interest in Serangoon EC Pte. Ltd. recognised in the consolidated financial statements:

| | 2018 S$'000 | 2017 S$'000 | 1 January 2017 S$'000 |
|---|---|---|---|
| Net assets of the associate | **1,432** | 6,274 | 52,219 |
| Proportion of the Group's ownership in Serangoon EC Pte. Ltd. | **30%** | 30% | 30% |
| Carrying amount of the Group's interest in Serangoon EC Pte. Ltd. | **429** | 1,882 | 15,666 |

| | 2018 S$'000 | 2017 S$'000 | 1 January 2017 S$'000 |
|---|---|---|---|
| *Yokomori Singapore Pte. Ltd.* | | | |
| Current assets | **3,354** | 3,365 | – |
| Non-current assets | **1,551** | 296 | – |
| Current liabilities | **(1,996)** | (84) | – |
| Non-current liabilities | **–** | – | – |
| Revenue | **665** | 5 | |
| (Loss) for the year | **(668)** | (123) | |
| Total comprehensive (loss) for the year | **(668)** | (123) | |
| Dividends received from the associate | **–** | – | |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 13 Investment in Associates (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Yokomori Singapore Pte. Ltd. recognised in the consolidated financial statements:

| | 2018 S$'000 | 2017 S$'000 | 1 January 2017 S$'000 |
|---|---|---|---|
| Net assets of the associate | **2,909** | 3,577 | – |
| Proportion of the Group's ownership in Yokomori Singapore Pte. Ltd. | **30%** | 30% | – |
| Carrying amount of the Group's interest in Yokomori Singapore Pte. Ltd. | **873** | 1,073 | – |

| | 2018 S$'000 | 2017 S$'000 | 1 January 2017 S$'000 |
|---|---|---|---|
| *Aenergy Holdings Company Limited* | | | |
| Current assets | **11,430** | 20,037 | 13,424 |
| Non-current assets | **42,623** | 12,825 | 9,632 |
| Current liabilities | **(22,604)** | (1,025) | (4,431) |
| Non-current liabilities | **–** | – | – |
| Non-controlling interests | **(874)** | (171) | (283) |
| Revenue | **12,404** | – | |
| (Loss) for the year | **(891)** | (1,227) | |
| Total comprehensive (loss) for the year | **(891)** | (1,227) | |
| Dividends received from the associate | **–** | – | |

Reconciliation of the above summarised financial information to the carrying amount of the interest in Aenergy Holdings Company Limited ("Aenergy") recognised in the consolidated financial statements:

| | 2018 S$'000 | 2017 S$'000 | 1 January 2017 S$'000 |
|---|---|---|---|
| Net assets of the associate | **30,575** | 31,666 | 18,342 |
| Proportion of the Group's ownership in Aenergy | **20%** | 20% | 25% |
| | **6,181** | 6,375 | 4,586 |
| Add: Capital contribution capitalised by Aenergy | **–** | – | 2,039 |
| Reclassified to other financial assets (see below) | **(6,181)** | – | – |
| Carrying amount of the Group's interest in Aenergy | **–** | 6,375 | 6,625 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 13 Investment in Associates (Continued)

Change in the Group's effective equity interest in Aenergy

During the previous financial year, Aenergy had made a second capital call to its shareholders to contribute a total of US$5,000,000. The Group had decided not to participate in the second capital call, and consequently, the Group's effective equity interest in Aenergy was diluted from 25% to 20%, after the completion of the second capital call by the other shareholders of Aenergy. The effect of the change in the Group's effective equity interest in Aenergy had not been accounted for by the Group as the impact was considered not material.

On 26 December 2018, Aenergy made a third capital call to its shareholders to contribute a total of US$8,500,000. The Group decided not to participate in the third capital call, and consequently, the Group's effective equity interest in Aenergy was diluted from 20% to 15%, after the completion of the third capital call by the other shareholders of Aenergy. Accordingly, the investment in Aenergy has been reclassified to other financial assets (Note 15).

## 14 Investment in Joint Ventures

Details of the Group's joint ventures are as follows:

| Name of Company (Country of incorporation and place of business) | Principal activities | Cost 2018 S$'000 | Cost 2017 S$'000 | Cost 1 January 2017 S$'000 | Effective equity interest held by the Group 2018 % | Effective equity interest held by the Group 2017 % | Effective equity interest held by the Group 1 January 2017 |
|---|---|---|---|---|---|---|---|
| Pacific Land Development Co., Ltd. Myanmar | Provide services related to technical consultancy for construction, mechanical or electrical installation and other services related to construction. | – | – | 7 | – | – | 50 |
| Changi Mega Solar Pte. Ltd. Singapore ("Changi Mega")(1) | Generation of electricity by other sources, transmission, distribution and sale of electricity. | – | * | * | – | 51 | 51 |

* Amount is less than S$1,000

(1) Disposed of during the year

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 14 Investment in Joint Ventures (Continued)

Disposal of joint venture

During the current financial year, the Group disposed the investment in Changi Mega Solar Pte. Ltd. and during the previous financial year, the Group had disposed the investment in Pacific Land Development Co., Ltd.. The effect of the disposals is summarised below.

| | Group | |
|---|---|---|
| | 2018 S$'000 | 2017 S$'000 |
| Proceeds from disposal | **2,674** | 396 |
| Carrying amount of investment in joint venture | **(160)** | (6) |
| Loan receivable from joint venture (Note 25) | **(2,276)** | (412) |
| Gain/(Loss) on disposal of joint venture | **238** | (22) |

Aggregate information of joint ventures that are not individually material

| | Group | |
|---|---|---|
| | 2018 S$'000 | 2017 S$'000 |
| The Group's share of profit | **58** | 102 |
| The Group's share of total comprehensive income | **58** | 102 |
| Aggregate carrying amount of the Group's interest in these joint ventures | **–** | 102 |

## 15 Other Financial Assets

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 2018 S$'000 | 2017 S$'000 | 1 January 2017 S$'000 | 2018 S$'000 | 2017 S$'000 | 1 January 2017 S$'000 |
| Equity investments measured at fair value through other comprehensive income (SFRS(I) 9) | | | | | | |
| – Unquoted equity shares* | **23,840** | – | – | **22,686** | – | – |
| Financial assets, available-for-sale, at cost (FRS 39) | | | | | | |
| – Unquoted equity shares | **–** | 19,711 | 19,711 | **–** | 17,135 | 17,135 |
| | **23,840** | 19,711 | 19,711 | **22,686** | 17,135 | 17,135 |

* Include the Group's equity investment in Aenergy reclassified from investment in associate.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 15 Other Financial Assets (Continued)

*2018*

As per the Group's investment policy, these investments in equity instruments are not held for trading. Instead, they are held mainly for long-term strategic purposes. Accordingly, these investments are designated at FVOCI as management believes that recognising short-term fluctuations in these investments' FVPL would not be consistent with the Group's strategy of holding these investments for long-term purposes.

Information of the fair value measurement is disclosed in Note 45.

*2017*

The investments in unquoted equity shares represent investments in companies which are engaged in the developing, building and operating self-erecting tender rigs, investment holding and real estate. The Group does not intend to dispose of these investments in the foreseeable future.

At the reporting date, the fair value of the unquoted equity investments cannot be measured reliably because the range of possible fair value estimates is wide and the probabilities of the various estimates within the range cannot be reasonably assessed. Accordingly, these financial assets, available-for-sale, if not impaired, are stated at cost.

## 16 Goodwill

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **S$'000** | **S$'000** |
| At 1 January | **20,501** | 26,450 |
| Goodwill arising from acquisition during the year (Note 12) | **–** | 3,651 |
| Impairment loss recognised in the year (Note 7) | **(3,651)** | (9,600) |
| At 31 December | **16,850** | 20,501 |

Impairment testing for goodwill

For the purpose of impairment testing, goodwill has been allocated to the respective cash generating unit (CGU) under the relevant operating segments as follows:

| | Group | | |
|---|---|---|---|
| | | | **1 January** |
| | **2018** | **2017** | **2017** |
| | **S$'000** | **S$'000** | **S$'000** |
| **Corrosion Prevention** | | | |
| – Speedo Corrosion Control Pte Ltd ("Speedo") | **1,008** | 1,008 | 1,008 |
| **Engineering & Construction** | | | |
| – Hetat Holdings Pte. Ltd. ("Hetat") | **15,842** | 15,842 | 25,442 |
| – TLC Modular Construction Joint Stock Company ("TLC") | **–** | 3,651 | – |
| | **16,850** | 20,501 | 26,450 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 16 Goodwill (Continued)

Impairment testing for goodwill (Continued)

The recoverable amounts of the CGU have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The post-tax discount rate applied to the cash flow projections, budgeted gross margins, forecasted growth rates and the terminal growth rates used to extrapolate cash flow projections beyond the five-year period.

A total impairment of goodwill of S$3,651,000 (2017: S$9,600,000) (Note 7) is included within "Other operating expenses" in the profit or loss of the Group. The total impairment of goodwill consists of:

2018 – S$3,651,000 for the TLC CGU

For the financial year ended 31 December 2018, the Group recognised an impairment loss on the entire amount of goodwill allocated to TLC CGU of S$3,651,000 as the recoverable amount of the CGU is determined based on the value in use calculation to be lower than its carrying amount. The impairment is consequent of not achieving the underlying profit assumption under the business plan which supported the investment, given the challenging environment for its modular construction services resulting in delays in the completion of projects on hand.

2017 – S$9,600,000 for the Hetat CGU

For the financial year ended 31 December 2017, the Group had recognised an impairment loss of S$9,600,000 in relation to the goodwill allocated to Hetat CGU as the recoverable amount of the CGU had been determined based on the value in use calculation to be lower than its carrying amount. The impairment was consequent from the slowdown in the construction sector in Singapore for the last few years, resulting in fewer projects completed and delays in the start of projects on hand.

a) Speedo CGU

i. Revenue and margins are projected based on contracts secured with customers along with likely contract renewals and forecasted demand with reference to past revenues earned.

ii. Inflation rate of 2% has been used to project overheads and other general expenses.

iii. Terminal growth rate of 2% has been used for terminal value.

iv. Discount rate of 15% which represent the current market assessment of the risks specific to the CGU.

*Sensitivity analysis*

The impairment test has determined that the recoverable amount of Speedo CGU is approximately 34% higher than its carrying amount. A decrease in the average growth rate of the five-year period cash flow by about 5% or an increase in the discount rate by about 4% would result in the recoverable amount being approximately equal to its carrying amount.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**16 Goodwill** (Continued)

Impairment testing for goodwill (Continued)

b) Hetat CGU

i. Growth rate is projected based on long term contracts secured with customers. New contracts and contract renewal are assumed based on estimated demand and supply as well as margin.

ii. Inflation rate of 2% has been used to project overheads and other general expenses.

iii. Terminal growth rate of 2% has been used for terminal value.

iv. Discount rate of 10% which represent the current market assessment of the risks specific to the CGU.

*Sensitivity analysis*

The impairment test has determined that the recoverable amount of Hetat CGU is approximately 7% higher than its carrying amount. A decrease in the average growth rate of the five-year period cash flow by about 2% or an increase in the discount rate by about 0.5% would result in the recoverable amount being approximately equal to its carrying amount.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 17 Intangible Assets

| | Capitalised development costs S$'000 | Customer contractual backlog S$'000 | Total S$'000 |
|---|---|---|---|
| **Group** | | | |
| **2018** | | | |
| Cost | | | |
| At 1 January and 31 December | **–** | **2,353** | **2,353** |
| Accumulated amortisation | | | |
| At 1 January and 31 December | **–** | **(2,353)** | **(2,353)** |
| Net book value | | | |
| At 31 December 2018 | **–** | **–** | **–** |
| **2017** | | | |
| Cost | | | |
| At 1 January | 286 | 2,353 | 2,639 |
| Disposals | (286) | – | (286) |
| At 31 December | – | 2,353 | 2,353 |
| Accumulated amortisation | | | |
| At 1 January | (234) | (2,353) | (2,587) |
| Amortisation expense | (48) | – | (48) |
| Disposals | 282 | – | 282 |
| At 31 December | – | (2,353) | (2,353) |
| Net book value | | | |
| At 31 December 2017 | – | – | – |
| Net book value | | | |
| At 1 January 2017 | 52 | – | 52 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 18 Prepaid Land Leases

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **S$'000** | **S$'000** |
| Cost | | |
| At 1 January | **6,693** | – |
| Acquisition of a subsidiary | **–** | 1,085 |
| Additions | **–** | 5,608 |
| Currency alignment | **18** | – |
| At 31 December | **6,711** | 6,693 |
| Accumulated amortisation | | |
| At 1 January | **34** | – |
| Amortisation expense | **186** | 34 |
| Currency alignment | **1** | – |
| At 31 December | **221** | 34 |
| Net book value | | |
| At 31 December | **6,490** | 6,659 |
| *Presented as:* | | |
| Current | **187** | 189 |
| Non-Current | **6,303** | 6,470 |
| | **6,490** | 6,659 |

Prepaid land leases, which represent land use rights, relates to 2 parcels of state-owned land located in Vietnam, where the manufacturing facilities of TLC Modular Construction Joint Stock Company and TLC Modular Manufacturing (Vietnam) Co., Ltd reside.

Details of the Group's prepaid land leases are as follows:

| **Land address** | **Land area (sqm)** | **Tenure** |
|---|---|---|
| Prepaid land leases | | |
| Ward 10, Vung Tau City, Ba Ria-Vung Tau Province, Vietnam | 15,939 | 29.9 years |
| Phu My II Industrial Zone, Tan Thanh District, Vietnam | 69,993 | 37.5 years |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 19 Inventories

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 2018 S$'000 | 2017 S$'000 | 1 January 2017 S$'000 | 2018 S$'000 | 2017 S$'000 | 1 January 2017 S$'000 |
| Raw materials, at cost | **1,984** | 2,705 | – | **–** | – | – |
| Finished goods, at cost or net realisable value | **2,281** | 3,208 | 3,373 | **–** | – | – |
| Work in progress, at cost | **3,390** | 1,926 | – | **–** | – | – |
| Refined petroleum products, at net realisable value | **–** | – | 429 | **–** | – | 429 |
| Supplies and spare parts, at cost | **194** | 312 | 46 | **–** | – | – |
| | **7,849** | 8,151 | 3,848 | **–** | – | 429 |

Allowance for stock obsolescence and reversal of allowance for stock obsolescence amounted to S$25,000 and Nil (2017: S$3,000 and S$5,000) was recognised in continuing operation of the Group for the current financial year. Previous written-down inventories amounted to S$6,000 (2017: S$12,000) have been reversed as the inventories were sold above their carrying amounts during the current financial year.

## 20 Land Held for Development

| | Group | | |
|---|---|---|---|
| | 2018 S$'000 | 2017 S$'000 | 1 January 2017 S$'000 |
| Land, at net realisable value | **4,760** | – | – |
| Land, at cost | **831** | – | – |
| | **5,591** | – | – |

The details of the Group's land held for development are as follows:

| Land address | Land area (sqm) | Tenure |
|---|---|---|
| 180, 182 and 184 Ferny Avenue, Surfers Paradise, Australia | 1,055 | Freehold |
| Lots 27 & 28, Walter Merton Road, Hobsonville Point, New Zealand | 450 | Freehold |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 20 Land Held for Development (Continued)

As at 31 December 2018, the net realisable value of the land in Australia was assessed to be lower than its cost. The net realisable value was assessed based on directors' valuation which relied on market evidence of most recent transactions for land prices in the same vicinity. Accordingly, management has exercised their judgement to write down the land in Australia from its cost of S$6,410,000 to its net realisable value of S$4,760,000 at the reporting date. The fair value of the land held for development was measured under Level 3 of the Fair Value Hierarchy (Note 45).

## 21 Trade Receivables

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **2018** | **2017** | **1 January 2017** | **2018** | **2017** | **1 January 2017** |
| | **S$'000** | **S$'000** | **S$'000** | **S$'000** | **S$'000** | **S$'000** |
| Trade receivables | | | | | | |
| – third parties | **11,739** | 12,077 | 15,745 | **418** | 682 | 418 |
| – related party | **–** | 809 | 687 | **–** | – | – |
| – retention sums on construction contracts | **2,945** | 2,592 | 3,227 | **–** | – | – |
| | **14,684** | 15,478 | 19,659 | **418** | 682 | 418 |
| Less: Loss allowance | **(5,398)** | (4,033) | (3,242) | **(418)** | (330) | (330) |
| | **9,286** | 11,445 | 16,417 | **–** | 352 | 88 |

The credit period for trade receivables ranges from 30 to 90 days (2017: 30 to 90 days; 1 January 2017: 30 to 90 days). No interest is charged on the outstanding balances of trade receivables.

Loss allowance for trade receivables has always been measured at an amount equal to lifetime expected credit losses (ECL) as disclosed in the accounting policy Note 3(m). The Group has recognised a loss allowance of 100% against all trade receivables over 1 year and 9 months past due (credit-impaired) because historical experience has indicated that these receivables are generally not recoverable. There has been no change in the estimation techniques or significant assumptions made during the current reporting period. None of the trade receivables that have been written off is subject to enforcement activities.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 21 Trade Receivables (Continued)

The Group's and Company's credit risk exposure in relation to trade receivables from contracts with customers as at 31 December 2018 are set out in the provision matrix as presented below. The Group's loss allowance is based on past due as the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments.

| | | Trade receivables past due (days) | | | | |
|---|---|---|---|---|---|---|
| | Current S$'000 | 1 to 90 days S$'000 | 91 to 270 days S$'000 | 271 days to 1 year & 9 months S$'000 | Over 1 year & 9 months S$'000 | Total S$'000 |
| **Group** | | | | | | |
| Expected credit loss rate | 0.97% | 4.57% | 12.04% | 12.09% | 100.00% | |
| Trade receivables | | | | | | |
| – gross carrying amount at default | 5,605 | 2,655 | 775 | 590 | 5,059 | 14,684 |
| Loss allowance | | | | | | |
| – lifetime ECL | (54) | (121) | (93) | (71) | (5,059) | (5,398) |
| | | | | | | 9,286 |
| **Company** | | | | | | |
| Expected credit loss rate | 1.79% | 3.70% | 7.69% | 72.34% | 100.00% | |
| Trade receivables | | | | | | |
| – gross carrying amount at default | – | – | – | – | 418 | 418 |
| Loss allowance | | | | | | |
| – lifetime ECL | – | – | – | – | (418) | (418) |
| | | | | | | – |

The movements in expected credit loss of trade receivables during the financial year are as follows:

| | Group Lifetime ECL 2018 S$'000 | Company Lifetime ECL 2018 S$'000 |
|---|---|---|
| At 1 January 2018 per FRS 39 | **4,033** | **330** |
| Adjustment on initial application of SFRS(I) 9 | **1,024** | **–** |
| At 1 January 2018 per SFRS(I) 9 | **5,057** | **330** |
| Impairment loss recognised in profit or loss during the year | **341** | **88** |
| As 31 December 2018 per SFRS(I) 9 | **5,398** | **418** |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 21 Trade Receivables (Continued)

Previous accounting policy for impairment of trade receivables

As at 31 December 2017, trade receivables that are neither past due nor impaired are credit worthy companies with good payment records with the Group. As for the trade receivables which are past due at the end of the reporting period but for which the Group and the Company has not recognised an allowance for impairment loss, there has not been a significant change in the customer's credit quality and the amounts are still considered recoverable. The Group and the Company does not hold any collateral or other credit enhancements over these trade receivables nor does it have a legal right of offset against any amounts owed by the Group and the Company to the counterparty.

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 1 January 2017 | 2017 | 1 January 2017 |
| | S$'000 | S$'000 | S$'000 | S$'000 |
| Neither past due nor impaired | 5,405 | 5,929 | 67 | 24 |
| Past due within 30 days | 1,015 | 1,215 | 98 | – |
| Past due 31 to 60 days | 1,322 | 970 | 82 | – |
| Past due 61 to 90 days | 991 | 888 | 26 | 9 |
| Past due over 90 days | 2,712 | 7,145 | 79 | 55 |
| | 11,445 | 16,417 | 352 | 88 |

The Group believes that the unimpaired amounts that are past due by more than 90 days are still collectible, based on the historic payment behaviour and extensive analyses of customer credit risk, including underlying customers' credit ratings, when available.

The carrying amount of trade receivables individually determined to be impaired at the reporting date is as follows:

| | Group | Company |
|---|---|---|
| | 2017 | 2017 |
| | S$'000 | S$'000 |
| Trade receivables – nominal amounts | 4,033 | 330 |
| Less: Allowance for impairment loss | (4,033) | (330) |
| | – | – |

These impaired trade receivables arose from long outstanding amounts due from customers which remained unpaid at the reporting date, and accordingly, there are significant uncertainties over the recovery of the amounts due from the customers.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 21 Trade Receivables (Continued)

Movements in the allowance for impairment loss during the financial year are as follows:

| | Group 2017 S$'000 | Company 2017 S$'000 |
|---|---|---|
| At 1 January | 3,242 | 330 |
| Allowance during the year | 791 | – |
| At 31 December | 4,033 | 330 |

## 22 Amounts Due from/(to) Subsidiaries

| | Company | | |
|---|---|---|---|
| | 2018 S$'000 | 2017 S$'000 | 1 January 2017 S$'000 |
| Amounts due from subsidiaries – non-trade | **98,892** | 81,844 | 49,008 |
| Less: Allowance for impairment loss | **(8,771)** | (9,412) | (9,491) |
| Current amounts due from subsidiaries | **90,121** | 72,432 | 39,517 |
| Amounts due (to) subsidiaries | | | |
| – trade | **(42)** | (83) | (623) |
| – non-trade | **(734)** | – | (4,357) |
| Current amounts due (to) subsidiaries | **(776)** | (83) | (4,980) |

The non-trade balances due from/(to) subsidiaries are unsecured and repayable on demand and in cash. The credit period for trade payables ranges from 30 to 90 days (2017: 30 to 90 days; 1 January 2017: 30 to 90 days). These outstanding trade and non-trade balances are interest-free except for certain amounts due from subsidiaries totalling S$6.7 million (2017: S$6.8 million; 1 January 2017: S$10.3 million), which incurs interest of 2% (2017: 2%; 1 January 2017: 2% to 5%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 22 Amounts Due from/(to) Subsidiaries (Continued)

The Group regularly purchases materials and pays expenses on behalf of related companies within the Group. The Group have an inter-company balances arrangement to settle the net amount due to or from each other on a quarterly term basis. The following inter-company balances are subject to offsetting arrangements:

| | Gross carrying amounts (net impairment) S$'000 | Gross amounts offset in the statement of financial position S$'000 | Net amounts in the statement of financial position S$'000 |
|---|---|---|---|
| **Company** | | | |
| 2018 | | | |
| Amounts due from subsidiaries | | | |
| – non-trade | **90,808** | **(687)** | **90,121** |
| Amounts due to subsidiaries | | | |
| – trade | **(713)** | **671** | **(42)** |
| – non-trade | **(750)** | **16** | **(734)** |
| | **(1,463)** | **687** | **(776)** |
| 2017 | | | |
| Amounts due from subsidiaries | | | |
| – non-trade | 79,995 | (7,563) | 72,432 |
| Amounts due to subsidiaries | | | |
| – trade | (1,098) | 1,015 | (83) |
| – non-trade | (4,757) | 4,757 | – |
| | (5,855) | (5,772) | (83) |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 23 Other Receivables and Prepayments

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | | | 1 January | | | 1 January |
| | 2018 | 2017 | 2017 | 2018 | 2017 | 2017 |
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| Other receivables: | | | | | | |
| – Interest receivable | **49** | 50 | 1,832 | **49** | 50 | 76 |
| – Sundry debtors[(a)] | **2,543** | 2,772 | 14,623 | **–** | 64 | 10,000 |
| – Loans to an investee company [(b)] | **7,990** | 7,843 | 7,556 | **7,990** | 7,843 | 7,556 |
| – Amount due from non-controlling interests[(c)] | **2,799** | 5,054 | 1,999 | **–** | – | – |
| – Retention monies | **–** | 15 | 224 | **–** | – | – |
| – Deposits for acquisition of land | **1,755** | 550 | – | **–** | – | – |
| – Deposits (others) | **859** | 914 | 3,634 | **3** | 3 | 7 |
| | **15,995** | 17,198 | 29,868 | **8,042** | 7,960 | 17,639 |
| Advances to sub-contractors | **233** | 910 | 232 | **–** | (1) | (1) |
| Advances to staffs | **50** | – | – | **–** | – | – |
| Prepayments | **317** | 402 | 182 | **77** | 21 | 89 |
| Prepaid development costs[(d)] | **–** | 18,443 | 1,355 | **–** | – | – |
| VAT/GST recoverable | **1,493** | 1,061 | 251 | **–** | – | – |
| | **18,088** | 38,014 | 31,888 | **8,119** | 7,980 | 17,727 |
| *Presented as:* | | | | | | |
| Current | **10,098** | 21,473 | 30,533 | **129** | 7,980 | 17,727 |
| Non-Current | **7,990** | 16,541 | 1,355 | **7,990** | – | – |
| | **18,088** | 38,014 | 31,888 | **8,119** | 7,980 | 17,727 |

Other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on these receivables since initial recognition. Accordingly, for the purpose of impairment assessment for other receivables, the loss allowance is measured at an amount equal to 12-month ECL which reflects the low credit risk of the exposures. There is no allowance arising from these outstanding balances as the ECL is insignificant. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for other receivables.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 23 Other Receivables and Prepayments (Continued)

(a) At the reporting date, included in sundry debtors is an amount of AUD2 million (equivalent to S$2.02 million) (2017: S$2.09 million; 1 January 2017: S$2.09 million) relating to the Group's advance for future equity participation and share issue in a company, incorporated in Australia, involved in a development property project in Australia. At the date of these financial statements, the development property project is at its pre-selling stage.

(b) The loans were previously extended by the Company to an investee company, incorporated in Singapore, for the investee company's investment in certain unlisted equity securities in Singapore with no fixed terms of repayment. At the current reporting date, the loans are not expected to be repaid within the next twelve months.

(c) Loans extended to non-controlling interests is non-trade in nature, unsecured, interest-free and repayable on demand. These loans mainly relate to non-controlling interests' share of shareholder loans, invested on behalf by the Group, to the respective investee company. During the current financial year, an amount due from non-controlling interests amounted to S$3,039,000 was offset against the consideration for the acquisition of non-controlling interest (Note 12).

(d) Prepaid development costs relate to the solar projects in Bangladesh and Vietnam, which amounted to S$16,541,000 and S$1,902,000 (1 January 2017: S$1,355,000 and Nil), respectively as at 31 December 2017.

During the current financial year, the solar project in Bangladesh (the "Bangladesh Project") commenced its construction, and according, the related prepaid development costs of the solar project have been reclassified to property, plant and equipment (Note 10). Further, as announced by the Company on 20 February 2019, the Group is presently in negotiation with various parties for financing for the construction to progress and thereafter, to seek further extension of the deadline (currently being the Extended Planned Commercial Operations Date of 31 October 2019) for completion of the Bangladesh Project.

On 26 December 2018, the Group entered into Sale & Purchase Agreement to dispose the solar project in Vietnam. Accordingly, the related prepaid development costs of the solar project has been reclassified to assets classified as held for sale (Note 27).

## 24 Loan Receivable from an Associate and Amount Due from a Joint Venture

The loan receivable from an associate, Serangoon EC Pte. Ltd., was in relation to an agreement entered into among the associate's shareholders. The loan was unsecured, bore interest of 6.50% per annum and had been fully repaid during the previous financial year.

The amount due from a joint venture was trade related, unsecured, interest-free and had been fully repaid during the previous financial year. The credit period was 30 days.

## 25 Loan Receivables from Joint Ventures

| | Group | | |
|---|---|---|---|
| | **2018 S$'000** | **2017 S$'000** | **1 January 2017 S$'000** |
| Loan receivables from joint ventures: | | | |
| – Loan receivable I[(a)] | – | 2,276 | 2,221 |
| – Loan receivable II[(b)] | – | – | 412 |
| | – | 2,276 | 2,633 |

(a) Loan receivable I was granted to Changi Mega Solar Pte. Ltd. ("Changi Mega"), pursuant to the shareholders' loan agreement entered into between the two joint venture's shareholders to finance the construction of the solar power plant of Changi Mega. The loan was unsecured, interest-free and has been fully repaid on disposal of the Group's investment in Changi Mega during the current financial year.

(b) Loan receivable II was granted to Pacific Land Development Co., Ltd. ("PLDC"), pursuant to an agreement entered into among the joint venture's shareholders. The loan was unsecured, interest-free and had been fully repaid on disposal of the Group's investment in PLDC during the previous financial year.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 26 Cash and Bank Balances

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | | | 1 January | | | 1 January |
| | 2018 | 2017 | 2017 | 2018 | 2017 | 2017 |
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| Cash at bank and on hand | **9,860** | 14,107 | 19,792 | **579** | 2,670 | 3,787 |
| Short-term bank deposits | **20,030** | 35,000 | 51,000 | **20,030** | 35,000 | 51,000 |
| Cash and cash equivalents per consolidated statement of cash flows | **29,890** | 49,107 | 70,792 | **20,609** | 37,670 | 54,787 |

Short-term bank deposits of the Company bear an average effective interest rates of 0.95% to 1.55% (2017: 0.90% to 1.15%; 1 January 2017: 0.19% to 1.68%) per annum and have a tenure of approximately 49 to 53 days (2017: 32 to 96 days; 1 January 2017: 30 days to 92 days).

## 27 Asset Classified as Held for Sale

| | Group | | |
|---|---|---|---|
| | | | 1 January |
| | 2018 | 2017 | 2017 |
| | S$'000 | S$'000 | S$'000 |
| Property, plant and equipment | **1,000** | – | – |
| Prepaid development costs related to solar project | **5,265** | – | – |
| Cash and bank balances | **34** | – | – |
| Assets classified as held for sale | **6,299** | – | – |
| Liabilities directly associated with assets classified as held for sale – trade payables and accruals | **29** | – | – |

On 26 December 2018, the Group entered into Sale & Purchase Agreement (the "SPA") for the sale of the solar project in Vietnam to a third party for a total consideration of US$5.5 million (approximately S$7.6 million), the details of which are disclosed in the Company's announcement on the same day. Pursuant to the terms and conditions of the SPA, the Group estimates to recognise a gain on disposal of approximately S$1.3 million on completion of the disposal. At the date of these financial statements, the disposal has not been completed.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 28 Trade Payables and Accruals

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | | | 1 January | | | 1 January |
| | 2018 | 2017 | 2017 | 2018 | 2017 | 2017 |
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| Trade payables[(a)] | **4,079** | 7,117 | 8,182 | **54** | 604 | 772 |
| Accrued operating expenses | **3,623** | 3,326 | 4,129 | **214** | 378 | 950 |
| Prepaid land leases payable[(b)] | **2,718** | 2,718 | – | **–** | – | – |
| | **10,420** | 13,161 | 12,311 | **268** | 982 | 1,722 |
| Provision for cost of demolition[(c)] | **473** | 473 | – | **–** | – | – |
| | **10,893** | 13,634 | 12,311 | **268** | 982 | 1,722 |

(a) The credit period for trade payables ranges from 30 to 90 days (2017: 30 to 90 days; 1 January 2017: 30 to 90 days). No interest is charged on the outstanding balances of trade payables.

(b) The Group has obligation to settle the prepaid land leases due in relation to those lands disclosed in Note 18.

(c) The land lease in relation to the leasehold building of the Group located at 1 Penjuru Lane has expired during the current financial year and a provision has been included for the estimated cost for demolition of the property upon the call back of the land by the relevant land authorities. As at the date of these financial statements, the land authorities has yet to call back the land.

## 29 Other Payables

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | | | 1 January | | | 1 January |
| | 2018 | 2017 | 2017 | 2018 | 2017 | 2017 |
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| Other payables: | | | | | | |
| – Rental deposits from customers | **76** | 153 | 145 | **–** | – | – |
| – Retention sums payable | **1,017** | 1,327 | 1,098 | **–** | – | – |
| – Amount due to non- controlling interests[(a)] | **5,276** | 6,121 | 2,172 | **–** | – | – |
| – Amount due to director of the subsidiaries[(b)] | **201** | – | – | **–** | – | – |
| – Contingent Consideration (Note 12) | **–** | 1,193 | – | **–** | – | – |
| – Sundry payables | **830** | 1,195 | 638 | **237** | 214 | 222 |
| | **7,400** | 9,989 | 4,053 | **237** | 214 | 222 |
| Foreign workers' tax withheld | **80** | 80 | 90 | **75** | 80 | 90 |
| VAT/GST payable | **233** | (64) | 254 | **(5)** | 16 | (49) |
| | **7,713** | 10,005 | 4,397 | **307** | 310 | 263 |

(a) Shareholder loans from non-controlling interests to the respective investee company is unsecured, interest-free and repayable on demand and in cash.

(b) Amount due to director of the subsidiaries is non-trade in nature, unsecured, interest-free and repayable on demand and in cash.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 30 Amount Due to Associates

The amounts due to associates are non-trade in nature, unsecured, interest-free and repayable on demand and in cash.

## 31 Term Loans

| | Group | | |
|---|---|---|---|
| | 2018<br>S$'000 | 2017<br>S$'000 | 1 January<br>2017<br>S$'000 |
| Current: | | | |
| Term loan I | **1,150** | 8,822 | – |
| Term loan II | **3,503** | 4,006 | – |
| Term loan III | **225** | 222 | 18 |
| | **4,878** | 13,050 | 18 |
| Non-Current: | | | |
| Term loan I | **9,488** | – | – |
| Term loan III | **3,574** | 3,776 | 3,840 |
| | **13,062** | 3,776 | 3,840 |

Term loan I with a principal amount of S$11,500,000 is repayable in full on the maturity of the drawn down period, which is within the next twelve months after the reporting period. The term loan was used to finance the building construction of the Group for working capital purposes. In the current financial year, the maturity tenure of the term loan was revised to be repayable over 59 fixed monthly principal installments and a final fixed monthly principal installment, commencing in April 2018. The loan bears interest of 2.89% (2017: 2.82%; 1 January 2017: Nil) per annum.

Term loan II with a principal amount of S$4,000,000 is repayable in full on the maturity of the drawn down period, which is within the next twelve months after the reporting period. The loan bears interest range 3.19% to 3.21% (2017: 2.48% to 2.65%; 1 January 2017: Nil) per annum. The term loan was for working capital purposes.

Term loan III with a principal amount of S$3,998,625 is repayable over 41 fixed monthly principal installments and a final fixed monthly principal installment, commencing in December 2017. The loan bears interest of 2.86% – 3.00% (2017: 3.00%; 1 January 2017: 2.86%) per annum. The term loan was used to finance the purchase of the freehold land in Malaysia by a subsidiary of the Group (Note 10(d)).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 31 Term Loans (Continued)

The credit facilities (including trust receipts (Note 32)) of the Group are secured by the following:

- First legal mortgage over 81 Tuas South Street 5, Singapore 637651;
- First legal mortgage over 19 Tuas Avenue 20, Singapore 638830;
- First legal mortgage over industrial land together with a factory building to be erected held under title GM2485, Lot 1979, Mukim Jeram Batu, Daerah Pontian, Johor, Malaysia;
- First legal mortgage over industrial land together with a factory building to be erected held under title Ward 10, Vung Tau City, Ba Ria-Vung Tau Province, Vietnam;
- Corporate guarantee from the Company for a total of S$63.55 million (2017: S$70.47 million; 1 January 2017: S$42.93 million); and
- First deed of debenture duly executed, incorporating a fixed and floating charge over the present and future undertaking, assets, revenues and rights of a subsidiary of the Group.

## 32 Other Amounts Due to Bankers

| | Group | | |
|---|---|---|---|
| | 2018 S$'000 | 2017 S$'000 | 1 January 2017 S$'000 |
| Current: | | | |
| Trust receipts [secured – see Note 31] | **3,147** | 2,927 | 5,314 |

The trust receipts incur interest rates of 1.50% to 3.35% (2017: 2.32% to 2.61%; 1 January 2017: 2.05% to 3.07%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 33 Finance Leases

The Group acquired certain plant and equipment under finance leasing facilities. The interest rates implicit in the leases range from 4.3% (2017: 3.0% to 4.3%; 1 January 2017: 3.0% to 4.3%) per annum. Future minimum lease payments under the finance lease arrangements together with the present value of the net minimum lease payments are as follows:

| | Minimum payments 2018 S$'000 | Present value of payments 2018 S$'000 | Minimum payments 2017 S$'000 | Present value of payments 2017 S$'000 | Minimum payments 1 January 2017 S$'000 | Present value of payments 1 January 2017 S$'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| Within one year | **65** | **59** | 107 | 79 | 120 | 103 |
| After one year but not more than five years | **55** | **49** | 121 | 128 | 295 | 278 |
| Total minimum lease payments | **120** | **108** | 228 | 207 | 415 | 381 |
| Amount representing finance charges | **(12)** | **–** | (21) | – | (34) | – |
| Present value of minimum lease payments | **108** | **108** | 207 | 207 | 381 | 381 |

All assets acquired under finance lease are secured by the net book value of relevant assets acquired under the finance leases as disclosed in Note 10, including personnel guarantee by a director of the Company.

The finance lease arrangements do not contain any escalation clauses and do not provide for contingent rents. The terms of the finance lease do not contain any restrictions on the Group activities concerning dividends, additional debts or entering into other finance lease agreements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 34 Changes in Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities.

| | | Cash Flow | | Non Cash Flow | |
|---|---|---|---|---|---|
| | 1 January S$'000 | Proceeds S$'000 | Repayments S$'000 | Other changes* S$'000 | 31 December S$'000 |
| **Group** | | | | | |
| 2018 | | | | | |
| Term loan I | **8,822** | **2,680** | **(870)** | **6** | **10,638** |
| Term loan II | **4,006** | **–** | **(500)** | **(3)** | **3,503** |
| Term loan III | **3,998** | **–** | **(198)** | **(1)** | **3,799** |
| Amount due to associates | **1,029** | **1,443** | **(3)** | **(1,668)** | **801** |
| Amount due to director of the subsidiaries | **–** | **201** | **–** | **–** | **201** |
| Amount due from non-controlling interests | **(5,054)** | **–** | **(463)** | **2,718** | **(2,799)** |
| Amount due to non-controlling interests | **6,121** | **1,160** | **–** | **(2,005)** | **5,276** |
| Other amounts due to bankers | **2,927** | **3,130** | **(2,927)** | **17** | **3,147** |
| Finance leases | **207** | **–** | **(99)** | **–** | **108** |
| | **22,056** | **8,614** | **(5,060)** | **(936)** | **24,674** |
| 2017 | | | | | |
| Term loan I | – | 8,820 | – | 2 | 8,822 |
| Term loan II | – | 4,000 | – | 6 | 4,006 |
| Term loan III | 3,858 | – | – | 140 | 3,998 |
| Amount due to associates | – | 1,029 | – | – | 1,029 |
| Amount due from non-controlling interests | (1,999) | (3,055) | – | – | (5,054) |
| Amount due to non-controlling interests | 2,172 | 3,949 | – | – | 6,121 |
| Other amounts due to bankers | 5,314 | 2,912 | (5,314) | 15 | 2,927 |
| Finance leases | 381 | – | (174) | – | 207 |
| | 9,726 | 17,655 | (5,488) | 163 | 22,056 |

* Other changes include interest accrued, currency alignment, expenses paid on behalf, service income, contra with the proceed from disposal of plant and equipment with an associate (Note 40), and the contra of step acquisition (Note 12).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 35 Deferred Tax Liabilities

| | Fair value adjustment S$'000 | Temporary difference on property, plant and equipment S$'000 | Total S$'000 |
|---|---|---|---|
| **Group** | | | |
| 2018 | | | |
| At 1 January | **3,576** | **22** | **3,598** |
| Credited to profit or loss | **(101)** | **–** | **(101)** |
| Currency alignment | **10** | **–** | **10** |
| At 31 December | **3,485** | **22** | **3,507** |
| 2017 | | | |
| At 1 January 2017 | 1,993 | 22 | 2,015 |
| Revaluation of leasehold property (Note 38) | 1,169 | – | 1,169 |
| Acquisition of a subsidiary (Note 12) | 530 | – | 530 |
| Credited to profit or loss | (88) | – | (88) |
| Currency alignment | (28) | – | (28) |
| At 31 December | 3,576 | 22 | 3,598 |
| **Company** | | | |
| 2018 | | | |
| Balance at 1 January and 31 December | **1,780** | **22** | **1,802** |
| 2017 | | | |
| At 1 January 2017 | 611 | 22 | 633 |
| Revaluation of leasehold property (Note 38) | 1,169 | – | 1,169 |
| At 31 December | 1,780 | 22 | 1,802 |

Deferred tax liabilities relate to temporary differences arising from the excess of net book value over tax written down value of property, plant and equipment and revaluation to fair value of leasehold buildings.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 35 Deferred Tax Liabilities (Continued)

Unrecognised tax losses and capital allowances

Deferred tax assets are recognised for unutilised tax losses and capital allowances carried forward to the extent that the realisation of the related tax benefits through future taxable profit is probable. As at 31 December 2018, the Group has unutilised tax losses of approximately S$11,243,000 (2017: S$6,745,000) and capital allowances of S$179,000 (2017: S$179,000) which can be carried forward and used to offset against future taxable income of those entities in the Group in which the losses and capital allowances arose, subject to the agreement of the tax authorities and compliance of the relevant provisions of the tax legislation of the respective countries in which they operate. The unutilised tax losses have no expiry date.

The deferred tax assets arising from these unutilised tax losses and capital allowances of approximately S$1,942,000 (2017: S$1,177,000) have not been recognised in accordance with the Group's accounting policy as disclosed in Note 3(aa).

## 36 Share Capital

| | Group and Company | |
|---|---|---|
| | **2018** | **2017** |
| | **S$'000** | **S$'000** |
| Issued and fully paid, with no par value: | | |
| Balance at 1 January | | |
| 710,620,712 (2017: 710,618,161) ordinary shares | **160,637** | 160,636 |
| Issuance of shares during the year | | |
| Nil (2017: 2,551) ordinary shares | **–** | 1 |
| Balance at 31 December | | |
| 710,620,712 (2017: 710,620,712) ordinary shares | **160,637** | 160,637 |

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction, except for treasury shares, at general meetings of the Company and rank equally with regards to the Company's residual assets.

On 18 December 2014, the Company had issued 303,641,586 warrants pursuant to a bonus issue on the basis of one warrant for every two existing ordinary shares held in the capital of the Company. Each warrant entitles the warrant holder to subscribe for one new ordinary share in the Company at the exercise price of S$0.20 per share.

In the previous financial year, 2,551 ordinary shares were issued as a result of the exercise of 2,551 warrants.

As at the end of the financial year, there are 218,582,052 (2017: 218,582,052; 1 January 2017: 218,584,603) warrants outstanding.

Share issuance-related costs which are not material have been recognised as an expense in the profit or loss of the Group in the previous financial years.

## 37 Treasury Shares

| | Group and Company | |
|---|---|---|
| | **2018** | **2017** |
| | **S$'000** | **S$'000** |
| Balance at 1 January and 31 December | | |
| 25,490,900 (2017: 25,490,900) treasury shares | **(5,003)** | (5,003) |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 38 Reserves

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 1 January 2017 | 2018 | 2017 | 1 January 2017 |
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| Asset revaluation reserve[a] | **7,456** | 7,456 | 1,748 | **8,582** | 8,582 | 2,874 |
| Foreign currency translation reserve[b] | **(553)** | (226) | – | **–** | – | – |
| Other reserve[c] | **–** | – | – | **3,297** | 3,297 | 3,297 |
| Fair value adjustment[d] | **(1,145)** | – | – | **(1,453)** | – | – |
| | **5,758** | 7,230 | 1,748 | **10,426** | 11,879 | 6,171 |

Movements of the Group's reserves are set out in the consolidated statement of changes in equity.

(a) The asset revaluation reserve represents the revaluation surplus in respect of leasehold buildings of the Group and the Company as disclosed in Note 10.

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | S$'000 | S$'000 | S$'000 | S$'000 |
| Balance at 1 January | **7,456** | 1,748 | **8,582** | 2,874 |
| Increase arising on revaluation of leasehold property transferred to investment property (Note 11) | **–** | 6,877 | **–** | 6,877 |
| Deferred tax liability arising from revaluation (Note 35) | **–** | (1,169) | **–** | (1,169) |
| Balance at 31 December | **7,456** | 7,456 | **8,582** | 8,582 |

(b) The foreign currency translation reserve represents the accumulated exchange differences arising from the translation of the results and the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency. It comprises of amounts transferred from retained earnings.

(c) The other reserve of the Company arose from an internal restructuring of certain group of entities transferred from the Company to be held by a wholly owned subsidiary of the Company in 2015. The amount represents the difference between the carrying amount of the net assets of the transferred group of entities and the consideration transferred.

(d) The fair value adjustment represents cumulative gains and losses arising on the revaluation of equity investments at FVOCI (2017: financial assets, available-for-sale, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired) that have been recognised in other comprehensive income.

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | S$'000 | S$'000 | S$'000 | S$'000 |
| Balance at 1 January | **–** | – | **–** | – |
| Net loss arising on revaluation of FVOCI (2017: financial assets, available-for-sale) | **(1,145)** | – | **(1,453)** | – |
| Balance at 31 December | **(1,145)** | – | **(1,453)** | – |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 39 Commitments

(a) Operating leases

*Operating leases – As a lessee*

The Group and the Company leases its lands, offices and dormitories under non-cancellable operating lease agreements. There are no restrictions placed upon the Group and the Company by entering into these leases and the leases have varying terms, escalation clauses and renewal rights. The operating lease expense charged to the profit or loss of the Group during the financial year is disclosed in Note 7.

The future aggregate minimum lease payable under non-cancellable operating leases contracted for as at the statement of financial position date but not recognised as liabilities in the financial statements, are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | **S$'000** | **S$'000** | **S$'000** | **S$'000** |
| Not later than one year | **875** | 630 | **230** | 234 |
| Later than one year but not later than five years | **2,297** | 2,326 | **920** | 938 |
| More than five years | **7,822** | 8,484 | **1,379** | 1,710 |
| | **10,994** | 11,440 | **2,529** | 2,882 |

*Operating leases – As a lessor*

The Group and the Company leases its leasehold buildings under non-cancellable operating lease agreements. These leases are negotiated for terms ranging from 1 to 15 years. The terms of the leases also require the tenants to pay a security deposit.

The future minimum lease receivable under non-cancellable operating leases contracted for at the reporting date are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | **S$'000** | **S$'000** | **S$'000** | **S$'000** |
| Not later than one year | **950** | – | **1,218** | 1,218 |
| Later than one year but not later than five years | **1,279** | – | **4,872** | 4,872 |
| More than five years | **–** | – | **7,663** | 8,881 |
| | **2,229** | – | **13,753** | 14,971 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 39 Commitments (Continued)

(b) Other commitments

i) The Group and the Company has uncalled capital commitments amounting to S$2.0 million (2017: S$4.0 million) in relation to the uncalled capital of certain equity investment (classified under other financial assets) and of a former associate at the reporting date.

ii) The Group has capital commitments in relation to the solar projects in Bangladesh and Vietnam. The outstanding capital commitments at the reporting date is as follows:

| | Group | |
|---|---|---|
| | **2018 S$'000** | **2017 S$'000** |
| Contracted | **31,659** | 30,828 |
| Not contracted | **34,687** | 44,246 |
| | **66,346** | 75,074 |

iii) The Company has given an undertaking to continue to provide financial support to certain subsidiaries for the next twelve months from the date of authorisation of the subsidiaries' financial statements.

iv) The Company, together with its wholly owned subsidiary, Sinenergy Holdings Pte. Ltd., entered into a Deed of Indemnity with Swiss Re International SE, Singapore branch, for a performance bond amounted to approximately JPY840 million (equivalent to S$10.55 million) in relation to the solar project in Bangladesh.

v) During the current financial year, the Group through its wholly owned subsidiary, TLC Modular and Construction (NZ) Pty Ltd, entered into a contract for acquisition of land located at New Zealand for a purchase consideration of NZD9,593,000 (equivalent to S$8,785,000). A deposit of NZD1,919,000 (equivalent to S$1,755,000) had been paid.

(c) Corporate guarantees

The corporate guarantees executed by the Company to certain entities of the Group for the credit facilities granted as set out in Note 31 have not been recorded at fair value, as in the view of the management, the difference in the interest rates, by comparing the actual rates charged by the banks with these guarantees made available, with the estimated rates that the banks would have charged had those guarantees not been available, is not material.

(d) Bank guarantees

| | Company | |
|---|---|---|
| | **2018 S$'000** | **2017 S$'000** |
| Unsecured bank guarantees provided by the subsidiaries for/to: | | |
| Suppliers of subsidiaries | **1,347** | 1,279 |
| Customers of subsidiaries | **199** | 3,044 |
| | **1,546** | 4,323 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 40 Related Party Transactions

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into transactions with related parties during the financial year, on terms agreed between the parties, as shown below.

| | | Group | |
|---|---|---|---|
| | | 2018 | 2017 |
| | | S$'000 | S$'000 |
| a) | Key management personnel compensation | | |
| | The remuneration of executive directors and key management is as follows: | | |
| | Salaries and other short-term employee benefits | **2,332** | 2,025 |
| | Defined contribution plans | **80** | 81 |
| | | **2,412** | 2,106 |
| | Directors' fees to non-executive directors | **282** | 284 |
| | | **2,694** | 2,390 |
| | Comprised amounts paid/payable to: | | |
| | Directors of the Company | **1,652** | 1,490 |
| | Key management personnel | **1,042** | 900 |
| | | **2,694** | 2,390 |
| b) | Professional fees paid to a firm in which a director is a partner of the firm | **148** | – |
| c) | Sales to a related party | **–** | 374 |
| d) | Purchases from a related party | **–** | 10 |
| e) | Rental expense paid to a related party | **–** | 6 |
| f) | Sales to a joint venture | **–** | 33 |
| g) | Interest income received from an associate company | **–** | 479 |
| h) | Service income received from an associate company | **254** | 53 |
| i) | Manpower supply to an associate company | **151** | – |
| j) | Sales of property, plant and equipment to an associate company | **1,107** | – |

## 41 Directors' Remuneration Bands

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| Number of Directors in remuneration bands of: | | |
| S$1,250,000 to S$1,500,000 | **–** | – |
| S$750,000 to S$999,999 | **–** | – |
| S$500,000 to S$749,999 | **1** | 1 |
| S$250,000 to S$499,999 | **2** | 2 |
| Below S$250,000 | **4** | 4 |
| | **7** | 7 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 42 Dividends

| | Group and Company | |
|---|---|---|
| | **2018** | **2017** |
| | **S$'000** | **S$'000** |
| Declared and paid: | | |
| Final dividend of 0.25 cents per ordinary share, tax-exempt one-tier, paid in respect of the financial year ended 31 December 2016 | **–** | 1,713 |
| Final dividend of 0.20 cents per ordinary share, tax-exempt one-tier, paid in respect of the financial year ended 31 December 2017 | **1,370** | – |
| | **1,370** | 1,713 |

## 43 Segment Information

**Products and services from which reportable segments derive their revenues**

Segment information reported externally was analysed on the basis of the types of goods supplied and services provided by the Group's operating divisions. Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is also focused on the two principal reportable segments of the Group. The Group's reportable segments are therefore as follows:

- Corrosion prevention
- Solar energy
- Engineering & construction
- Others

The corrosion prevention segment provides coating services to marine, oil and gas, construction and infrastructure industries.

The solar energy segment specialises in solar energy development and M&E works.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 43 Segment Information (Continued)

**Products and services from which reportable segments derive their revenues** (Continued)

The engineering & construction segment is in the business of designing, engineering and construction of steel, aluminium and glass structures, and the design, construction and manufacturing services in modular construction projects.

Others segment consists of property development business, warehousing, storage handling services, corporate head office and strategic investments.

(a) Segment Revenues and Results

Information regarding the Group's reportable segments is presented below.

The following is an analysis of the Group's revenue and results from operations by reportable segment:

| | Corrosion prevention | | Solar energy | | Engineering & construction | | Others | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| Segment revenue | **14,761** | 9,976 | **6,890** | 1,050 | **24,196** | 25,773 | **759** | 926 | **46,606** | 37,725 |
| Segment results | **945** | (876) | **481** | (1,085) | **(5,004)** | (887) | **(189)** | (458) | **(3,767)** | (3,306) |
| Impairment of goodwill | **–** | – | **–** | – | **(3,651)** | (9,600) | **–** | – | **(3,651)** | (9,600) |
| Impairment of land held for development | **–** | – | **–** | – | **(1,650)** | – | **–** | – | **(1,650)** | – |
| Finance costs | **–** | (1) | **–** | – | **(576)** | (245) | **–** | – | **(576)** | (246) |
| Share of losses of associates, net of tax | | | | | | | | | **(197)** | (571) |
| Share of profits of joint ventures, net of tax | | | | | | | | | **58** | 102 |
| Central administration costs and directors' remuneration | | | | | | | | | **(9,159)** | (8,688) |
| Other income | | | | | | | | | **3,837** | 2,096 |
| (Loss) before income tax | | | | | | | | | **(15,105)** | (20,213) |

Revenue reported above represents revenue generated from external customers. Inter-segment sales for the current financial year was S$3,109,000 (2017: S$2,326,000).

The accounting policies of the reportable segments are the same as the Group's accounting policies set out in Note 3. Segment profit/(loss) represents the profit/(loss) earned by each segment without allocation of central administration costs and directors' remuneration, share of (losses)/profits of associates or joint ventures and other income. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 43 Segment Information (Continued)

(b) Segment Assets and Liabilities

| | Group 2018 S$'000 | Group 2017 S$'000 | Group 1 January 2017 S$'000 |
|---|---|---|---|
| Segment assets | | | |
| Corrosion prevention | **29,620** | 32,575 | 29,063 |
| Solar energy | **45,479** | 43,243 | 14,764 |
| Engineering & construction | **107,964** | 105,279 | 86,732 |
| Others | **53,314** | 75,210 | 118,073 |
| Total segment assets | **236,377** | 256,307 | 248,632 |
| Consolidated assets | **236,377** | 256,307 | 248,632 |
| Segment liabilities | | | |
| Corrosion prevention | **3,213** | 4,172 | 5,137 |
| Solar energy | **5,346** | 6,387 | 2,830 |
| Engineering & construction | **36,535** | 34,485 | 18,179 |
| Others | **574** | 596 | 115 |
| Total segment liabilities | **45,668** | 45,640 | 26,261 |
| Unallocated liabilities | | | |
| – Provision for income tax | **608** | 811 | 528 |
| – Deferred tax liabilities | **3,507** | 3,598 | 2,015 |
| | **4,115** | 4,409 | 2,543 |
| Consolidated liabilities | **49,783** | 50,049 | 28,804 |

(c) Other Segment Information

| | Group: Depreciation and amortisation 2018 S$'000 | Depreciation and amortisation 2017 S$'000 | Additions to non-current assets(c) 2018 S$'000 | Additions to non-current assets(c) 2017 S$'000 |
|---|---|---|---|---|
| Corrosion prevention | **1,954** | 1,653 | **126** | 1,470 |
| Solar energy | **98** | 36 | **4,337** | 10,315 |
| Engineering & construction | **3,373** | 1,871 | **3,513** | 25,915 |
| Others | **–** | 51 | **–** | – |
| | **5,425** | 3,611 | **7,976** | 37,700 |

In addition to depreciation and amortisation and additions to non-current assets reported above, impairment of goodwill of S$3,651,000 (2017: S$9,600,000) was recognised in profit or loss of the Group and is attributable to the "Engineering & construction" segment.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 43 Segment Information (Continued)

(d) Geographical Information

The Group's continuing operations is primarily carried out in Singapore. The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical locations are detailed below.

| | Group's revenue from external customers | | Group's non-current assets[c] | | |
|---|---|---|---|---|---|
| | | | | | 1 January |
| | 2018 | 2017 | 2018 | 2017 | 2017 |
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| Singapore | **43,331** | 31,573 | **74,318** | 78,894 | 85,249 |
| Rest of South East Asia[a] | **3,111** | 3,920 | **18,800** | 20,196 | 4,823 |
| People's Republic of China | **8** | 2 | **1** | 2 | 4 |
| Others[b] | **156** | 2,230 | **30,856** | 29,260 | 2,871 |
| | **46,606** | 37,725 | **123,975** | 128,352 | 92,947 |

(a) Rest of South East Asia includes Malaysia, Vietnam, Thailand and Indonesia
(b) Others include New Zealand, Australia and Bangladesh
(c) Non-current assets exclude other financial assets

(e) Information about Major Customers

There was no single individual customer, which contributed significantly to the Group's revenue.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 44 Financial Instruments

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk. The Board of Directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Financial Risk Management Objectives and Policies

*(i) Interest rate risk*

The Group and Company obtain credit facilities from banks and financial institutions. The Group's and Company's policy is to obtain the most favourable interest rates available. Surplus funds are placed with reputable banks.

The table below set out the Group's exposure to interest rate risk. Included in the table are the assets and liabilities at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

| | Fixed Rates | | Variable Rates | | Non-interest bearing | Total |
|---|---|---|---|---|---|---|
| | Less than 1 year | 1 to 5 years | Less than 1 year | 1 to 5 years | | |
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| **Group** | | | | | | |
| **2018** | | | | | | |
| Financial assets | | | | | | |
| Cash and bank balances | **20,030** | **–** | **–** | **–** | **9,860** | **29,890** |
| Trade receivables | **–** | **–** | **–** | **–** | **9,286** | **9,286** |
| Contract assets | **–** | **–** | **–** | **–** | **19,362** | **19,362** |
| Other receivables* | **–** | **–** | **–** | **–** | **15,995** | **15,995** |
| Total financial assets | **20,030** | **–** | **–** | **–** | **54,503** | **74,533** |
| Financial liabilities | | | | | | |
| Trade payables and accruals* | **–** | **–** | **–** | **–** | **10,420** | **10,420** |
| Other payables* | **–** | **–** | **–** | **–** | **7,400** | **7,400** |
| Term loans | **–** | **–** | **4,878** | **13,062** | **–** | **17,940** |
| Other amounts due to bankers | **–** | **–** | **3,147** | **–** | **–** | **3,147** |
| Finance leases | **59** | **49** | **–** | **–** | **–** | **108** |
| Amount due to associates | **–** | **–** | **–** | **–** | **801** | **801** |
| Total financial liabilities | **59** | **49** | **8,025** | **13,062** | **18,621** | **39,816** |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 44 Financial Instruments (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

*(i) Interest rate risk (Continued)*

| | Fixed Rates | | Variable Rates | | Non-interest bearing | Total |
|---|---|---|---|---|---|---|
| | Less than 1 year S$'000 | 1 to 5 years S$'000 | Less than 1 year S$'000 | 1 to 5 years S$'000 | S$'000 | S$'000 |
| **Group** | | | | | | |
| **2017** | | | | | | |
| Financial assets | | | | | | |
| Cash and bank balances | 35,000 | – | – | – | 14,107 | 49,107 |
| Trade receivables | – | – | – | – | 11,445 | 11,445 |
| Contract assets | – | – | – | – | 15,603 | 15,603 |
| Other receivables* | – | – | – | – | 17,198 | 17,198 |
| Loan receivables from joint ventures | – | – | – | – | 2,276 | 2,276 |
| Total financial assets | 35,000 | – | – | – | 60,629 | 95,629 |
| Financial liabilities | | | | | | |
| Trade payables and accruals* | – | – | – | – | 13,161 | 13,161 |
| Other payables* | – | – | – | – | 9,989 | 9,989 |
| Term loans | – | – | 13,050 | 3,776 | – | 16,826 |
| Other amounts due to bankers | – | – | 2,927 | – | – | 2,927 |
| Finance leases | 79 | 128 | – | – | – | 207 |
| Amount due to associates | – | – | – | – | 1,029 | 1,029 |
| Total financial liabilities | 79 | 128 | 15,977 | 3,776 | 24,179 | 44,139 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

44 **Financial Instruments** (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

(i) *Interest rate risk (Continued)*

| | Fixed Rates | | Variable Rates | | Non-interest bearing | Total |
|---|---|---|---|---|---|---|
| | Less than 1 year | 1 to 5 years | Less than 1 year | 1 to 5 years | | |
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| **Group** | | | | | | |
| **1 January 2017** | | | | | | |
| Financial assets | | | | | | |
| Cash and bank balances | 51,000 | – | – | – | 19,792 | 70,792 |
| Trade receivables | – | – | – | – | 16,417 | 16,417 |
| Contract assets | – | – | – | – | 10,823 | 10,823 |
| Other receivables* | – | – | – | – | 29,868 | 29,868 |
| Amount due from a joint venture | – | – | – | – | 328 | 328 |
| Loan receivables from an associate | 600 | – | – | – | – | 600 |
| Loan receivables from joint ventures | – | – | – | – | 2,633 | 2,633 |
| Total financial assets | 51,600 | – | – | – | 79,861 | 131,461 |
| Financial liabilities | | | | | | |
| Trade payables and accruals* | – | – | – | – | 12,311 | 12,311 |
| Other payables* | – | – | – | – | 4,053 | 4,053 |
| Term loans | – | – | 18 | 3,840 | – | 3,858 |
| Other amounts due to bankers | – | – | 5,314 | – | – | 5,314 |
| Finance leases | 103 | 278 | – | – | – | 381 |
| Total financial liabilities | 103 | 278 | 5,332 | 3,840 | 16,364 | 25,917 |

* Financial assets exclude advances to sub-contractors and staffs, prepayments, prepaid development costs, and VAT/GST recoverable and financial liabilities exclude provision for cost of demolition, foreign workers' tax withheld and VAT/GST payable.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

44 **Financial Instruments** (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

*(i) Interest rate risk (Continued)*

A 100 basis point increase/decrease in the underlying borrowings at variable interest rates at the reporting date would increase/decrease loss before tax by the following amounts:

| | **Group** | |
|---|---|---|
| | **2018** | **2017** |
| | **S$'000** | **S$'000** |
| Loss before tax | **211** | 198 |

This analysis assumes that all other variables including tax remain constant.

The Company does not have any significant interest-bearing borrowings or interest-earning assets that may expose the Company to interest rate risk on variable interest rates.

*(ii) Credit risk*

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group. The Group's exposure to credit risk arises primarily from trade and other receivables, loan receivables, amount dues from subsidiaries, associates and joint ventures, and cash and bank balances. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group has adopted a policy of only dealing with creditworthy counterparties. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when internal and/or external information indicates that the financial asset is unlikely to be received, which could include default of contractual payments due for more than one year and nine months or there is significant difficulty of the counterparty.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

44 **Financial Instruments** (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

*(ii) Credit risk (Continued)*

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements arises from the carrying amount of the respective recognised financial assets as presented on the consolidated statement of financial position. In addition, the Group is exposed to credit risk in relation to financial guarantees given to banks provided by the Group. The Group's maximum exposure to credit risk in the event that the counterparties fail to perform their obligations at the reporting date are as follows:

| | **Group** | | |
|---|---|---|---|
| | | | **1 January** |
| | **2018** | **2017** | **2017** |
| | **S$'000** | **S$'000** | **S$'000** |
| Total facilities | **63,544** | 70,470 | 42,932 |
| Total outstanding | **20,531** | 19,753 | 9,172 |

The credit risk for financial assets (excluding cash and bank balances) based on information provided by key management is as follows:

| | **Group** | | | **Company** | | |
|---|---|---|---|---|---|---|
| | | | **1 January** | | | **1 January** |
| | **2018** | **2017** | **2017** | **2018** | **2017** | **2017** |
| | **S$'000** | **S$'000** | **S$'000** | **S$'000** | **S$'000** | **S$'000** |
| By geographical areas | | | | | | |
| Singapore | **28,427** | 24,368 | 50,827 | **98,249** | 80,825 | 57,357 |
| Vietnam | **820** | 157 | 2,428 | **–** | – | – |
| People's Republic of China | **6** | 211 | 233 | **–** | – | – |
| Rest of South East Asia | **449** | 5,453 | 1,181 | **–** | – | – |
| Others | **14,941** | 16,333 | 6,000 | **–** | – | – |
| | **44,643** | 46,522 | 60,669 | **98,249** | 80,825 | 57,357 |

The Group does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets.

## 44 Financial Instruments (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

*(ii) Credit risk (Continued)*

Trade receivables and contract assets

As disclosed in Note 3(m)(ii), the Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables and contract assets. In measuring the expected credit losses, trade receivables and contract assets are grouped based on their shared credit risk characteristics and numbers of days past due. The contract assets have substantially the same risk characteristics as the trade receivables from the same type of customers. Therefore, the Group has concluded that the expected credit loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Further details on the loss allowance of the Group's and the Company's credit risk exposure in relation to contract assets and trade receivables are disclosed in Notes 5 and 21, respectively.

Cash and bank balances

The cash and bank balances are entered into with bank and financial institution counterparties, which are rated AAA to B, based on rating agency ratings.

Impairment on cash and bank balances has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and bank balances have low credit risk based on the external credit ratings of the counterparties. The Group uses a similar approach for assessment of ECLs for cash and bank balances to those used for debt investments. The amount of the allowance on cash and bank balances was immaterial.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**44 Financial Instruments** (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

*(ii) Credit risk (Continued)*

Credit risk grading guideline

The Group's management has established the Group's internal credit risk grading to the different exposures according to their degree of default risk. The internal credit risk grading which are used to report the Group's credit risk exposure to key management personnel for credit risk management purposes are as follows:

| **Internal rating grades** | **Definition** | **Basis of recognition of expected credit loss (ECL)** |
|---|---|---|
| i. Performing | The counterparty has a low risk of default and does not have any past-due amounts. | 12-month ECL |
| ii. Under-performing | There has been a significant increase in credit risk since initial recognition | Lifetime ECL (not credit-impaired) |
| iii. Non-performing | There is evidence indicating that the asset is credit-impaired | Lifetime ECL (credit impaired) |
| iv. Write-off | There is evidence indicating that there is no reasonable expectation of recovery as the debtor is in severe financial difficulty | Asset is written off |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 44 Financial Instruments (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

*(ii) Credit risk (Continued)*

Credit risk exposure and significant credit risk premium

The credit quality of the Group's financial assets, as well as maximum exposure to credit risk by credit risk rating grades is presented as follows:

| Group | Internal credit rating | ECL | Gross carrying amount S$'000 | Loss allowance S$'000 | Net carrying amount S$'000 |
|---|---|---|---|---|---|
| 31 December 2018 | | | | | |
| Trade receivables | **Note 1** | **Lifetime ECL (simplified)** | **14,684** | **(5,398)** | **9,286** |
| Contract assets | **Note 1** | **Lifetime ECL (simplified)** | **19,446** | **(84)** | **19,362** |
| Other receivables | **Performing** | **12-month ECL** | **15,995** | **–** | **15,995** |
| 31 December 2017 | | | | | |
| Trade receivables | Note 1 | Lifetime ECL (simplified) | 15,478 | (5,057) | 10,421 |
| Contract assets | Note 1 | Lifetime ECL (simplified) | 15,603 | – | 15,603 |
| Other receivables | Performing | 12-month ECL | 17,198 | – | 17,198 |
| Loan receivables from joint ventures | Performing | 12-month ECL | 2,276 | – | 2,276 |
| 1 January 2017 | | | | | |
| Trade receivables | Note 1 | Lifetime ECL (simplified) | 19,659 | (3,242) | 16,417 |
| Contract assets | Note 1 | Lifetime ECL (simplified) | 10,823 | – | 10,823 |
| Other receivables | Performing | 12-month ECL | 29,868 | – | 29,868 |
| Amount due from a joint venture | Performing | 12-month ECL | 328 | – | 328 |
| Loan receivable from an associate | Performing | 12-month ECL | 600 | – | 600 |
| Loan receivables from joint ventures | Performing | 12-month ECL | 2,633 | – | 2,633 |

Note 1 – The Group have applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The details of the loss allowance for these financial assets are disclosed in Notes 5 and 21.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 44 Financial Instruments (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

*(ii) Credit risk (Continued)*

Credit risk exposure and significant credit risk premium (Continued)

The credit quality of the Company's financial assets, as well as maximum exposure to credit risk by credit risk rating grades is presented as follows:

| Company | Internal credit rating | ECL | Gross carrying amount S$'000 | Loss allowance S$'000 | Net carrying amount S$'000 |
|---|---|---|---|---|---|
| 31 December 2018 | | | | | |
| Trade receivables | Note 1 | Lifetime ECL (simplified) | 418 | (418) | – |
| Contract assets | Note 1 | Lifetime ECL (simplified) | 88 | (2) | 86 |
| Other receivables | Performing | 12-month ECL | 8,042 | – | 8,042 |
| Amount due from subsidiaries | Performing | 12-month ECL | 90,115 | – | 90,115 |
| Amount due from subsidiaries | Non-performing | Lifetime ECL (credit impaired) | 8,777 | (8,771) | 6 |
| 31 December 2017 | | | | | |
| Trade receivables | Note 1 | Lifetime ECL (simplified) | 682 | (330) | 352 |
| Contract assets | Note 1 | Lifetime ECL (simplified) | 81 | – | 81 |
| Other receivables | Performing | 12-month ECL | 7,960 | – | 7,960 |
| Amount due from subsidiaries | Performing | 12-month ECL | 71,922 | – | 71,922 |
| Amount due from subsidiaries | Non-performing | Lifetime ECL (credit impaired) | 9,922 | (9,412) | 510 |
| 1 January 2017 | | | | | |
| Trade receivables | Note 1 | Lifetime ECL (simplified) | 418 | (330) | 88 |
| Contract assets | Note 1 | Lifetime ECL (simplified) | 113 | – | 113 |
| Other receivables | Performing | 12-month ECL | 17,639 | – | 17,639 |
| Amount due from subsidiaries | Performing | 12-month ECL | 35,492 | – | 35,492 |
| Amount due from subsidiaries | Non-performing | Lifetime ECL (credit impaired) | 13,516 | (9,491) | 4,025 |

Note 1 – The Company have applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The details of the loss allowance for these financial assets are disclosed in Notes 5 and 21.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

44 **Financial Instruments** (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

*(ii) Credit risk (Continued)*

Credit risk exposure and significant credit risk premium (Continued)

The Company has issued financial guarantees to banks for borrowings of its subsidiaries. These guarantees are subject to the impairment requirements under SFRS(I) 9. The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual cash flow obligations in the near future and hence, does not expect significant credit losses arising from these guarantees.

FRS 39 – financial assets that are neither past due nor impaired

As at 31 December 2017 and 1 January 2017, trade and other receivables that are neither past due nor impaired are with credit-worthy debtors. Cash at banks, short-term deposits and other financial assets are placed or entered into with reputable financial institutions. The information of the past due financial assets (trade receivables) are disclosed in Note 21.

*(iii) Liquidity risk*

In the management of its liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group also obtains credit facilities from banks and financial institutions.

The table below analyses the maturity profile of the Group's and Company's financial liabilities based on contractual undiscounted cash flow.

| | Carrying amount S$'000 | Less than 1 year S$'000 | Between 1 and 2 years S$'000 | Between 2 and 5 years S$'000 | Over 5 years S$'000 | Total S$'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **2018** | | | | | | |
| Financial liabilities | | | | | | |
| Trade and other payables* | **17,820** | **17,820** | **–** | **–** | **–** | **17,820** |
| Term loans | **17,940** | **5,276** | **6,559** | **7,424** | **–** | **19,259** |
| Other amounts due to bankers | **3,147** | **3,147** | **–** | **–** | **–** | **3,147** |
| Finance leases | **108** | **65** | **55** | **–** | **–** | **120** |
| Amount due to associates | **801** | **801** | **–** | **–** | **–** | **801** |
| | **39,816** | **27,109** | **6,614** | **7,424** | **–** | **41,147** |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 44 Financial Instruments (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

*(iii) Liquidity risk (Continued)*

| | Carrying amount S$'000 | Less than 1 year S$'000 | Between 1 and 2 years S$'000 | Between 2 and 5 years S$'000 | Over 5 years S$'000 | Total S$'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **2017** | | | | | | |
| Financial liabilities | | | | | | |
| Trade and other payables* | 23,150 | 23,150 | – | – | – | 23,150 |
| Term loans | 16,826 | 15,773 | 3,980 | – | – | 19,753 |
| Other amounts due to bankers | 2,927 | 2,927 | – | – | – | 2,927 |
| Finance leases | 207 | 107 | 121 | – | – | 228 |
| Amount due to associates | 1,029 | 1,029 | – | – | – | 1,029 |
| | 44,139 | 42,986 | 4,101 | – | – | 47,087 |
| **1 January 2017** | | | | | | |
| Financial liabilities | | | | | | |
| Trade and other payables* | 16,364 | 16,364 | – | – | – | 16,364 |
| Term loans | 3,858 | 28 | 674 | 3,642 | – | 4,344 |
| Other amounts due to bankers | 5,314 | 5,314 | – | – | – | 5,314 |
| Finance leases | 381 | 120 | 295 | – | – | 415 |
| | 25,917 | 21,826 | 969 | 3,642 | – | 26,437 |
| **Company** | | | | | | |
| **2018** | | | | | | |
| Financial liabilities | | | | | | |
| Trade and other payables* | **505** | **505** | **–** | **–** | **–** | **505** |
| Amount due to subsidiaries | **776** | **776** | **–** | **–** | **–** | **776** |
| | **1,281** | **1,281** | **–** | **–** | **–** | **1,281** |
| **2017** | | | | | | |
| Financial liabilities | | | | | | |
| Trade and other payables* | 1,196 | 1,196 | – | – | – | 1,196 |
| Amount due to subsidiaries | 83 | 83 | – | – | – | 83 |
| | 1,279 | 1,279 | – | – | – | 1,279 |
| **1 January 2017** | | | | | | |
| Financial liabilities | | | | | | |
| Trade and other payables* | 1,944 | 1,944 | – | – | – | 1,944 |
| Amount due to subsidiaries | 4,980 | 4,980 | – | – | – | 4,980 |
| | 6,924 | 6,924 | – | – | – | 6,924 |

* Financial liabilities exclude provision for cost of demolition, foreign workers' tax withheld and VAT/GST payable.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 44 Financial Instruments (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

*(iii) Liquidity risk (Continued)*

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. The maximum amount of the financial guarantees are allocated to the earliest period in which the guarantee could be called.

| | Carrying amount S$'000 | Less than 1 year S$'000 | Between 1 and 2 years S$'000 | Between 2 and 5 years S$'000 | Over 5 years S$'000 | Total S$'000 |
|---|---|---|---|---|---|---|
| **Company** | | | | | | |
| 2018 | | | | | | |
| Financial guarantees | **–** | **63,544** | **–** | **–** | **–** | **63,544** |
| 2017 | | | | | | |
| Financial guarantees | – | 70,470 | – | – | – | 70,470 |
| 1 January 2017 | | | | | | |
| Financial guarantees | – | 42,932 | – | – | – | 42,932 |

*(iv) Foreign currency risk*

The Group has transactional currency exposure arising from sales or purchases that are denominated in foreign currencies; consequently exposures to exchange rate fluctuation arise. The foreign currencies which these transactions are denominated are mainly US Dollars ("USD").

At present, the Group does not have any formal policy for hedging against currency risk. The Group ensures that the net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates, where necessary, to address short term imbalances.

In relation to its overseas investments in foreign subsidiaries whose net assets are exposed to currency translation risks and which are held for long term investment purposes, the differences arising from such translation are recorded under other comprehensive income and foreign currency translation reserve. These translation differences are reviewed and monitored on a regular basis.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

**44 Financial Instruments** (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

*(iv) Foreign currency risk (Continued)*

The Group's currency exposure based on the information provided to key management is as follows:

| | USD S$'000 | RMB S$'000 | MYR S$'000 | BHT S$'000 | Others S$'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **2018** | | | | | |
| Financial assets | | | | | |
| Cash and bank balances | **1,356** | **87** | **714** | **86** | **331** |
| Contract assets | **–** | **–** | **–** | **–** | **10,183** |
| Trade and other receivables* | **10,430** | **6** | **315** | **673** | **4,650** |
| | **11,786** | **93** | **1,029** | **759** | **15,164** |
| Financial liabilities | | | | | |
| Trade payables and accruals | **26** | **(97)** | **69** | **3** | **3,275** |
| Other payables* | **4,452** | **–** | **2** | **6** | **282** |
| | **4,478** | **(97)** | **71** | **9** | **3,557** |
| Net financial assets | **7,308** | **190** | **958** | **750** | **11,607** |
| Less: Net financial assets denominated in the respective entity's functional currency | **–** | **(190)** | **(958)** | **(750)** | **(12,095)** |
| Currency exposure | **7,308** | **–** | **–** | **–** | **(488)** |

| | USD S$'000 | RMB S$'000 | MYR S$'000 | BHT S$'000 | Others S$'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **2017** | | | | | |
| Financial assets | | | | | |
| Cash and bank balances | 2,421 | 9 | 459 | 624 | 699 |
| Contract assets | – | – | – | – | 6,716 |
| Trade and other receivables* | 18,250 | 211 | 362 | 696 | 3,761 |
| | 20,671 | 220 | 821 | 1,320 | 11,176 |
| Financial liabilities | | | | | |
| Trade payables and accruals | 220 | (44) | 90 | 20 | 5,303 |
| Other payables* | 7,314 | – | 1 | 4 | 287 |
| | 7,534 | (44) | 91 | 24 | 5,590 |
| Net financial assets | 13,137 | 264 | 730 | 1,296 | 5,586 |
| Less: Net financial assets denominated in the respective entity's functional currency | – | (264) | (730) | (1,296) | 1,046 |
| Currency exposure | 13,137 | – | – | – | 6,632 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 44 Financial Instruments (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

*(iv) Foreign currency risk (Continued)*

| | USD S$'000 | RMB S$'000 | MYR S$'000 | BHT S$'000 | Others S$'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **1 January 2017** | | | | | |
| Financial assets | | | | | |
| Cash and bank balances | 1,706 | 128 | 1,271 | – | 1,303 |
| Trade and other receivables* | 12,059 | 233 | 682 | – | 4,001 |
| | 13,765 | 361 | 1,953 | – | 5,304 |
| Financial liabilities | | | | | |
| Trade payables and accruals | 253 | 197 | 155 | – | 153 |
| Other payables* | 2,214 | 9 | 2 | – | 7 |
| | 2,467 | 206 | 157 | – | 160 |
| Net financial assets | 11,298 | 155 | 1,796 | – | 5,144 |
| Less: Net financial assets denominated in the respective entity's functional currency | – | (155) | (1,796) | – | (4,184) |
| Currency exposure | 11,298 | – | – | – | 960 |

* Financial assets exclude advances to sub-contractors and staffs, prepayments, prepaid development costs, and VAT/GST recoverable and financial liabilities exclude provision for cost of demolition, foreign workers' tax withheld and VAT/GST payable.

* All other from financial assets and financial liabilities are denominated in Singapore dollar.

*Sensitivity analysis*

If the S$ strengthens by 5% against the USD and assuming that all other variables including tax remain constant, loss before tax of the Group will decrease by:

| | Group 2018 S$'000 | Group 2017 S$'000 |
|---|---|---|
| Loss before tax | **365** | 657 |

If the S$ weakens by 5% against the USD, there would be a comparable impact on the loss after tax of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 44 Financial Instruments (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

*(v) Capital risk*

The Group's and the Company's objectives when managing capital are: (a) to safeguard the Group's and the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and (b) to provide an adequate return to shareholders by pricing products and services to commensurate with the level of risk.

The Group and the Company set the amount of capital in proportion to risk. The Group and the Company manage the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, increase debt borrowings or sell assets to reduce debt. The Group's and the Company's overall strategy remains unchanged from 2017.

The Group and the Company are not subject to any significant externally imposed capital requirements.

The Group and the Company monitor capital on the basis of the net debt-to-equity ratio. This ratio is calculated as net debt divided by equity. Net debt is calculated as total debt (excluding provision for income tax and deferred tax liabilities) less cash and bank balances. Equity comprises all components of equity (i.e. share capital and reserves).

| | Group | | |
|---|---|---|---|
| | **2018 S$'000** | **2017 S$'000** | **1 January 2017 S$'000** |
| Debt | **45,668** | 45,640 | 26,261 |
| Cash and bank balances | **(29,890)** | (49,107) | (70,792) |
| Net debt/(cash) | **15,778** | (3,467) | (44,531) |
| Total equity | **186,594** | 206,258 | 219,828 |
| Net debt-to-equity | **0.08** | N.M. | N.M. |

N.M. – Not meaningful as the Group was in net cash position

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 45 Fair Value

The carrying amounts of the Group's and Company's current financial assets and current financial liabilities approximate their fair values due to their short-term maturity.

The carrying amounts of the Group's long-term term loans and finance leases approximate their carrying amounts based on a discounted cash flow analysis at market incremental lending rates for similar types of lending or leasing arrangements at the end of the reporting period, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

(a) Fair Value Hierarchy

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) Financial Assets Measured at Fair Value

The following table presents the assets measured at fair value at the reporting date:

| | **Level 1 S$'000** | **Level 2 S$'000** | **Level 3 S$'000** | **Total S$'000** |
|---|---|---|---|---|
| **Group** | | | | |
| 2018 | | | | |
| Leasehold buildings (Note 10) | **–** | **–** | **46,348** | **46,348** |
| Other financial assets (Note 15) | **–** | **–** | **23,840** | **23,840** |
| 2017 | | | | |
| Leasehold buildings (Note 10) | – | – | 48,023 | 48,023 |
| Other financial assets (Note 15) | – | – | 19,711 | 19,711 |
| 1 January 2017 | | | | |
| Leasehold buildings (Note 10) | – | – | 18,975 | 18,975 |
| Other financial assets (Note 15) | – | – | 19,711 | 19,711 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 45 Fair Value (Continued)

(b) Financial Assets Measured at Fair Value (Continued)

The following table presents the assets measured at fair value at the reporting date: (Continued)

| | Level 1 S$'000 | Level 2 S$'000 | Level 3 S$'000 | Total S$'000 |
|---|---|---|---|---|
| **Company** | | | | |
| 2018 | | | | |
| Other financial assets (Note 15) | **–** | **–** | **22,686** | **22,686** |
| 2017 | | | | |
| Other financial assets (Note 15) | – | – | 17,135 | 17,135 |
| 1 January 2017 | | | | |
| Leasehold buildings (Note 10) | – | – | 8,136 | 8,136 |
| Other financial assets (Note 15) | – | – | 17,135 | 17,135 |

Level 3 fair value measurements

| Other financial assets | Fair value at 31 December 2018 (S$'000) | Valuation technique | Unobservable input | Relationship of unobservable input to fair value |
|---|---|---|---|---|
| Equity investment | **23,840** | Directors' valuation | Adjusted net asset | The lower the net asset value, the lower the valuation |

If the above unobservable input to the directors' valuation was 5% higher/lower while all the other variables were held constant, the fair value of the above other financial assets would increase/decrease by S$1,468,000.

Except as disclosed above, there are no other valuation of financial assets under Level 3 fair value measurements for the financial years ended 31 December 2018 and 2017.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 45 Fair Value (Continued)

(b) Financial Assets Measured at Fair Value (Continued)

Reconciliation of Level 3 fair value measurements

Movements in the financial assets during the financial year are as follows:

| | Group | Company |
|---|---|---|
| | Financial assets at FVOCI | |
| | S$'000 | S$'000 |
| 2018 | | |
| At 1 January | 19,711 | 17,135 |
| Capital reduction | (907) | – |
| Total (losses) in other comprehensive income recognised in fair value adjustment | (1,145) | (1,453) |
| Reclassified from investment in associate | 6,181 | 7,004 |
| At 31 December | 23,840 | 22,686 |
| 2017 | | |
| At 1 January and 31 December | 19,711 | 17,135 |

Valuation policies and procedures

The Group has an established control framework with respect to the measurement of fair values. This framework includes a finance team that reports directly to the Chief Financial Officer, and has overall responsibility for all significant fair value measurements, including Level 3 fair values. The finance team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used as a reference to measure fair value, then the finance team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SFRS(I), including the level in the fair value hierarchy the resulting fair value estimate should be classified.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, the Group will engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and SFRS(I) 13 *Fair Value Measurement* guidance to perform the valuation. For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed by the finance team along with the appropriateness and reliability of the inputs.

Significant valuation issues are reported to the Audit Committee.

# STATISTICS OF SHAREHOLDINGS

AS AT 26 MARCH 2019

| | | |
|---|---|---|
| Number of Issued Shares (excluding Treasury Shares) | : | 685,129,812 |
| Number/Percentage of Treasury Shares against total number of Issued Shares (excluding Treasury Shares) | : | 25,490,900 (3.72%) |
| Class of Shares | : | Ordinary Shares |
| Voting Rights | : | 1 vote per share |

As at 26 March 2019, the Company did not hold any subsidiary holdings.

## DISTRIBUTION OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 – 99 | 388 | 14.62 | 4,318 | 0.00 |
| 100 – 1,000 | 139 | 5.24 | 94,061 | 0.02 |
| 1,001 – 10,000 | 732 | 27.58 | 5,425,979 | 0.79 |
| 10,001 – 1,000,000 | 1,357 | 51.13 | 102,776,082 | 15.00 |
| 1,000,001 AND ABOVE | 38 | 1.43 | 576,829,372 | 84.19 |
| **TOTAL** | **2,654** | **100.00** | **685,129,812** | **100.00** |

## TWENTY LARGEST SHAREHOLDERS

| NO. | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1 | CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. | 190,588,247 | 27.82 |
| 2 | OCBC SECURITIES PRIVATE LIMITED | 55,399,400 | 8.09 |
| 3 | CITIBANK NOMINEES SINGAPORE PTE LTD | 54,376,075 | 7.94 |
| 4 | PHILLIP SECURITIES PTE LTD | 46,165,108 | 6.74 |
| 5 | SBS NOMINEES PRIVATE LIMITED | 38,042,526 | 5.55 |
| 6 | DB NOMINEES (SINGAPORE) PTE LTD | 36,259,527 | 5.29 |
| 7 | RHB SECURITIES SINGAPORE PTE. LTD. | 25,929,700 | 3.78 |
| 8 | STONE ROBERT ALEXANDER | 17,552,300 | 2.56 |
| 9 | ONG ENG LOKE | 11,740,000 | 1.71 |
| 10 | HSBC (SINGAPORE) NOMINEES PTE LTD | 11,370,000 | 1.66 |
| 11 | DBS NOMINEES (PRIVATE) LIMITED | 10,072,820 | 1.47 |
| 12 | KHOO THOMAS CLIVE | 10,000,000 | 1.46 |
| 13 | ELIZABETH OOI HEAN GIN | 8,700,000 | 1.27 |
| 14 | MAYBANK KIM ENG SECURITIES PTE. LTD. | 7,936,141 | 1.16 |
| 15 | VICTOR ENTERPRISES PTE LTD | 4,893,000 | 0.71 |
| 16 | UOB KAY HIAN PRIVATE LIMITED | 4,593,000 | 0.67 |
| 17 | ENTRACO VENTURE CORPORATION PTE LTD | 3,970,500 | 0.58 |
| 18 | TANG SEE CHANG @ TAN SAY CHAN OR TANG MING TECK ALEX | 3,200,000 | 0.47 |
| 19 | KGI SECURITIES (SINGAPORE) PTE. LTD. | 3,017,000 | 0.44 |
| 20 | SIAH SIEW GEOK | 2,943,600 | 0.43 |
| | **TOTAL** | **546,748,944** | **79.80** |

# STATISTICS OF SHAREHOLDINGS

AS AT 26 MARCH 2019

## SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 26 March 2019)

| | Direct Interest | % | Deemed Interest | % |
|---|---|---|---|---|
| Teng Choon Kiat(1) | 1,250,000 | 0.18 | 193,688,100 | 28.27 |
| Ng Han Kok(2) | – | – | 119,446,053 | 17.43 |
| Stone Robert Alexander(3) | 16,750,000 | 2.44 | 25,000,000 | 3.65 |

**Notes:**

(1) Teng Choon Kiat's deemed interest arising from 3,970,500 shares held by a corporation wholly owned by him and 189,717,600 shares registered under CIMB Securities (Singapore) Pte Ltd.

(2) Ng Han Kok's deemed interest arising from 43,067,700 shares registered under Phillip Securities Pte Ltd, 38,042,526 shares registered under SBS Nominees Private Limited, 36,259,527 shares registered under Maybank Nominees (Singapore) Private Limited and 1,826,300 shares registered under OCBC Securities Private Limited and 250,000 shares held by his spouse.

(3) Held through OCBC Securities Private Limited.

Note: The above percentage is calculated based on the Company's number of issued shares (excluding treasury shares) of 685,129,812.

## PERCENTAGE OF SHAREHOLDINGS IN HANDS OF THE PUBLIC

Approximately 42.3% of the Company's shares (excluding treasury shares) are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

# WARRANTHOLDERS' INFORMATION

AS AT 26 MARCH 2019

## DISTRIBUTION OF WARRANTHOLDINGS

| SIZE OF WARRANTHOLDINGS | NO. OF WARRANTHOLDERS | % | NO. OF WARRANTS | % |
|---|---|---|---|---|
| 1 – 99 | 441 | 23.08 | 4,497 | 0.00 |
| 100 – 1,000 | 176 | 9.21 | 114,472 | 0.05 |
| 1,001 – 10,000 | 797 | 41.70 | 4,557,696 | 2.09 |
| 10,001 – 1,000,000 | 481 | 25.17 | 29,710,545 | 13.59 |
| 1,000,001 AND ABOVE | 16 | 0.84 | 184,194,842 | 84.27 |
| **TOTAL** | **1,911** | **100.00** | **218,582,052** | **100.00** |

## TWENTY LARGEST WARRANTHOLDERS

| NO. | NAME | NO. OF WARRANTS | % |
|---|---|---|---|
| 1 | NG HAN KOK | 37,151,026 | 17.00 |
| 2 | TAN CHWEE HONG CECILIA | 29,347,500 | 13.43 |
| 3 | PHILLIP SECURITIES PTE LTD | 28,401,279 | 12.99 |
| 4 | OCBC SECURITIES PRIVATE LIMITED | 27,889,400 | 12.76 |
| 5 | LEE OON GIM | 20,170,000 | 9.23 |
| 6 | CITIBANK NOMINEES SINGAPORE PTE LTD | 8,010,787 | 3.66 |
| 7 | KHOO THOMAS CLIVE | 7,006,500 | 3.21 |
| 8 | HSBC (SINGAPORE) NOMINEES PTE LTD | 5,660,000 | 2.59 |
| 9 | NG HUNG KOON | 5,124,900 | 2.34 |
| 10 | ELIZABETH OOI HEAN GIN | 3,400,000 | 1.56 |
| 11 | LEE KEK CHIN | 3,059,000 | 1.40 |
| 12 | TAN SIEW SAN | 2,736,500 | 1.25 |
| 13 | UOB KAY HIAN PRIVATE LIMITED | 2,476,000 | 1.13 |
| 14 | GOH LAI PENG | 1,405,000 | 0.64 |
| 15 | MAYBANK KIM ENG SECURITIES PTE. LTD. | 1,204,050 | 0.55 |
| 16 | SEOW CHUAN BIN | 1,152,900 | 0.53 |
| 17 | PENG YANAN | 988,200 | 0.45 |
| 18 | RHB SECURITIES SINGAPORE PTE. LTD. | 836,000 | 0.38 |
| 19 | ONG AY MEI | 655,200 | 0.30 |
| 20 | R VASWANI HARISH | 650,000 | 0.30 |
| | **TOTAL** | **187,324,242** | **85.70** |

**Exercise Price** : S$0.20 in cash for each Converted Share on the exercise of a Warrant

**Exercise Period** : Commencing on and including the date of issue of the Warrants on 19 December 2014 and expiring at 5.00 p.m. on the date immediately preceding the fifth (5th) anniversary of the date of issue of the Warrants, unless such date is a date on which the Register of Members and/or the Warrant Register is closed or is not a Market Day, in which event the Warrant shall expire on the date prior to closure of the Register of Members or on the immediately preceding Market Day, as the case may be, but excluding such period(s) during which the Warrant Register may be closed pursuant to the Deed Poll.

**Warrant Agent** : Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of SHS Holdings Ltd. (the "Company") will be held at 81 Tuas South Street 5, Singapore 637651 on Monday, 29 April 2019 at 10.00 a.m. for the following purposes:

**AS ORDINARY BUSINESS**

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the year ended 31 December 2018 together with the Auditors' Report thereon.

   **(Resolution 1)**

2. To re-elect the following Directors retiring pursuant to Article 90 of the Constitution of the Company:

| | | |
|---|---|---|
| Mr Ng Han Kok, Henry | [Retiring under Article 90] | **(Resolution 2)** |
| Mr Lee Gee Aik | [Retiring under Article 90] | **(Resolution 3)** |
| [See Explanatory Note (i)] | | |

3. To approve the payment of Directors' fees of up to S$229,200 for the year ending 31 December 2019, to be paid quarterly in arrears. (2018: S$286,705)

   **(Resolution 4)**

4. To re-appoint Moore Stephens LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.

   **(Resolution 5)**

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

**AS SPECIAL BUSINESS**

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. **Authority to issue shares**

   That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

# NOTICE OF ANNUAL GENERAL MEETING

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

    (a) new shares arising from the conversion or exercise of any convertible securities;

    (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

    (c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)] **(Resolution 6)**

# NOTICE OF ANNUAL GENERAL MEETING

7. **Proposed adoption of the Share Buyback Mandate**

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the "Companies Act"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares fully paid in the capital of the Company (the "Shares") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) market purchases (each a "Market Purchase") on the Singapore Exchange Securities Trading Limited (the "SGX-ST"); and/or

(ii) off-market purchases (each an "Off-Market Purchase") effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all conditions prescribed by the Companies Act and the Listing Manual of the SGX-ST,

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and the listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Buyback Mandate");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next annual general meeting of the Company is held or required by law to be held; and

(ii) the date on which purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate are carried out in full to the Prescribed Limit mandated;

(c) in this Resolution:

"Prescribed Limit" means that number of issued Shares representing ten per centum (10%) of the total number of issued Shares as at the date of the passing of this Resolution unless the Company has effected a reduction of the total number of issued Shares of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period (as hereinafter defined), in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered. Any Shares which are held as treasury shares and subsidiary holdings will be disregarded for purposes of computing the ten per centum (10%) limit; and

"Relevant Period" means the period commencing from the date of the annual general meeting at which the adoption of the Share Buyback Mandate is approved and expiring on the date on which the next annual general meeting of the Company is held or required by law to be held, whichever is earlier; and

# NOTICE OF ANNUAL GENERAL MEETING

"Maximum Price", in relation to a Share to be purchased or acquired, means an amount (excluding brokerage, commission, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase, one hundred and five per centum (105%) of the Average Closing Price (as hereinafter defined); and

(ii) in the case of an Off-Market Purchase, one hundred and fifteen per centum (115%) of the Average Closing Price (as hereinafter defined),

where:

"Average Closing Price" means the average of the closing market prices of a Share over the last five (5) market days on which transactions in the Shares were recorded immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer (as hereinafter defined) pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action which occurs after the relevant five-day period; and

"date of the making of the offer" means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price determined on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

(d) the Directors of the Company and/or any of them be and are hereby authorised to deal with the Shares purchased or acquired by the Company, pursuant to the Share Buyback Mandate, in any manner as they think fit, which is permissible under the Companies Act; and

(e) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.

[See Explanatory Note (iii)] **(Resolution 7)**

By Order of the Board

Victor Lai Kuan Loong
Company Secretary

Singapore, 12 April 2019

# NOTICE OF ANNUAL GENERAL MEETING

**Explanatory Notes:**

(i) Mr Lee Gee Aik will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and a member of the Remuneration and Nominating Committees. Mr Lee Gee Aik will be considered as an Independent Director and will remain as the Lead Independent Director.

For further information on the Directors submitted for re-election, please refer to the Board of Directors, Corporate Governance and Additional Information sections in the Annual Report 2018.

(ii) The Ordinary Resolution 6 in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(iii) The Ordinary Resolution 7 in item 7 above, if passed, will empower the Directors of the Company to buyback issued Shares from time to time (whether by way of Market Purchases or Off-Market Purchases on an equal access scheme) of up to ten per centum (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the prices of up to but not exceeding the Maximum Price, in accordance with the terms and subject to the conditions set out in the appendix to shareholders dated 12 April 2019 (the "**Appendix**"), the Companies Act and the Listing Manual of the Singapore Exchange Securities Trading Limited. This authority will, unless revoked or varied at general meeting, continue in force until the earlier of (i) the date that the next annual general meeting of the Company is held or required by law to be held and (ii) the date on which the purchases or acquisitions of Shares are carried out in full to the Prescribed Limit mandated.

The Company intends to use internal sources of funds to finance the purchases or acquisitions of its Shares pursuant to the Share Buyback Mandate. The amount of financing (if any) required for the Company to purchase or acquire its Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice of Annual General Meeting as these will depend on the number of Shares purchased or acquired, whether the purchase or acquisition of Shares is made out of capital or profits, the price at which such Shares were purchased or acquired and whether the Shares purchased or acquired are cancelled or held as treasury shares.

Purely for illustrative purposes only, the financial effects of the purchase or acquisition of Shares by the Company pursuant to the proposed Share Buyback Mandate on the audited consolidated financial statements of the Company for the financial year ended 31 December 2018, based on certain assumptions, are set out in paragraph 2.8 of the Appendix. Please refer to the Appendix for more details.

# NOTICE OF ANNUAL GENERAL MEETING

**Notes:**

1. (a) A Member who is not a relevant intermediary, is entitled to appoint not more than two proxies to attend and vote at the Annual General Meeting (the "Meeting").

   (b) A Member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such Member.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

2. A proxy need not be a Member of the Company.

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 19 Tuas Avenue 20, Singapore 638830 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

**Personal data privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

# ADDITIONAL INFORMATION FOR DIRECTORS ROTATION

**Additional Information required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST on Directors seeking for re-election**

The following additional information on Messrs Ng Han Kok, Henry and Lee Gee Aik, all of whom are seeking re-election as Directors at this Annual General Meeting, is to be read in conjunction with their respective biographies on pages 10 to 11.

| | **Ng Han Kok, Henry** | **Lee Gee Aik** |
|---|---|---|
| Date of Appointment | 3 January 2014 | 24 July 2015 |
| Date of last re-appointment (if applicable) | 27 April 2017 | 28 April 2016 |
| Age | 57 | 60 |
| Country of principal residence | Singapore | Singapore |
| The Board's comments on this re-appointment | Mr Ng Han Kok, Henry continues to possess the requisite experience and qualification to continue office as Group Chief Executive Officer. | Mr Lee Gee Aik has over 30 years of extensive and varied experience in accounting, tax and financial matters. His experience will continue to enhance board deliberations. |
| Whether appointment is executive, and if so, the area of responsibility | Yes, leading role in developing business of the Group | No |
| Job Title (e.g. Lead ID, AC Chairman, AC Member etc.) | Group Chief Executive Officer | Lead Independent Director/ Chairman of Audit & Risk Committee/Member of Nominating and Remuneration Committees |
| Professional qualifications | Please refer to the Directors' respective biographies on pages 10 to 11. | |
| Working experience and occupation(s) during the past 10 years | Please refer to the Directors' respective biographies on pages 10 to 11. | |
| Shareholding interest in the listed issuer and its subsidiaries | Mr Ng Han Kok, Henry holds 37,151,026 warrants and is deemed to be interested in (i) 119,196,053 ordinary shares held by nominees; (ii) 250,000 shares held by his spouse; and (iii) 26,292,500 warrants held by nominees. | Nil |
| Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries | Nil | Nil |

# ADDITIONAL INFORMATION FOR DIRECTORS ROTATION

| | | |
|---|---|---|
| Conflict of interest (including any competing business) | Nil | Nil |
| Undertaking (in the format set out in Appendix 7.7 under Rule 720(1) has been submitted to the listed issuer – Yes/No | Yes | Yes |
| Other Principal Commitments* Including Directorships | Please refer to the Directors' respective biographies on pages 10 to 11. | |
| Disclosure applicable to appointment of Director only | | |
| Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable). | Not applicable | Not applicable |

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**SHS HOLDINGS LTD.**
Company Registration No. 197502208Z
(Incorporated in the Republic of Singapore)

**IMPORTANT:**
1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy SHS Holdings Ltd.'s shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

## PROXY FORM

*(Please see notes overleaf before completing this Form)*

I/We, ______________________________ (Name)

______________________________ (NRIC/Passport No./Company Registration No.)

of ______________________________ (Address)

being a member/members of SHS HOLDINGS LTD. (the "**Company**") hereby appoint:

| Name | NRIC/Passport No. | Proportion of Shareholdings | |
|---|---|---|---|
| | | No. of Shares | % |
| Address | | | |

and/or (delete as appropriate)

| Name | NRIC/Passport No. | Proportion of Shareholdings | |
|---|---|---|---|
| | | No. of Shares | % |
| Address | | | |

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at 81 Tuas South Street 5, Singapore 637651 on **Monday, 29 April 2019 at 10.00 a.m.** and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

| No. | Resolutions relating to: | Number of Votes For(1) | Number of Votes Against(1) |
|---|---|---|---|
| 1 | Directors' Statement and Audited Financial Statements for the year ended 31 December 2018 | | |
| 2 | Re-election of Mr Ng Han Kok, Henry as Director | | |
| 3 | Re-election of Mr Lee Gee Aik as Director | | |
| 4 | Approval of Directors' fees of up to S$229,200 for the year ending 31 December 2019 | | |
| 5 | Re-appointment of Moore Stephens LLP as Auditors | | |
| 6 | Authority to issue shares | | |
| 7 | Adoption of the Share Buyback Mandate | | |

(1) *If you wish to exercise all your votes "For" or "Against", please tick* **[√]** *within the box provided. Alternatively, please indicate the number of votes as appropriate.*

Dated this ______________ day of ______________ 2019

| Total number of Shares in: | No. of Shares |
|---|---|
| (a) CDP Register | |
| (b) Register of Members | |

______________________________

*Signature of Shareholder(s)*
*or, Common Seal of Corporate Shareholder*

**Notes:**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company (other than a relevant intermediary) entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, he/she shall specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion is specified, the first named proxy shall be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named proxy.

4. A member who is a relevant intermediary entitled to attend and vote at a meeting of the Company is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 19 Tuas Avenue 20, Singapore 638830 not less than 48 hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

**General:**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

**PERSONAL DATA PRIVACY:**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2019.

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**SHS HOLDINGS LTD.**
19 Tuas Avenue 20
Singapore 638830
Tel: (65) 6515 6116 | Fax: (65) 6515 6117
**www.shsholdings.com.sg**

# ADDENDUM TO THE ANNUAL REPORT

# IN RELATION TO

# THE ADDITIONAL INFORMATION FOR DIRECTORS ROTATION

**Additional Information required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST on Directors seeking for re-election**

In connection with Rule 720(6) of the Listing Manual, the two directors, Messrs Ng Han Kok, Henry and Lee Gee Aik who are seeking re-election, have individually given a negative confirmation on each of the items (a) to (k) set out in Appendix 7.4.1 under Rule 720(6) of the Listing Manual.