# INDIGO STAR HOLDINGS LIMITED
# 靛藍星控股有限公司

(Incorporated in the Cayman Islands with limited liability)

**Stock Code: 8373**

ANNUAL
REPORT
2020

## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**



**This report, for which the directors (the "Directors") of Indigo Star Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.**

**This report will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and the Company's website at www.indigostar.sg.**

**All defined terms have the same meanings as set out in the prospectus of the Company dated 31 October 2017, unless otherwise defined.**

**Certain English translations of Chinese names or words marked with "*" are included for information purpose only and should not be regarded as the official English translation of such Chinese names or words. If there is any inconsistency between the Chinese names of entities and their English translations, the Chinese names shall prevail.**

# CONTENTS

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Goh Cheng Seng
*(Chairman and Chief Executive Officer)*
Ms. Tan Soh Kuan
Mr. Ng Sai Cheong
Mr. Wang Jianye

### Independent Non-Executive Directors

Mr. Ma Yiu Ho Peter
Mr. Yip Ki Chi Luke
Mr. Zhou Guangguo
Mr. Clay Huen (Appointed on 23 April 2020)

## COMPANY SECRETARY

Mr. Chung King Ho

## COMPLIANCE OFFICER

Mr. Ng Sai Cheong

## AUTHORISED REPRESENTATIVES

Mr. Goh Cheng Seng
Mr. Ng Sai Cheong

## AUDIT COMMITTEE

Mr. Ma Yiu Ho Peter *(Chairman)*
Mr. Yip Ki Chi Luke
Mr. Zhou Guangguo
Mr. Clay Huen (Appointed on 23 April 2020)

## REMUNERATION COMMITTEE

Mr. Zhou Guangguo *(Chairman)*
Mr. Goh Cheng Seng
Mr. Yip Ki Chi Luke
Mr. Clay Huen (Appointed on 23 April 2020)

## NOMINATION COMMITTEE

Mr. Zhou Guangguo *(Chairman)*
Ms. Tan Soh Kuan
Mr. Ma Yiu Ho Peter
Mr. Clay Huen (Appointed on 23 April 2020)

## AUDITORS

HLB Hodgson Impey Cheng Limited

## REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

## HEADQUARTERS

5, Upper Aljunied Link, #03–08
Quartz Industrial Building
Singapore 367903

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 4404-10, 44th Floor,
One Island East, 18 Westlands Road,
Taikoo Place, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

## PRINCIPAL BANKERS

United Overseas Bank Limited

## COMPANY'S WEBSITE

www.indigostar.sg

## STOCK CODE

8373

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of the Directors of Indigo Star Holdings Limited (the "Company" or "our Company", together with its subsidiaries, the "Group" or "our Group"), I would like to present the annual results of the Group for the year ended 31 December 2020 (the "Reporting Year") together with the comparative figures for the year ended 31 December 2019 to you.

On behalf of the Group, I would like to once again express our deep gratitude to all parties who have assisted us in building our business over the years.

For the Reporting Year, our Group's revenue decreased by approximately 53.8% to approximately S$9.4 million, as compared to approximately S$20.4 million for the year ended 31 December 2019 (the "Prior Year"). The decrease was mainly attributable to (i) suspension due to circuit break to curb the spread of COVID-19 from April 2020 and 4 May 2020; and (ii) completion of contracts on hand brought forward from the prior year resulting in a decrease in outstanding contracts from the beginning of the Reporting Year. Loss for the Reporting Year amounted to approximately S$2.1 million, representing a decrease by approximately S$2.2 million as compared to the Prior Year, mainly due to the decrease in revenue mentioned above.

As at 31 December 2020, the Group had three ongoing projects.

The COVID-19 pandemic has caused significant pressure to the economy in Singapore. The Singapore government has taken various economic relief measures, in particular, a S$1.36 billion worth Package in June 2020 with the aim of helping construction firms to defray costs incurred from prolongation of projects and to comply with the stringent virus safety measures. Though, the management of the Group expects the recovery in the construction industry will be gradual. The Group will continue to carefully evaluate the potential costs and seek for suitable projects for main contractor works and subcontracting works for business diversification to increase shareholders' return.

I would like to take this opportunity to express my gratitude to all shareholders, customers and suppliers for their valuable support. I would also like to express our sincere appreciation to all the employees of the Group for their hard work and dedication.

**Goh Cheng Seng**
*Chairman and Chief Executive Officer*

25 March 2021

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## DIRECTORS

### Executive Directors

**Mr. GOH Cheng Seng (吳進順先生) ("Mr. Goh")**, aged 51, is our founder, executive Director, Chairman and Chief Executive Officer of the Company, and the managing director of Interno Engineering (1996) Pte. Ltd. ("IEPL"). He is also one of the controlling shareholders of the Company. He has over 30 years of experience in the construction industry in Singapore and Malaysia. Mr. Goh is primarily responsible for overseeing our Group's business strategy and overall management of our Group. Prior to founding our Group in 1992, Mr. Goh had accumulated around five years of experience in the construction industry in both Malaysia and Singapore. From 1987 to 1988, Mr. Goh worked as an apprentice in Energo Project Ltd., a construction company in Malaysia, where he started to gain exposure to the construction industry through participating in projects involving pore piling, precast elements and structural works. From 1989 to 1991, Mr. Goh worked for Eastern Industries Pte. Ltd., a construction company in Singapore, as a steel reinforcement scheduler responsible for preparing bar bending schedule for off-site steel reinforcement cut and bending.

Over the years, Mr. Goh has participated in and handled various large-scale projects, including the construction of Sungei Langat Water Treatment Plant at Dengkil, Selangor, Malaysia, the 25-kilometre highway from Pagoh to Ayer Keroh in Malaysia and the Seletar Sewage Treatment Plant Phase II in Singapore.

Mr. Goh has attended WSH bizSAFE Level 1 Workshop for Company CEO and Top Management conducted by Hong Tech Consultant Pte. Ltd. in February 2008. He has also completed the Building Construction Supervisor Safety Course and the Work-at-Height Course for Supervisors, both organised by Star Safety Training Pte. Ltd., in August 2015.

Mr. Goh is the spouse of Ms. Tan Soh Kuan, our executive Director and controlling shareholder, and the brother-in-law of Ms. Tan Soh Lay, our human resource and administrative director.

**Ms. TAN Soh Kuan (陳素寬女士) ("Ms. Tan")**, aged 49, is our executive Director. She is also one of our controlling shareholders. She is primarily responsible for overseeing the financial performance of our Group and ensuring compliance with our Group's policies and objectives. She was a director of IEPL from December 1996 to March 2012 responsible for monitoring staff performance, and reviewing and recommending policies on employees' welfare and incentives. She also assumed the role of financial controller of IEPL from January 2013 to December 2015. She has been responsible for the financial, human resources and administrative matters for our Group. Ms. Tan attained a specialist diploma in workplace safety and health under the Singapore Workforce Skills Qualifications awarded by the Singapore Workforce Development Agency in August 2010.

Ms. Tan is the spouse of Mr. Goh and the sister of Ms. Tan Soh Lay.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. NG Sai Cheong (伍世昌先生) ("Mr. Ng")**, aged 44, is our executive Director and compliance officer. He is responsible for the overall financial aspects of our Group. Mr. Ng has more than 20 years of experience in auditing and accounting. Prior to joining our Group, Mr. Ng worked as a semi-senior at Lee Sik Wai & Co., an accounting firm, between June 1998 and April 2000. He then worked at Charles Chan, Ip & Fung CPA Limited (currently known as CCIF CPA Limited) as an auditor from April 2000 until February 2001. Between February 2001 and September 2002 and between October 2002 and September 2003, he served as a staff accountant and senior accountant, respectively, at Ernst & Young. He later joined Beauty China Holdings Limited (a company formerly listed on the Singapore Stock Exchange (stock code: B15.SG)) as an accounting manager in October 2003 and was promoted to assistant financial controller in October 2007, a position which he had held until August 2009. He then worked at Top Express Holdings Limited as its accounting manager between September 2009 and April 2012 and his last position held was chief financial officer. Mr. Ng was the financial controller of Kwan On Holdings Limited, a company listed on the Main Board of the Stock Exchange (the "Main Board") (stock code: 1559) from August 2012 to December 2018 and its company secretary from January 2013 to December 2018. Mr. Ng has been appointed as an independent non-executive director of Royal Catering Group Holdings Company Limited since 9 August 2018.

Mr. Ng graduated from The Hong Kong University of Science and Technology in November 1998 with a bachelor of business administration degree in accounting and obtained a master of corporate governance degree from The Open University of Hong Kong in June 2007. Mr. Ng has become an associate of the Hong Kong Institute of Certified Public Accountants since March 2003 and an associate of the Hong Kong Institute of Chartered Secretaries since September 2007.

**Mr. WANG Jianye (王建業先生) ("Mr. Wang")**, aged 50, is our executive Director. He has extensive and practical experience in trading of apparel, steel and non-ferrous metals, real estate development and investment and financing. Mr. Wang also served China Second Metallurgical Group Co., Ltd* (中國二冶集團有限公司), a large-scale state-owned enterprise, from 2001 to 2004 and was involved in and responsible for a number of large major projects, such as the overall renovation program of the equipment base of Baotou Iron and Steel Group Company Limited* (包頭鋼鐵集團有限公司), the construction and post-earthquake reconstruction of the family area of Baotou Iron and Steel Group Company Limited, the municipal engineering and waterproof pipeline network construction in Golmud City, Qinghai, the non-standard production and installation of potash of Qinghai Salt Lake Industry Co., Ltd* (青海鹽湖鉀肥股份有限公司), the high-pressure natural gas pipeline network construction for the area between Shandong and Hebei in the oil pipeline engineering project of PetroChina Company Limited* (中國石油天然氣集團有限公司), as well as the production and installation of desulfurization equipment for power plants in the Inner Mongolia region of China Huadian Corporation Ltd* (中國華電集團). In 2000, he developed and constructed a business circle in Baiyun Road* (白雲路), Baotou City, and owned all the properties in the business circle. In 1997, Mr. Wang established Baotou Bei Yuan Feng Metallurgical Raw Materials Co. Ltd.* (包頭市北源豐鋼鐵爐料有限責任公司) and has been appointed as the president since 1997 to now. In 2010, he invested and developed a commercial and residential project, Hengyuan Yinzuo* (恒源銀座), and Zhonghe Cultural Square* (中和文化廣場) project in the city center area of Baotou City.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### Independent non-executive Directors

**Mr. MA Yiu Ho Peter (馬遙豪先生) ("Mr. Ma")**, aged 56, was appointed as an independent non-executive Director on 24 October 2017 and is mainly responsible for supervising and providing independent judgment to our Board. He is also the chairman of the audit committee and a member of the nomination committee of our Company. Mr. Ma is currently the financial controller of Chyau Fwu Properties Limited, a company principally engaged in property development and hospitality. He has been a member of the Hong Kong Institute of Certified Public Accountants since February 1990 and a fellow member of the Chartered Association of Certified Accountants (UK) since April 1994. Mr. Ma obtained a Master Degree of Business Administration from the Hong Kong University of Science and Technology in November 1995. He has also been a member of the Hong Kong Institute of Directors since December 2015. Mr. Ma has over 20 years of experience in the finance and accounting field and worked as the financial controller and company secretary of The Hong Kong Parkview Group Limited (now known as Joy City Property Limited) (stock code: 207) from June 2008 to August 2012 and May 2011 to August 2012, respectively. From February 2008 to June 2008, Mr. Ma was the financial controller of VODone Limited (now known as V1 Group Limited) (stock code: 82) (the shares of these companies are listed on the Main Board). From June 2005 to September 2007, Mr. Ma was the chief financial officer of Superior Fastening Technology Limited (now known as Renewable Energy Asia Group Limited), a company listed on the Singapore Stock Exchange. From March 2010 to July 2018, Mr. Ma was an independent non-executive director of Convoy Global Holdings Limited (formerly known as Convoy Financial Holdings Limited) (stock code: 1019).

Mr. Ma has been currently an independent non-executive director of various companies whose shares are listed on the Stock Exchange, a summary of which is set out as follows.

| Name of companies | Position | Tenure of service |
|---|---|---|
| China Packaging Holdings Development Limited (now known as Mobile Internet (China) Holdings Limited) (stock code: 1439) | Independent non-executive director | December 2013 to September 2020 |
| TEM Holdings Limited (stock code: 8346) | Independent non-executive director | April 2016 to January 2021 |
| Royal Catering Group Holdings Company Limited (stock code: 8300) | Independent non-executive director | July 2016 to present |

**Mr. YIP Ki Chi Luke (葉祺智先生) ("Mr. Yip")**, aged 55, was appointed as an independent non-executive Director on 24 October 2017 and is mainly responsible for supervising and providing independent judgment to our Board. He is also a member of the audit committee and the remuneration committee of our Company. Mr. Yip obtained a Bachelor of Laws degree from University of London in August 1991 and a Postgraduate Certificate in Laws from The University of Hong Kong in June 1992. He was admitted as a solicitor of the High Court of Hong Kong in April 1994 and is currently a practising solicitor in Hong Kong with over 20 years of post-qualification experience in the legal profession. From May 1992 to September 1996, he worked at Messrs. P. C. Woo & Co. as a trainee solicitor and subsequently a solicitor. He then joined Messrs. Siao, Wen & Leung in October 1996 as a solicitor. From March 1997 to September 1999, Mr. Yip was a partner and subsequently a consultant at Messrs. Wong & Yip. He has been a partner of Messrs. Cheung & Yip since February 1999. Mr. Yip has been a Notary Public and Civil Celebrant in Hong Kong since 2006. He has been a China Appointed Attesting Officer since December 2015.

Mr. Yip has been appointed as an independent non-executive director of Top Standard Corporation (Stock code: 8510) since 12 September 2020.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. ZHOU Guangguo (周光國先生) ("Mr. Zhou")**, aged 45, was appointed as an independent non-executive Director on 9 February 2018 and is mainly responsible for supervising and providing independent judgment to our Board. Mr. Zhou obtained a bachelor of laws from Beijing Institute of Technology and a master's degree in economic law from Capital University of Economics and Business* (首都經濟貿易大學) in the People's Republic of China ("PRC") in July 2001 and a master of international and comparative law from Vrije Universiteit Brussel in Belgium in June 2005. Mr. Zhou has worked in Beijing No. 2 Intermediate People's Court* (北京市第二中級人民法院) and has been a practising lawyer in Beijing since 2006. Mr. Zhou is currently a partner of Beijing Junzhi Law Firm* (北京市君致律師事務所), serving of a client portfolio ranging from PRC's state-owned enterprises to domestic and offshore listed companies. His practice focuses on daily corporate matters, mergers and acquisitions, bond issuance, initial public offerings and other commercial practice, as well as practice on litigation and arbitration. Mr. Zhou was appointed as an independent non-executive director of National United Resources Holdings Limited, a company whose shares are listed on the Stock Exchange (stock code: 254), from June to August 2017.

**Mr. Clay HUEN (禤孝廉) ("Mr. Huen")**, aged 48, obtained his bachelor's degree of environmental science and master's degree in environmental management from The University of Hong Kong in 1995 and 1998 respectively. He subsequently obtained a Postgraduate Certificate in Laws from City University of Hong Kong in 2007 and was admitted as a barrister in Hong Kong in 2009.

From 1995 to 2009, Mr. Huen acted as project consultant for several companies in Hong Kong, Mainland China, the United Kingdom and Africa. After being admitted as a barrister in Hong Kong, Mr. Huen has served Million Hope Industries Holdings Limited (美亨實業控股有限公司) (stock code: 1897), MOS House Group Limited (stock code: 1653) and Innovax Holdings Limited (創陞控股有限公司) (stock code: 2680) as their legal counsel as to certain aspects of Hong Kong laws, providing legal advices in initial public offering projects. In addition, Mr. Huen was a part-time lecturer in The Hong Kong University of Science and Technology from 2011 to 2017. Mr. Huen is currently practising as a barrister at Capital Chambers.

Mr. Huen was appointed as an independent non-executive director of China Oil Gangran Energy Group Holdings Limited ("China Oil") (stock code: 8132) from May 2019 to December 2019. This appointment served to strengthen the internal control and corporate governance of China Oil subsequent to a petition filed in the High Court of the Hong Kong Special Administrative Region (the "Hong Kong High Court") under Companies Winding-up Proceedings No.120 of 2019 against China Oil in April 2019 ("Hong Kong Petition") by Glory Sun Securities Limited (the "Hong Kong Petitioner") on the ground that China Oil was insolvent and unable to pay its debt in the amount of HK$23,654,900.30, plus further daily interest of HK$20,726.03. As at the date of this announcement, to the best knowledge, information and belief of Mr. Huen, the Hong Kong Petition has been adjourned to be heard.

On 22 October 2019 (Cayman Islands time), in view that China Oil was unable to pay its debts when they fall due and it would be insolvent within the meaning of section 93 of the Companies Law, China Oil filed at the Grand Court of the Cayman Islands (the "Grand Court") a winding up petition (the "Cayman Petition") under section 94 of the Companies Law. China Oil received the sealed court orders dated 5 November 2019 and 4 December 2019 of the Grand Court in which it was ordered that, among other things, the proposed liquidators be appointed as the provisional liquidators of China Oil with the power to act jointly and severally; and the Grand Court would issue a letter of request to the Hong Kong High Court for its assistance in the provisional liquidation of China Oil. The hearing of the Cayman Petition will take place at the Grand Court on 31 July 2020 (Cayman Islands time).

Mr. Huen resigned as the independent non-executive director of China Oil on 13 December 2019. Mr. Huen has also confirmed that (i) he was not involved in any day-to-day operation of China Oil during his period of directorship as an independent non-executive director; (ii) he was not involved in any circumstances or events which gave rise to the petitions for winding up of China Oil; and (iii) there was no wrongful act on his part leading to the winding up proceedings of China Oil. As at the date of this announcement, Mr. Huen is not aware of any actual or potential claim that has been or will be made against him as a result of the winding up proceedings of China Oil.

Mr. Huen was appointed as an independent non-executive director of Gold Finance Holdings Limited (stock code: 1462) from November 2020 to March 2021.

## SENIOR MANAGEMENT

**Mr. TAN Kim Yem** (陳錦炎先生) **("Mr. KY Tan")**, aged 71, is our operation director and is responsible for establishing and developing operational plans for our Group's projects, including its tendering, execution and completion. Mr. KY Tan joined our Group in April 1996 as a site foreman, and was promoted to project manager in April 2004, and to his current position as operation director in April 2010. Mr. KY Tan completed the Safety Coordinators Training Course organised by the Academy of the Building and Construction Authority of Singapore (the "BCA") in October 2007, the Safety Management Assessment (SMA) Scheme Workshop conducted by SC2 Pte. Ltd. in January 2008, the certificate in Risk Management Course organised by QuESH Consultants (Pte) Ltd in August 2009, and the Construction Safety Course for Project Managers organised by Absolute Kinetics Consultancy Pte. Ltd. in July 2010. Mr. KT Tan is a registered CoreTrade personnel under the Construction Registration of Tradesman Scheme implemented by BCA.

**Ms. TAN Soh Lay** (陳素麗女士) **("Ms. Sally Tan")**, aged 48, is our human resource and administrative director. Ms. Sally Tan is primarily responsible for overseeing our Group's administrative and human resources activities, and reporting to our executive Directors on human resources issues, strategies and solutions. Ms. Sally Tan joined our Group in August 1998 as an administrative and accounting assistant, and was promoted to human resources and accounting executive in August 2001, and to human resources and finance manager in January 2004. Ms. Sally Tan assumed her current role in November 2016. Ms. Sally Tan was awarded a Diploma in Business Administration and Marketing in February 1998 by TMC Business School in Singapore. Ms. Sally Tan is the sister of Ms. Tan and the sister-in-law of Mr. Goh.

## COMPANY SECRETARY

**Mr. Chung King Ho** (鍾璟顥先生) **("Mr. Chung")**, was appointed as Company Secretary of the Company on 25 October 2019. He is a practising member of the Hong Kong Institute of Certified Public Accountants. Mr. Chung obtained a bachelor degree of Business Administration (Hons) in Accountancy from the Hong Kong Polytechnic University. Mr. Chung has over eight years of working experience in the fields of accounting and auditing disciplines. Mr. Chung is currently a director of a local audit firm and had worked for KPMG, an international accounting firm, from July 2011 to July 2016.

# MANAGEMENT DISCUSSION AND ANALYSIS

## INTRODUCTION

The Group is an established subcontractor in Singapore specialising in providing reinforced concrete works, which mainly cover steel reinforcement works, formwork erection and concrete works. Provision of structural reinforced and concrete works in general building and civil engineering works is the only segment of the Group. The Group may provide such services either individually or as a total package comprising all three, depending on the requirements of customers. We have also venture into projects as the main contractor.

## BUSINESS REVIEW

We are an established subcontractor in Singapore specialising in providing reinforced concrete work, comprising steel reinforcement works, formwork erection and concrete works. We may provide such services either individually or as a total package comprising all three, depending on the requirements of our customers. We have also ventured into projects as a main contractor. Our projects can be categorised into general building projects and civil engineering projects.

General building works refer to general construction and major repair works, piling works, finishing works, installation of doors, windows, sanitary products, curtain walling/cladding works, structural works, other special trade construction such as scaffolding and sandblasting, and production of pre-cast components. Our general building works relate primarily to the construction of hotels, hospitals, mixed development and court buildings. During the year ended 31 December 2020, we recorded revenue from general building projects of approximately S$7.6 million (2019: S$16.6 million), which accounted for approximately 80.3% of our total revenue (2019: 81.4%).

Civil engineering works refer to non-building construction such as the construction of roads, bridges, tunnels, railways, viaducts, water and gas pipelines, sewers, communications and power lines, marine construction as well as site-preparation and construction-related landscaping works. Our civil engineering works relate primarily to the construction of MRT stations. During the year ended 31 December 2020, we recorded revenue from civil engineering projects of approximately S$1.4 million (2019: S$2.5 million), which accounted for approximately 15.2% of our total revenue (2019: 12.5%).

As at 31 December 2020, we had three ongoing contracts with an aggregate outstanding contract value of approximately S$9.4 million (2019: 17.7 million).

## FINANCIAL REVIEW

### Revenue

For the year ended 31 December 2020 (the "Reporting Year"), our Group recorded revenue of approximately S$9.4 million (2019: S$20.4 million), representing a decrease of approximately 53.8% compared with prior year. The decrease was mainly attributable to completion of contracts in hand brought forward from the prior year resulting in a decrease in outstanding contracts from the beginning of the Reporting Period and progress delay due to lockdown of Singapore due to COVID-19 pandemic.

### Direct costs

Our Group recorded direct costs of approximately S$8.0 million for the Reporting Year (2019: S$15.6 million), representing a decrease of approximately 49.1% compared with the prior year. Such decrease was in line with the decrease in revenue for the prior year and recognition of government grant received of approximately S$1.5 million.

### Gross profit and gross profit margins

For each of the year ended 31 December 2019 and 2020, our Group recorded gross profits of approximately S$4.8 million and S$1.5 million, respectively, while our gross profit margin decreased from approximately 23.5% for the year ended 31 December 2019 to approximately 15.7% for the year ended 31 December 2020. The decrease in gross profit was mainly due to decrease in revenue for the Reporting Year. The decrease in gross profit margin was primarily attributable to lower gross profits margin of Project Woodland Health Campus and Project Orchard Boulevard..

### Other income

Other income was approximately S$0.6 million for the Reporting Year (2019: S$0.6 million) with a drop of approximately 9.0%.

### Administrative expenses

Administrative expenses were approximately S$3.9 million for the year ended 31 December 2020 (2019: S$5.3 million). The decrease was mainly attributable to the decrease in salaries and other employee benefits paid during the year ended 31 December 2020 and recognition of government grants received during the Reporting Year.

### (Loss)/profit for the period

As a result of the foregoing, our loss for the year amounted to approximately S$0.6 million (2019: S$0.2 million profit).

## LIQUIDITY AND FINANCIAL RESOURCES

The current ratio of the Group, calculated based on the total current assets divided by the total current liabilities as at 31 December 2020, was 2.0 times (2019: 3.4 times). The decrease was mainly due to increase in bank borrowings during the Reporting Year.

As at 31 December 2020, the Group had net current assets of approximately S$9.7 million (2019: S$16.8 million), including cash and cash equivalents of approximately S$5.2 million (2019: S$6.2 million).

The gearing ratio, calculated based on the total debt (including borrowings and lease liabilities) divided by total equity, was approximately 19.8% as at 31 December 2020 (2019: 1.0%) increased as a result of bank borrowings drawn down of approximately S$2.1 million.

## CAPITAL STRUCTURE

Since the shares of the Company listed on the GEM on 16 November 2017, there has been no change in the capital structure of the Company. The share capital of the Company only comprises of ordinary shares.

As at 31 December 2020, the Company's issued share capital was HK$4.0 million (2019: HK$4.0 million) and the number of ordinary shares issued was 400,000,000 of HK$0.01 each (2019: 400,000,000 of HK$0.01 each).

## CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 31 December 2020 (2019: S$2.5 million).

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 December 2020, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies (2019: Nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## SIGNIFICANT INVESTMENTS

As at 31 December 2020, the Group did not hold any significant investments (2019: Nil).

## CONTINGENT LIABILITIES AND LITIGATIONS

As at 31 December 2020, the Group was involved in certain immaterial litigation cases. Save for the disclosed, the Group did not have any material contingent liabilities.

As at 31 December 2020, the Group had three (2019: three) common law claims, which had been brought before the relevant courts in Singapore, in relation to work-related injuries. The claim amount of these work-related common law claims has not been finalised. It is expected that the claim amount will be fully covered by insurance.

## FOREIGN EXCHANGE EXPOSURE

The Group's principal place of business is in Singapore, hence transactions arising from its operations were generally settled in Singapore Dollars, which is the functional currency of the Group. Apart from a portion of the cash and cash equivalents of the Group arising from the global offering is denominated in Hong Kong Dollars ("HK$"), the Group was not exposed to any significant foreign currency risk nor had employed any financial instrument for hedging.

## TREASURY POLICIES

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk and liquidity risk. The major classes of financial assets of the Group are cash and cash equivalents, trade receivables, and other receivables.

For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history. The Group assesses concentration of credit risk by monitoring the individual profile of its trade receivables on an ongoing basis. As at 31 December 2020, approximately 77.9% (2019: 83.1%) of the Group's trade receivables were due from the top three customers.

The credit risk on liquid funds is limited because the Group adopts the policy of dealing only with high credit quality counterparties. Other than concentration of credit risk on liquid funds which are deposited with a bank with a high credit rating, the Group does not have any other significant concentration of credit risk.

To ensure sufficient liquidity to meet the liabilities when fall due, the Group's policy is to monitor current and expected liquidity requirements to maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet short and long term liquidity requirements. In particular, the Group monitors and maintains a level of cash and cash equivalents assessed as adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on internally generated funding and borrowings as significant sources of liquidity.

## CHARGE OF GROUP'S ASSETS AND SECURITIES FOR BANKING FACILITIES

As at 31 December 2020, the Group did not have any charge (2019: Nil), save for the Group's leasehold property, investment property and pledged bank deposits of approximately S$6.1 million, S$0.2 million and S$0.3 million respectively which have been pledged to secure bank borrowings granted to the Group.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group employed a total of 366 (2019: 438) full-time staff, of which (i) 59 were in Singapore, including approximately 16% Singapore citizens and residents and approximately 84% foreigners; and (ii) 7 were in China. Total employee benefit expenses, including directors' emoluments, of the Group amounted to approximately S$8.0 million for the year ended 31 December 2020 (2019: approximately S$13.4 million). Remuneration of the employees is determined with reference to market terms and the performance, qualification and experience of individual employees. In addition to a basic salary, year-end discretionary bonuses are offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group.

## SHARE OPTION SCHEME

The Group has adopted a share option scheme (the "Scheme") pursuant to which the Company may grant options to individuals including employees, adviser, consultant, service provider, agent, customer, partner or joint-venture partner of the Company and any subsidiary to acquire shares of the Company. The Directors consider that the Scheme assists in recruiting and retaining high calibre employees.

No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 31 December 2020.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS AND USE OF PROCEEDS

Saved as disclosed in the prospectus of the Company dated 31 October 2017 (the "Prospectus") and the announcement dated 30 July 2020, the Group did not have other plans for material investments and capital assets.

The net proceeds from the Listing have been applied as follows:

| | Planned use of proceeds up to 31 December 2020 HK$'000 | Actual use of proceeds up to 31 December 2020 HK$'000 |
|---|---:|---:|
| Acquiring property for the dormitory and cut and bend factory | 28,500 | 28,500 |
| Renovating the new dormitory and cut and bend factory | 1,100 | 1,100 |
| Purchasing one single production line of cut and bend system | 4,000 | – |
| Staff costs in respect of construction projects | 9,200 | 9,200 |
| Working Capital | 500 | 500 |
| | 43,300 | 39,300 |

| Intended use of Net Proceeds | Actual use of Net Proceeds and Intended use of Unutilised IPO Proceeds |
|---|---|
| Approximately HK$28.5 million (equivalent to approximately S$5.0 million) was planned as per the prospectus of the Company dated 31 October 2017 and the subsequent change as per the Company's announcement dated 30 July 2020, to use for the acquisition of a property ("New Property") for our cut and bend factory and our dormitory to accommodate our foreign workers. | As at 31 December 2020, approximately HK$28.5 million (equivalent to approximately S$5.0 million) was utilised for the payment of the refundable deposit for the acquisition of the New Property located at 8 Senoko Loop Singapore 758147. The acquisition of the New Property was completed on 25 February 2020 upon satisfaction of all conditions precedent. |
| Approximately HK$1.1 million (equivalent to approximately S$0.2 million) was planned as per the prospectus of the Company dated 31 October 2017 and the subsequent change as per the Company's announcement dated 30 July 2020, to be used for the renovation of the New Property. | The Group completed the renovation of the New Property as at 31 December 2020 and fully utilised the amount of approximately HK$1.1 million. |
| Approximately HK$4.0 million (equivalent to approximately S$0.7 million) was planned to be used for purchase of one single production line of cut and bend system. | As of 31 December 2020, the Group has not purchased the production line of cut and bend system as the spending has been deferred because of the impact from COVID-19. |
| Approximately HK$9.2 million (equivalent to approximately S$1.6 million) was planned as per the Company's announcement dated 30 July 2020, for payments to staff costs in respect of construction projects. | As of 31 December 2020, the Group has paid and utilised approximately HK$9.2 million (equivalent to approximately S$1.6 million) for staff costs in respect of construction projects. |
| Approximately HK$0.5 million (equivalent to approximately S$0.1 million) was planned to be used for working capital and other general corporate purposes. | Approximately HK$0.5 million (equivalent to approximately S$0.1 million) was utilised for working capital and other general corporate purposes of our Group. |

# MANAGEMENT DISCUSSION AND ANALYSIS

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

| Business objectives as stated in the Prospectus | Actual business progress up to 31 December 2020 |
|---|---|
| Upgrade our licences so as to expand our business through bidding for larger public sector projects | The Group has continued to make great efforts to upgrade of licence from C1 Grade to B2 Grade. |
| Set up our dormitory and cut and bend factory | The Group has identified a suitable property and entered into a sale and purchase agreement with the Vendor, please refer to the above section of Future Plans for Material Investments and Capital Assets and Use of Proceeds for details. |
| Strengthen our manpower in managerial and technical expertise | The Group has recruited one quantity surveyor and is in progress of recruiting high caliber staff to strengthen our team. |

## PROSPECT

The Ministry of Trade and Industry announced a 2020 GDP forecast of Singapore with expected midpoint growth at around 0.5% before the outbreak of COVID-19. Further the Government of Singapore announced on 3 April 2020 that all workplaces except for those providing essential services and those able to operate remotely will be suspended from 7 April 2020 to 4 May 2020 (both dates inclusive) as a circuit breaker to curb further spread of COVID-19. All the construction projects of the Group were then suspended temporarily and the office in Singapore was closed. The Directors considered that the outlook for the construction industry is challenging.

The COVID-19 pandemic has caused significant pressure to the economy in Singapore. The Singapore government has taken various economic relief measures, in particular, a S$1.36 billion worth Package in June 2020 with the aim of helping construction firms to defray costs incurred from prolongation of projects and to comply with the stringent virus safety measures. Though, the management of the Group expects the recovery in the construction industry will be gradual.

Meanwhile, to make robust development, the Group deals with risks such as credit risk and liquidity risk arising from its operations through internal risks reports which analyse exposure by degree and magnitude of risk. For credit risk management, the Group has adopted the policy to deal only with high credit quality and good history counterparties to minimise credit risk. For the liquidity risk management, the Group carefully monitors and maintains sufficient reserves of cash for expected liquidity requirements.

Going forward, the Group will continue to identify main contractor works and subcontracting works to capture more potential business opportunities in Singapore. Moreover, the Group is continuing its efforts to upgrade its licence from C1 Grade to B2 Grade to enable the Group to tender for a wider scope of projects. Meanwhile, to make robust development, the Group deals with risks such as credit risk and liquidity risk arising from its operations through internal risks reports which analyse exposure by degree and magnitude of risk. For credit risk management, the Group has adopted the policy to deal only with high credit quality and good history counterparties to minimise credit risk. For the liquidity risk management, the Group carefully monitors and maintains sufficient reserves of cash for expected liquidity requirements.

The funds raised from the Listing have laid a solid foundation for the future development of the Group. Looking ahead, the Group will endeavor to strengthen the development of its existing businesses and to provide steady return as well as growth prospects for the Company's shareholders.

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Board recognises the importance of good corporate governance in management and internal procedures so as to achieve effective accountability.

The Company has adopted and complied with the code provisions stated in the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules, except for the following deviation:

### Code Provision A.2.1

Code provision A.2.1 of the CG Code provides that the responsibilities between the chairman and the chief executive officer of an issuer should be segregated and should not be performed by the same individual.

However, the Company does not have a separate chairman and chief executive officer and Mr. Goh currently performs these two roles. The Directors believe that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient strategic planning for the overall development for the Group. The Directors also consider that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Group to make and implement effective and expedient decisions. The Company will continue to review and consider splitting the roles of chairman and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

## COMPLIANCE WITH CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors (the "Code of Conduct") on terms no less than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiries of all Directors and all of them confirmed their compliance with the Code of Conduct for the year ended 31 December 2020. The Company was not aware of any non-compliances during the year ended 31 December 2020.

## BOARD OF DIRECTORS

### Composition of the Board

The Board currently comprised eight Directors, with four executive Directors and three independent non-executive Directors.

**Executive Directors**

Mr. Goh Cheng Seng *(Chairman and Chief Executive Officer)*
Ms. Tan Sok Kuan
Mr. Ng Sai Cheong
Mr. Wang Jianye

**Independent Non-executive Directors**

Mr. Ma Yiu Ho Peter
Mr. Yip Ki Chi Luke
Mr. Zhou Guangguo
Mr. Clay Huen

The biographical details of the Directors are set out in Biographical Details of Directors and Senior Management of this annual report. Save as disclosed below, none of the Directors have any relationship with other Directors and/or senior management of the Company:

(a) Mr. Goh is spouse of Ms. Tan and brother-in-law of Ms. Sally Tan;

(b) Ms. Tan is spouse of Mr. Goh and sister of Ms. Sally Tan; and

(c) Ms. Sally Tan is sister of Ms. Tan and sister-in-law of Mr. Goh.

### Responsibilities of the Board

The Board is collectively responsible for managing and overseeing the operations of the Company.

It is also assumed responsibility for the leadership and control of the Company and promoting its success by directing and supervising its affairs. The Directors have to take decisions objectively in the best interests of the Company.

The Board regularly reviews the contribution required from each of the Directors to perform his/her responsibilities to the Company, and whether he/she has spent time performing such responsibilities.

The Board has also established and delegated various responsibilities to the board committee with details as set out in the section headed "Committees of the Board". The Board may from time to time delegate certain responsibilities to the management if and when considered appropriate. The management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board.

The Board also has to perform the following corporate governance functions in accordance with code provision D.3.1 of the CG Code:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Company;

(b) to review and monitor the training and continuous professional development of the Directors and senior management of the Company;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

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

(e) to review the Company's compliance with the CG Code and disclosure in this corporate governance report.

### Delegation by the Board

The Board reserves its decisions on all major matters of the Company, including the approval and monitoring of major policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

# CORPORATE GOVERNANCE REPORT

The day-to-day management, administration and operation of the Company are delegated to certain executive Directors and the Management. The delegated functions and work tasks are reviewed from time to time. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers. The independent non-executive directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board.

### Board Meetings

Code provision A.1.1 of the CG Code provides, among other things, that the board of an issuer should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. The Directors are appropriately notified in advance of the meetings with proposed agenda and are free to contribute alternative views at meetings. all Directors are Major decisions are only adopted after deliberation at Board meetings. Directors who are considered having conflicts of interest or who have material interest in the proposed transactions or issues to be discussed will not be counted in the quorum of meetings and will abstain from voting on relevant resolutions given the opportunity to include matters for discussion in the agenda.

Board minutes are kept by the Company Secretary and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, who is responsible for ensuring that the Board procedures are complied with, and in consultation with the compliance officer, advising the Board on compliance matters. Directors also has the liberty to seek external professional advice if so required.

During the year ended 31 December 2020, the Board held four regular meetings and one ad-hoc meeting. The attendance record of individual Directors is set out below. Figure in brackets indicates the total number of meetings held in the period in which the individual was a Director.

| Directors | Attendance |
|---|---|
| **Executive Directors** | |
| Mr. Goh Cheng Seng *(Chairman and Chief Executive Officer)* | 5/(5) |
| Ms. Tan Soh Kuan | 5/(5) |
| Mr. Ng Sai Cheong | 5/(5) |
| Mr. Wang Jianye | 3/(5) |
| **Independent Non-Executive Directors** | |
| Mr. Ma Yiu Ho Peter | 5/(5) |
| Mr. Yip Ki Chi Luke | 5/(5) |
| Mr. Zhou Guangguo | 5/(5) |
| Mr. Clay Huen (Appointed 23 April 2020) | 4/(4) |

### Appointment, Retirement and Removal of Directors

Each of the executive Directors, namely Mr. Goh, Ms. Tan, Mr. Ng and Mr. Wang, has entered into a service contract with the Company for an initial term of three years with effect from their respective appointment dates and shall continue thereafter unless and until it is terminated by the Company or the relevant Director giving to the others not less than three months' prior notice in writing.

Code provision A.4.1 of the CG Code provides that the non-executive directors should be appointed for a specific term, subject to re¬election.

Each of the independent non-executive Directors, namely Mr. Ma Yiu Ho Peter, Mr. Yip Ki Chi Luke, Mr. Zhou Guangguo and Mr. Clay Huen has entered into a letter of appointment with the Company. Each letter of appointment is for an initial term of one year commencing from their respective appointment dates and shall continue thereafter unless terminated by either party giving at least one month's notice in writing.

According to Article 84 of the Articles, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

### Independent non-executive Directors

As at the date of this annual report, the Company has four independent non-executive Directors, representing more than one-third of the Board in compliance with Rule 5.05(1) and 5.05A of the GEM Listing Rules. At least one of the independent non-executive Director possesses appropriate professional qualifications, or accounting or related financial management expertise in compliance with Rule 5.05(2) of the GEM Listing Rules.

The Company has received confirmation of independence from each of the independent non-executive Directors for the period from 1 January 2020 or his appointment, whichever is later, to 31 December 2020.

### Board Diversity Policy

The Company adopted a board diversity policy (the "Board Diversity Policy"), which was amended on 12 February 2019. The Company recognised the benefits of having a diverse Board to enhance the quality of its performance. The Board Diversity Policy aimed to set out the approach to achieve diversity on the Board. In designing the Board's composition, Board diversity has been considered from a number of measurable aspects including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of services, all of which the Company considers to be important to enhance the quality of its performance. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of services. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The nomination committee of the Company (the "Nomination Committee") will monitor the implementation of the Board Diversity Policy and recommend any proposed changes to the Board for approval. The Nomination Committee will from time to time review the Board Diversity Policy as appropriate to ensure its effectiveness.

### Induction and Continuing Professional Development

Every newly appointed Director is provided with a comprehensive induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statutes, laws, rules and regulations. Code provision A.6.5 of the CG Code provides that all directors of an issuer should participate in continuous professional development to develop and refresh their knowledge and skills, so as to ensure that their contribution to the board remains informed and relevant. For the Reporting Year, all Directors participated in the training courses regarding directors' responsibilities and obligations under the GEM Listing Rules, the CG Code and the Companies Ordinance (Cap 622, the laws of Hong Kong).

## COMMITTEES OF THE BOARD

The Board delegates certain responsibilities to various committees. In accordance with the Articles and the GEM Listing Rules, the Company formed three board committees, namely, the audit committee, the remuneration committee and the nomination committee.

### Audit Committee

The audit committee of the Company (the "Audit Committee") was established on 24 October 2017 in accordance with Rule 5.28 of the GEM Listing Rules with written terms of reference in compliance with the CG Code. As at the date of this annual report, the Audit Committee comprises three members, namely Mr. Ma Yiu Ho Peter (chairman), Mr. Yip Ki Chi Luke, Mr. Zhou Guangguo and Mr. Clay Huen.

The principal responsibilities of the Audit Committee include:

(a) reviewing the Company's annual financial statements;

(b) reviewing and monitoring the extent of the non-audit work undertaken by external auditors;

(c) advising on the appointment of external auditors; and

(d) reviewing the effectiveness of the Company's internal audit activities, internal control and risk management systems.

During the Reporting Year, the Audit Committee had reviewed the quarterly, interim and annual results of the Group and discussed and approved the relevant financial reports. It has also reviewed and discussed the risk management and internal control systems of the Group.

The Audit Committee held four meetings during the year ended 31 December 2020. The attendance record of individual members is set out below. Figure in brackets indicates the total number of meetings held in the period in which the individual was a member of the Audit Committee.

| Committee members | Attendance |
|---|---|
| Mr. Ma Yiu Ho Peter | 4/(4) |
| Mr. Yip Ki Chi Luke | 4/(4) |
| Mr. Zhou Guangguo | 4/(4) |
| Mr. Clay Huen (Appointed on 23 April 2020) | 3/(3) |

### Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established on 24 October 2017 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules. As at the date of this annual report, the Remuneration Committee comprises four members, namely Zhou Guangguo (chairman), Mr. Goh Cheng Seng, Mr. Yip Ki Chi Luke and Mr. Clay Huen.

The principal responsibilities of the Remuneration Committee include:

(a) making recommendations to the Board on the Company's policy on executive directors' remuneration;

(b) determining the individual remuneration and benefits package of each of the executive directors; and

(c) recommending and monitoring the remuneration of senior management below Board level.

During the Reporting Year, the Remuneration Committee has reviewed the remuneration policy for the remuneration of executive directors and assessed the performance of executive directors.

During the year ended 31 December 2020, one Remuneration Committee meetings was held. The attendance record of individual members is set out below. Figure in brackets indicates the total number of meetings held in the period in which the individual was a member of the Remuneration Committee.

| Committee members | Attendance |
|---|---|
| Mr. Zhou Guangguo | 1/(1) |
| Mr. Goh Cheng Seng | 1/(1) |
| Mr. Yip Ki Chi Luke | 1/(1) |
| Mr. Clay Huen (Appointed on 23 April 2020) | 0/(0) |

### Nomination Committee

The nomination committee of the Company (the "Nomination Committee") was established on 24 October 2017 with written terms of reference in compliance with the CG Code. As at the date of this annual report, the Nomination Committee comprises three members, namely Mr. Zhou Guangguo (chairman), Ms. Tan Soh Kuan, Mr. Ma Yiu Ho Peter and Mr. Clay Huen.

The principal responsibilities of the Nomination Committee include:

(a) assisting the Board in discharging its responsibilities relating to the composition of the Board;

(b) evaluating the balance of skills, knowledge and experience on the Board;

(c) evaluating the size, structure and composition and diversity of the Board; and

(d) evaluating the retirements and appointments of additional and replacement directors and making appropriate recommendations to the Board on such matters.

During the Reporting Year, the Nomination Committee reviewed the structure, composition and diversity of the Board of the company; assessed the independence of the independent non-executive Directors and the Directors to be re-elected at the 2019 annual general meeting before putting forth for discussion and approval by the Board; and also made recommendation to the Board on the appointment of directors.

During the year ended 31 December 2020, one Nomination Committee meeting was held. The attendance record of individual members is set out below. Figure in brackets indicates the total number of meetings held in the period in which the individual was a member of the Nomination Committee.

| Committee members | Attendance |
|---|---|
| Mr. Zhou Guangguo | 1/(1) |
| Ms. Tan Soh Kuan | 1/(1) |
| Mr. Ma Yiu Ho Peter | 1/(1) |
| Mr. Clay Huen (Appointed on 23 April 2020) | 0/(0) |

## DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements and to ensure that the consolidated financial statements of the Group are prepared in a manner which reflects the true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the GEM Listing Rules.

The Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

Statement of the external auditor's responsibilities in respect of the consolidated financial statements is set out in the Independent Auditor's Report of this annual report.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Group strives to maintain the integrity of its business, results of operations and reputation by strictly adhering to an internal control system in respect of its business. The Group has therefore implemented internal control procedures and manuals covering a number of key control areas such as tendering, purchase and procurement management, financial management and safety and environment compliance management with a view to ensuring compliance by the Group with applicable laws, rules and regulations.

The Board, through the Audit Committee, is responsible for overseeing and monitoring the key measures adopted by the Group under the risk management and internal control systems relating to the business operations of the Company and assess the effectiveness regularly. Review on the key measures adopted by the Group under the risk management and internal control system relating to the Group's business operations has been conducted for the Reporting Year.

For the Reporting Year, the Company did not have an internal audit function. The Company engaged an independent internal control consultant to perform a review on the design, implementation and operating effectiveness of the Company's internal control system, including the areas of control environment, risk assessment, financial reporting and information technology. The results of the review were report to the Audit Committee and the Board and measures was seriously considered by the Company after taking into account of the findings and recommendations of the internal control consultant.

Based on the above, for the Reporting Year, the Board considered the Group's risk management and internal control system as adequate and effective.

## AUDITORS' REMUNERATION

During the Reporting Period, the fees paid/payable to the Company's auditors, HLB Hodgson Impey Cheng Limited, is set out as follows:

| | S$ ('000) |
|---|---|
| Audit services | 107 |
| Non-audit services | – |
| Total: | 107 |

## DIVIDEND POLICY

The Company has adopted a dividend policy on 12 February 2019, pursuant to which, the Board considers the following factors when considering the payment of dividends:

i. general financial conditions of the Group;

ii. retained earnings and distributable reserves of the Company and each of the members of the Group;

iii. actual and future operations and liquidity positions of the Group;

iv. future cash requirements and availability of the Group, including its expected working capital requirements, capital expenditure requirements and future expansion plans;

v. any restrictions on payments of dividends that may be imposed by the Group's lenders;

vi. general market conditions, business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; and

vii. any other factor that the Board deems appropriate.

Any declaration and payment of future dividends under the dividend policy will be subject to the Board's determination that the same would be in the best interests of the Group and the shareholders of the Company as a whole. In addition, the declaration and payment of dividends may be subject to legal restrictions or any applicable laws, rules and regulations and the Articles of Association of the Company.

## COMPANY SECRETARY

Mr. Chung King Ho is the Company Secretary since 25 October 2019. The biographical details of Mr. Chun King Ho are set out in the section headed Biographical Details of Directors and Senior Management of this annual report.

## COMPLIANCE OFFICER

Mr. Ng Sai Cheong is the Compliance Officer of the Company. The biographical details of Mr. Ng Sai Cheong are set out in the section headed Biographical Details of Directors and Senior Management of this annual report.

## SHAREHOLDERS' RIGHTS

### Right to put forward proposals at shareholders' meeting

Shareholders who wish to make proposals or move a resolution to convene an extraordinary general meeting may follow the procedures as set out in the section headed "Right to convene extraordinary general meeting" below.

### Right to convene extraordinary general meeting

Any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of our Company (the "requisitionist") shall have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself/herself/itself/themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of our Board shall be reimbursed to the requisitionist(s) by our Company.

### Right to put forward enquiries

Shareholders may send their written enquiries to the Board through the Company Secretary at 4404-10, 44th Floor, One Island East, 18 Westlands Road, Taikoo Place, Hong Kong.

## CONSTITUTIONAL DOCUMENTS

There were no significant changes in the Company's constitutional documents during the year ended 31 December 2020.

## LOOKING FORWARD

The Group will keep on reviewing its corporate governance standards on a timely basis and the Board endeavors to take the necessary actions to ensure compliance with the required practices and standards including the provisions of the Code.

## INVESTORS RELATIONS

The Group has established various communication channels between the Group and its shareholders and investors, including but not limited to publication of notices and announcement through its website at www.indigostar.sg.

There is no change in the Company's constitutional documents during the year ended 31 December 2020.

# DIRECTORS' REPORT

The Directors are pleased to present their report and the audited consolidated financial statements for the Reporting Year.

## CORPORATE REORGANISATION AND LISTING

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 March 2017 under the Companies Law of the Cayman Islands. Pursuant to the Reorganisation, the Company became the holding company of the Group on 16 October 2017.

Further details of the Reorganisation are set out in the section headed "History, Reorganisation and Group Structure" in the prospectus dated 31 October 2017 (the "Prospectus"). The ordinary shares of the Company (the "Shares") were listed on the GEM on 16 November 2017.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the provision of reinforced concrete works. Details of the principal activities of its subsidiaries are set out in the note 37 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the Reporting Year.

## BUSINESS REVIEW

Discussion and analysis of the business of the Group, outlook of the business and the analysis of the Group's performance for the Reporting Year and important events affecting the Group can be found in the Chairman's Statement and Management Discussion and Analysis of this annual report.

### Key risks and uncertainties

The Company believes that risk management practices are important and uses its best efforts to ensure they are sufficient so as to mitigate the risks present in its operations and financial position as efficiently and effectively as possible.
The Group's key business risk exposures are summarised below:

(i) The Group's revenue during the Reporting Year was primarily generated from contracts awarded by its top five customers and any significant decrease in the number and/or the contract amount of projects with its major customers and any liquidity problems of its major customers may materially and adversely affect its financial condition and operating results;

(ii) The Group's revenue is mainly derived from projects which are non-recurring in nature and the Group may not be able to secure new customers or projects continuously;

(iii) The Group's success depends on its key personnel and its ability to attract, motivate and retain a sufficient number of competent or qualified employees;

(iv) Contract prices may not reflect the actual construction costs involved. The revenue and profitability of the Group are vulnerable to fluctuations in material costs and subcontracting costs;

(v) Failure to provide timely and quality services could materially affect the Group's financial performance as well as tarnish its reputation;

(vi) The Group's revenue and profitability generated during the Reporting Year may not be indicative of the future results of the operations;

(vii) The Group's business is dependent on the continuous provision of supplies and services by its suppliers;

(viii) The Group's plan of setting up regarding its cut and bend factory and dormitory may not be successfully implemented;

(ix) The Group could be negatively affected by the performance by its subcontractors;

(x) The Group's role as a main contractor may expose it to risk of prosecution and additional financial burden;

(xi) The Group's role as a main contractor may expose it to liquidity risks;

(xii) The Group's role as a main contractor may increase its subcontracting charges;

(xiii) Failure to collect the Group's receivables or receive the retention monies on time and in full may affect its liquidity position;

(xiv) The Group's cash flows may fluctuate due to the payment practice applied to its suppliers;

(xv) The Group may experience weak liquidity in the future as the Group had recorded net cash outflow from its operating activities in the past;

(xvi) The Group's operations may subject it to claims or the Group is exposed to litigation or dispute;

(xvii) The insurance coverage of policies maintained by the Group's customers, acting as main contractors, and the Group may be insufficient to cover all losses or potential claims arising in the course of operations;

(xviii) The Group's workforce is largely made up of foreign workers and any adverse changes in the government policies in relation to foreign workers could materially affect its operations and financial performance;

(xix) The Group's business operations involve inherent industrial risks and occupational hazards and the materialisation of such risks may tarnish its reputation as well as affect the Group's financial results;

(xx) Cancellation or suspension of or failure to renew the Group's current licenses and workheads registration may affect its operations and financial performance;

(xxi) The requirement to take out performance bonds to secure the Group's due performance of construction contracts will affect its cash flows and financial position; and

(xxii) Increase in the depreciation charge due to the additional capital expenditure may affect the Group's financial performance.

For other risks and uncertainties facing the Group, please refer to the section headed "Risk Factors" in the Prospectus.

### Environmental policies and performance

The Group is committed to promoting and maintaining the environmental and social sustainable development; and complying with all relevant laws and regulations. A separate report on environmental, social and governance matters will be published within three months after the publication of this annual report.

### Compliance with relevant laws and regulations

As far as the Directors are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operations of the Group. During the Reporting Year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

### Relationships with employees, customers and suppliers

The Group maintains a good relationship with its employees and provides its employees with competitive remuneration, good welfare benefits and continuous professional training.

The Group understands the importance of maintaining a good relationship with its suppliers, customers and other stakeholders to meet its immediate and long-term goals. During the Reporting Year, there were no material and significant dispute between the Group and its employers, suppliers, customers and/or other stakeholders. The Company has engaged the top-5 customers and top-5 suppliers for an average 6 years and 10 years respectively.

## RESULTS AND DIVIDEND

The results of the Group for the Reporting Year are set out in Consolidated Statement of Profit or Loss and Other Comprehensive Income of this annual report.

The Board did not recommend the payment of a final dividend for the Reporting Year.

There is no arrangement under which a shareholder has waived or agreed to waive any dividend.

## SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group for the five years ended 31 December 2016, 2017, 2018, 2019 and 2020 is set out on Financial Summary of this annual report and does not form part of the audited consolidated financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Reporting Year are set out in note 16 to the consolidated financial statements of this annual report.

## SHARE CAPITAL

Details of the movements in the Company's share capital for the Reporting Year are set out in note 28 to the consolidated financial statements of this annual report.

## RESERVES

Details of the movements in the reserves of the Group and the Company are set out in the consolidated statement of changes in equity and note 36(b) to the consolidated financial statements of this annual report.

## DISTRIBUTABLE RESERVES

As at 31 December 2020, there was no reserve available for distribution to the members of the Company.

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

Neither the Company, nor any of its subsidiaries, purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2020.

## DIRECTORS

The Directors who held office during the year and up to the date of this annual report are as follow:

### Executive Directors

Mr. Goh Cheng Seng *(Chairman and Chief Executive Officer)*
Ms. Tan Soh Kuan
Mr. Ng Sai Cheong
Mr. Wang Jianye

### Independent non-executive Directors

Mr. Ma Yiu Ho Peter
Mr. Yip Ki Chi Luke
Mr. Zhou Guangguo
Mr. Clay Huen (Appointed on 23 April 2020)

In accordance with Article 84 of the Company's Articles of Association, Ms. Tan Soh Kuan, Mr. Wang Jianye, Mr. Zhou Guangguo and Mr. Yip Ki Chi Luke will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company ("AGM").

## DIRECTORS' BIOGRAPHIES

Biographical details of the Directors of the Group are set out in Biographical details of the Directors and Senior Management of this annual report.

## DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors entered into a service agreement with the Company for an initial term of three years commencing from their appointment dates. Either party may terminate the service agreement by giving to the other not less than three months' prior notice in writing at any time during the initial term.

Each of the independent non-executive Directors entered into a letter of appointment with the Company for a term of one year commencing from their appointment dates and may terminate their letter of appointment by giving a minimum of one month's notice in writing to the Company.

None of the Directors has entered into any service contracts with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment compensation other than the statutory compensation.

## DIRECTORS' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as those disclosed in note 32 to the consolidated financial statement, there was no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with him has or had a material interest, whether direct or indirect, subsisting at any time during or at the end of the Reporting Year.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as the share option scheme as set out in section headed "Share Option Scheme" below, at no time during the Reporting Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## CONTRACT OF SIGNIFICANCE

Save as those disclosed in note 32 to the consolidated financial statement, no contract of significance in relation to the Group's business (a) has been entered into between the Company, or one of its subsidiaries, and a controlling shareholder of the Company ("Controlling Shareholder") or any entity connected with him/her; nor (b) has been entered into for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any entity connected with him/her.

## DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS AND REMUNERATION POLICY

Details of the Directors' remuneration and five highest paid individuals of the Group are set out in note 12 to the consolidated financial statements.

The Remuneration Committee has reviewed overall remuneration policy and structure relating to all Directors and senior management members of the Group in reference to the Group's operating results and individual performance.

The Group makes contribution to Central Provident Fund scheme in Singapore and Mandatory Provident Fund retirement benefits scheme in Hong Kong. Details of the defined contribution plans made by the Group are set out in note 35 to the consolidated financial statement.

The Company also adopted a share option scheme on 24 October 2017. Details of which are set out in the section headed "Share Option Scheme" of this directors' report and note 29 to the consolidated financial statement.

## INDEPENDENCE CONFIRMATION

The Company has received confirmation from each of the independent non-executive directors regarding his independence in accordance with Rule 5.09 of the GEM Listing Rules and therefore considers each of them to be independent.

## MANAGEMENT CONTRACTS

During the Reporting Year and up to the date of this annual report, other than the service contracts of the Directors, the Company did not enter into or have any management and administrative contracts in respect of the whole or any substantial part of the principal business of the Company.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Apart from the sections headed "DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES", "SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES OR UNDERLYING SHARES" and "SHARE OPTION SCHEME" below, at no time during the year ended 31 December 2020 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective associates nor was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective associates to acquire such rights in any other body corporate.

## EQUITY-LINKED AGREEMENTS

Save as those disclosed in the section headed "Share Option Scheme" below, no equity-linked agreements were entered into during Reporting Year. Details of the share option scheme are set out in note 29 to the consolidated financial statement.

## SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 24 October 2017. There was no share option granted or agreed to be granted under the Scheme during the Reporting Year. The summary of the principal terms of the Scheme are set out in note 29 to the consolidated financial statement.

## DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

### Long Position in Shares

| Name of Directors | Capacity | Number of Shares | Percentage of the Company's issued share capital |
|---|---|---|---|
| Mr. Goh | Interest in controlled corporation (Note 1)<br>Interest of spouse (Note 2) | 204,800,000 | 51.2% |
| Ms. Tan | Interest in controlled corporation (Note 1)<br>Interest of spouse (Note 2) | 204,800,000 | 51.2% |

Notes:

1. Amber Capital Holdings Limited ("Amber Capital") holds 204,800,000 Shares, representing 61% of the Company's issued share capital. Mr. Goh and Ms. Tan hold 96.77% and 3.23% of the entire issued share capital of Amber Capital, respectively. Therefore, pursuant to the SFO, Mr. Goh and Ms. Tan are deemed to be interested in the Shares held by Amber Capital.

2. Each of Mr. Goh and Ms. Tan is spouse to each other. Therefore, pursuant to the SFO, Mr. Goh is deemed to be interested in the Shares held by Ms. Tan, and vice versa.

**Long Position in the ordinary shares of associated corporation**

| Name of Directors | Name of associated corporation | Capacity | Number of Shares | Approximate Percentage of Shareholding |
|---|---|---|---|---|
| Mr. Goh | Amber Capital (Note 1) | Beneficial owner | 9,677 | 96.77% |
| Ms. Tan | Amber Capital | Beneficial owner | 323 | 3.23% |

Note:

1. Amber Capital holds more than 50% of the issued share capital of the Company. Therefore, Amber Capital is the holding company and an associated corporation of the Company.

Saved as disclosed above, as at 31 December 2020, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES OR UNDERLYING SHARES

As at 31 December 2020, the Shareholders (other than Directors and the chief executive director of the Company) who had interests and short positions of the share capital and underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

**Long Position in Shares**

| Name of Directors | Capacity | Number of Shares | Percentage of the Company's issued share capital |
|---|---|---|---|
| Amber Capital | Beneficial owner | 204,800,000 Shares | 51.2% |
| Lai Ming Wai | Beneficial owner | 39,200,000 Shares | 9.8% |

Save as disclosed above, as at 31 December 2020, the Company has not been notified by any persons (other than the Directors or chief executive of the Company) who held an interest or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

## RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group during the Reporting Year are set out in note 32 to the consolidated financial statements. None of the related party transactions falls under connected transaction nor continuing connected transaction under the GEM Listing Rules.

## COMPETING INTEREST

The Directors are not aware that any Controlling Shareholders or Directors or their close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly with the Group's business during the Reporting Year.

## DEED OF NON-COMPETITION

The Controlling Shareholders, namely Mr. Goh, Ms. Tan and Amber Capital, had entered into a deed of non-competition dated 24 October 2017 (the "**Deed of Non-Competition**") in favour of the Company (for itself and as trustee for each of its subsidiaries). The Controlling Shareholders have also confirmed that none of them nor any of his/her close associates is engaged in, involved in or interested in any Group's business (other than being a director or shareholder of the Group) which, directly or indirectly, competes or may compete with the Group's business. For details of the Deed of Non-Competition, please refer to the section headed "Relationship with Controlling Shareholders" in the Prospectus.

Each Controlling Shareholder has confirmed to the Company of his/her compliance with the Deed of Non-Competition from the Listing Date up to the date of this report. The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the Controlling Shareholders up to the date of this report.

## MAJOR CUSTOMERS AND SUPPLIERS

The revenue of the Group's top five customers accounted for approximately S$9.4 million for the Reporting Year, representing approximately 100.0% of the Group's total revenue. The Group's largest customer accounted for approximately S$3.9 million or 41.2% of total revenue for the Reporting Year.

The total purchase from the Group's top five suppliers amounted to approximately S$1.1 million for the Reporting Year, representing approximately 41.3% of the Group's total purchase. The Group's largest supplier accounted for approximately S$0.3 million or 10.5% of total purchase for the Reporting Year.

As at the date of this report, as far as the Company is aware, none of the Directors, their close associates or any shareholder owning more than 5% of the Company's share capital had any interest in the Group's customers and suppliers as mentioned above.

## PERMITTED INDEMNITY PROVISION

Subject to applicable laws, the Directors of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices, pursuant to the articles of association of the Company. Such provisions were in force throughout the year ended 31 December 2020 and are currently in force. The Company has arranged for appropriate insurance cover for Directors' Liabilities in respect of legal actions that may be brought against the Directors.

# DIRECTORS' REPORT

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Director is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the public information available to the Company and within the best knowledge of Directors as the date of this report, the Company has maintained the public float of not less than 25% of the Company issued shares as required under GEM Listing Rules since 1 January 2020.

## ENVIRONMENTAL, POLICIES AND PERFORMANCE

The Group is devoted to promoting and maintaining the environmental and social sustainable development of Singapore. As a responsible enterprise, the Group strives to comply with all the relevant laws and regulations in terms of the environmentally friendliness, health and safety, adopts effective measures, conserves energy and reduces waste.

A separate environmental, social and governance report is expected to be published on the Stock Exchange's website and the Company's website no later than five months after the end of the financial year.

## EVENTS AFTER THE REPORTING YEAR

Save for the disclosed in note 38 in this report, there are no significant events after the Reporting Year.

## USE OF PROCEEDS FROM THE LISTING

Details of the use of proceeds from the Listing are set out in the section "Management Discussion and Analysis" of this annual report.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association and the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to the existing shareholders.

## DONATIONS

During the Reporting Year, the Group did not make any charitable or other donations (2019: Nil).

## AUDITOR

HLB Hodgson Impey Cheng Limited was the reporting accountants of the Group for the purpose listing of the Company on GEM. The consolidated financial statements for the Reporting Year has been audited by HLB Hodgson Impey Cheng Limited. HLB Hodgson Impey Cheng Limited will retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming AGM.

## ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming AGM will be held on Wednesday, 30 June 2021. The register of members of the Company will be closed from Friday, 25 June 2021 to Wednesday, 30 June 2021 (the “Closure Period”), both days inclusive, for the purposes of determining the entitlements of the Shareholders to attend and vote at the forthcoming AGM. During this closure period, no transfer of the shares will be registered. In order to qualify for attending and voting at the AGM, all transfers, accompanied by the relevant shares certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, for registration no later than 4.30 p.m. on Thursday, 24 June 2021. However, due to the exigencies of the COVID-19 pandemic, and consequent restrictions in international travel, the Board will be monitoring the situation closely. If the situation develops, the Board may announce postponement of the AGM.

By order of the Board
**Goh Cheng Seng**
*Chairman, CEO and executive Director*

Hong Kong, 25 March 2021

# INDEPENDENT AUDITORS' REPORT

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

**TO THE SHAREHOLDERS OF INDIGO STAR HOLDINGS LIMITED**
*(Incorporated in Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Indigo Star Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 41 to 107, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Contract Revenue Recognition and Accounting for Construction Contract***<br>*(Refer to Notes 3 and 7 to the consolidated financial statements.)* | |
| The Group is involved in construction projects for which it applies the input method to measure the Group's progress towards complete satisfaction of a performance obligation and recognises revenue over time in accordance with IFRS 15 Revenue from Contract with Customers.<br><br>The revenue and profit recognised in a year on these projects is dependent, amongst others, on the assessment of the Group's efforts or inputs to the construction projects (i.e. contract cost incurred for work performed) relative to the total expected inputs to the construction projects (i.e. estimated total budgeted contract cost committed for the projects).<br><br>The uncertainty and subjectivity involved in determining the cost to complete and foreseeable losses may have a significant impact on the revenue and profit of the Group.<br><br>The Group's revenue recognition policy and key source of estimation uncertainty are set out in Notes 3 and 4 to the consolidated financial statements. | Our procedures in relation to revenue recognition from construction projects included:<br><br>• obtained an understanding of the projects, evaluated the design and implementation of relevant controls.<br><br>• assessed the Group's revenue recognition practice to determine that they are in compliance with IFRS 15 Revenue from Contracts with Customers, including the assessment of the Group's efforts or inputs to the construction projects (i.e. contract cost incurred for work performed) relative to the total expected inputs to the construction projects (i.e. estimated total budgeted contract cost committed for the projects).<br><br>• For selected projects, our audit procedures included the following:<br><br>i. agreed projects contract sum to signed contracts and variation orders;<br><br>ii. obtained construction contract from management and reviewed for any specific or special performance obligations and conditions during the financial year;<br><br>iii. assessed the reasonableness of cost incurred against our understanding of the projects;<br><br>iv. vouched the actual cost incurred during the year to details of supplier and subcontractors invoices to check the validity and accuracy of the costs;<br><br>v. performed cut-off testing to verify contract costs were taken up in the appropriate financial year;<br><br>vi. assessed and vouched to the estimated cost to complete by substantiating costs that have been committed to quotations and contracts entered; |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Contract Revenue Recognition and Accounting for Construction Contract*** (Continued) | |

- For selected projects, our audit procedures included the following: (Continued)

  vii. performed retrospective review by comparing the total actual contract costs incurred at completion against the total budgeted contract costs to assess the reasonableness of the estimates used by the management;

  viii. for projects in progress, we further recomputed the percentage of the progress of the contract based on input method to test the accuracy of the percentage of the progress to determine the revenue;

  ix. for projects completed during the year, we obtained the certificate of substantial completion and verified that the remaining revenue has been captured;

  x. compared total contract revenue to actual cost incurred plus estimated cost to complete, and assessed for foreseeable losses;

  xi. examined the project documentation (including contracts effective during the financial year, terms and conditions) and discussed with management on the progress of significant projects to determine if there are any changes such as delays, penalties, overruns which may result in liquidated damages.

- assessed the appropriateness and adequacy of the disclosures made in the consolidated financial statements.

Based on our audit procedures performed above, we found that the management's judgement in relation to the estimation of construction contracts to be reasonable.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Impairment assessment of trade receivables and contract assets***<br>*(Refer to Notes 3, 19 and 20 to the consolidated financial statements.)* | |
| The Group's trade receivables and contract assets were significant to the Group as they represented 37.4% (2019: 53%) of the Group's total assets.<br><br>As at 31 December 2020, the Group recorded trade receivables and contract assets amounted to approximately S$3,319,000 (2019: S$4,134,000) and S$6,881,000 (2019: S$9,763,000) respectively after allowance for expected credit losses trade receivables and contract assets of approximately S$99,000 (2019: S$52,000) and S$241,000 (2019: S$192,000) respectively. Provision is made for lifetime expected credit losses on trade receivables.<br><br>Management applied judgement in assessing the expected credit losses. Receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. Expected credit losses are also estimated by grouping the remaining receivables and contract assets based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer and its ageing category, and applying expected credit loss rates to the respective gross carrying amounts of the receivables and contract assets. The expected credit loss rates are determined based on historical credit losses experienced from the past 3 years and are adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables. | Our procedures in relation to the management's impairment assessment of trade receivables and contract assets included:<br><br>• Understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk, including its procedures on periodic review of aged receivables and assessment on expected credit losses allowances of receivables and contract assets;<br><br>• Checking, on a sample basis, the ageing profile of the trade receivables and contract assets as at 31 December 2020 to the underlying financial records and post year-end settlements to bank receipts;<br><br>• Inquiring of management for the status of each of the material trade receivables and contract assets past due as at year end and corroborating explanations from management with supporting evidence, such as performing public search of credit profile of selected customers, understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers; and<br><br>• Assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses.<br><br>We found that the management judgment and estimates used to assess the recoverability of the trade receivables and contract assets and determine the impairment provision to be supportable by available evidence. |

# INDEPENDENT AUDITORS' REPORT

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditors' report thereon ("**Other Information**").

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

# INDEPENDENT AUDITORS' REPORT

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement director on the audit resulting in this independent auditors' report is Hon Koon Fai, Alex.

**HLB Hodgson Impey Cheng Limited**
*Certified Public Accountants*

**Hon Koon Fai, Alex**
Practising Certificate Number: P05029

Hong Kong, 25 March 2021

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2020*

| | Notes | 2020 S$'000 | 2019 S$'000 |
|---|---|---|---|
| Revenue | 7 | **9,433** | 20,406 |
| Cost of sales | | **(7,954)** | (15,617) |
| Gross profit | | **1,479** | 4,789 |
| Other income and gains | 8 | **589** | 647 |
| Administrative expenses | | **(3,857)** | (5,301) |
| Allowance for expected credit losses, net | | **–** | (30) |
| Finance costs | 9 | **(91)** | (4) |
| **(Loss)/profit before taxation** | 11 | **(1,880)** | 101 |
| Income tax (expense)/credit | 10 | **(184)** | 51 |
| **(Loss)/profit for the year** | | **(2,064)** | 152 |
| **Other comprehensive(loss)/income for the year** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences arising from translation of foreign operations | | **(11)** | 20 |
| **Other comprehensive (loss)/income for the year, net of income tax** | | **(11)** | 20 |
| **Total comprehensive (loss)/income for the year** | | **(2,075)** | 172 |
| **(Loss)/profit for the year attributable to owners of the Company** | | **(2,064)** | 152 |
| **Total comprehensive (loss)/income attributable to owners of the Company** | | **(2,075)** | 172 |
| **(Loss)/earnings per share** | | | |
| – Basic and diluted (in Singapore cents) | 14 | **(0.52)** | 0.04 |

The accompanying notes form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*For the year ended 31 December 2020*

| | *Notes* | **2020 S$'000** | 2019 S$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment property | *15* | **242** | 248 |
| Property, plant and equipment | *16* | **6,761** | 1,752 |
| Right-of-use assets | *17* | **1,223** | 173 |
| | | **8,226** | 2,173 |
| **Current assets** | | | |
| Trade receivables | *19* | **3,319** | 4,134 |
| Contract assets | *20* | **6,881** | 9,763 |
| Financial assets at fair value through profit or loss | *18* | **1,745** | – |
| Prepayments, deposits and other receivables | *21* | **1,627** | 3,938 |
| Pledged bank deposits | *22* | **334** | – |
| Cash and cash equivalents | *23* | **5,172** | 6,167 |
| | | **19,078** | 24,002 |
| **Current liabilities** | | | |
| Trade and retention sum payables | *24* | **947** | 986 |
| Contract liabilities | *20* | **955** | 1,066 |
| Other payables and accruals | *25* | **5,066** | 5,025 |
| Bank borrowings | *26* | **2,089** | – |
| Lease liabilities | *27* | **151** | 61 |
| Tax payable | | **192** | 16 |
| | | **9,400** | 7,154 |
| **Net current assets** | | **9,678** | 16,848 |
| **Total assets less current liabilities** | | **17,904** | 19,021 |
| **Non-current liability** | | | |
| Lease liabilities | *27* | **1,089** | 126 |
| Deferred tax liabilities | *28* | **25** | 30 |
| | | **1,114** | 156 |
| **Net assets** | | **16,790** | 18,865 |
| **Capital and reserves attributable to owners of the Company** | | | |
| Share capital | *29* | **695** | 695 |
| Reserves | | **16,095** | 18,170 |
| **Total equity** | | **16,790** | 18,865 |

The consolidated financial statements were approved and authorised for issue by the board of directors on 25 March 2021 and are signed on its behalf by:

| | |
|---|---|
| **Goh Cheng Seng** | **Ng Sai Cheong** |
| *Executive Director* | *Executive Director* |

The accompanying notes from an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 December 2020*

| | Share capital | Share premium (note a) | Merger reserves (note b) | Exchange reserves | Retained earning | Total |
|---|---|---|---|---|---|---|
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| As at 1 January 2019 | 695 | 8,060 | 3,100 | (20) | 6,858 | 18,693 |
| Profit for the year | – | – | – | – | 152 | 152 |
| Other comprehensive income for the year | – | – | – | 20 | – | 20 |
| Total comprehensive income for the year | – | – | – | 20 | 152 | 172 |
| As at 31 December 2019 and 1 January 2020 | **695** | **8,060** | **3,100** | **–** | **7,010** | **18,865** |
| Loss for the year | **–** | **–** | **–** | **–** | **(2,064)** | **(2,064)** |
| Other comprehensive loss for the year | **–** | **–** | **–** | **(11)** | **–** | **(11)** |
| Total comprehensive loss for the year | **–** | **–** | **–** | **(11)** | **(2,064)** | **(2,075)** |
| As at 31 December 2020 | **695** | **8,060** | **3,100** | **(11)** | **4,946** | **16,790** |

Notes:

a. Share premium represents the excess of share issue over the par value.

b. Merger reserve represents the difference between the cost of acquisition pursuant to the reorganisation and the total value of share capital of the entities acquired.

The accompanying notes from an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 31 December 2020*

| | Notes | 2020 S$'000 | 2019 S$'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| (Loss)/profit before income tax | | **(1,880)** | 101 |
| **Adjustments for:** | | | |
| Depreciation of investment property | *15* | **6** | 5 |
| Depreciation of property, plant and equipment | *16* | **430** | 182 |
| Depreciation of right-of-use assets | *17* | **121** | 34 |
| Gains on disposal of property, plant and equipment | | **–** | (320) |
| Change in fair value of financial assets at fair value through profit or loss | *8* | **(80)** | – |
| Interest income | *8* | **(33)** | (100) |
| Finance costs | *9* | **91** | 4 |
| Allowance for expected credit losses, net | | **–** | 30 |
| Operating cash flows before movements in working capital | | **(1,345)** | (64) |
| Decrease/(increase) in trade receivables | | **768** | (1,453) |
| Decrease in contract assets | | **2,833** | 380 |
| Increase in prepayments, deposits and other receivables | | **(93)** | (3,043) |
| Decrease in trade and retention sum payables | | **(39)** | (842) |
| Decrease in contract liabilities | | **(111)** | (2,002) |
| Increase in other payables and accruals | | **41** | 499 |
| Cash generated from/(used in) operations | | **2,054** | (6,525) |
| Income tax paid | | **(13)** | (770) |
| Income tax refund | | **–** | 89 |
| **Net cash generated from/(used in) operating activities** | | **2,041** | (7,206) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | *16* | **(439)** | (172) |
| Purchase of financial assets at fair value through profit or loss | | **(1,668)** | – |
| Proceeds from disposal of property, plant and equipment | | **–** | 538 |
| Interest income received | | **33** | 100 |
| **Net cash (used in)/generated from investing activities** | | **(2,074)** | 466 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Repayment of bank borrowing | | **(411)** | – |
| Repayment of lease liabilities | | **(160)** | (30) |
| Interest paid | | **(45)** | (2) |
| Increase in pledged bank deposits | | **(334)** | – |
| **Net cash used in financing activities** | | **(950)** | (32) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | **(983)** | (6,772) |
| Cash and cash equivalents at the beginning of the year | | **6,167** | 12,919 |
| Effect of foreign exchange rate changes | | **(12)** | 20 |
| **CASH AND CASH EQUIVALENTS AT THE END OF YEAR** | | **5,172** | 6,167 |

The accompanying notes from an integral part of these consolidated financial statements.

## 1. GENERAL INFORMATION

Indigo Star Holdings Limited (the "**Company**") is an investment holding company incorporated in the Cayman Islands with limited liabilities. Its parent is Amber Capital Holdings Limited ("**Amber Capital**"), a company incorporated in the British Virgin Islands ("**BVI**").

The Company's registered office address is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The head office and principal place of business of the Group is at #03-08 Quartz Industrial Building, Upper Aljunied Link, Singapore 367903. The principal place of business in Hong Kong was Suite 4404-10, 44th Floor, One Island East 18 Westlands Road, Taikoo Place, Hong Kong. The Company has been registered as a non-Hong Kong company under part 16 of the Companies Ordinance (Cap. 622 of the laws of Hong Kong) on 26 April 2017. Its shares were initially listed on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 November 2017.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of structural reinforced and concrete works in buildings and civil engineering works.

The consolidated financial statements are presented in Singapore dollar ("**S$**"), which is the functional currency of the Company. As the directors of the Company consider that S$ is the functional currency of the primary economic environment in which most of the Group's transactions are denominated and settled in and this presentation is more useful for its current and potential investors. The consolidated financial statements are presented in thousands of S$ ("**S$'000**"), unless otherwise stated.

## 2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

### Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments to IFRSs issued by the International Accounting Standards Board (the "**IASB**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

| | |
|---|---|
| Amendments to IAS 1 and IAS 8 | Definition of Material |
| Amendments to IFRS 3 | Definition of a Business |
| Amendments to IFRS 9, IAS 39 and IFRS 7 | Interest Rate Benchmark Reform |

The application of the *Amendments to References to the Conceptual Framework in IFRS Standards* and the amendments to IFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## 2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

### New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been yet effective:

| | |
|---|---|
| IFRS 17 | Insurance Contracts and the related Amendments[1] |
| Amendment to IFRS 3 | Reference to the Conceptual Framework[2] |
| Amendment to IFRS 16 | Covid-19-Related Rent Concessions[4] |
| Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | Interest Rate Benchmark Reform – Phase 2 [5] |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current[1] |
| Amendments to IAS 16 | Property, Plant and Equipment: Proceeds before Intended Use[2] |
| Amendments to IAS 37 | Onerous Contracts – Cost of Fulfilling a Contract[2] |
| Amendments to IFRS Standards | Annual Improvements to IFRS Standards 2018–2020[2] |

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2021.

The directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

The consolidated financial statement has been prepared in accordance with IFRSs, which collective term includes all International Accounting Standards ("**IAS**") and related Interpretations, as issued by the IASB. For the purpose of preparation of the consolidated financial statement, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements includes applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited ("**GEM Listing Rules**") and by the Hong Kong Companies Ordinance.

### Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value or revalued amounts at the end of each reporting period.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statement.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

For financial instruments and investment property which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurement are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when a company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group 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. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group which qualifies as business combination, except for those acquisitions which qualify as a common control combination and are therefore accounted for using merger accounting. Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange and, all acquisition-related costs are expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this 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 consolidated statement of profit or loss and other comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policy adopted by the Group.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payment. Contract costs include costs that related directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Contract costs are recognised when incurred and costs that relate directly to a specific contract comprise site labour costs; costs of subcontracting; costs of materials used in construction and an appropriate portion of variable and fixed construction overheads.

Variation in contract works and claims are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the year.

The outcome of a construction contract can be estimated reliably when: (i) the total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a construction cannot be estimated reliably, contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Costs of construction contracts include costs that relate directly to the specific contract and costs that are attributable to contract activity and can be allocated to the contract. Such costs include but are not limited to material and consumables, direct labour, subcontracting charges and accommodation expenses. When progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers. When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Revenue and other income recognition

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9 Financial instruments. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

A contract asset and a contract liability relating to a contract are accounted for an presented on a net basis.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

**(a) General building and civil engineering projects**

**Input method**

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

**(b) Other services**

Other Services income are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as when the Group provides the cut and bend services.

**(c) Labour Supply**

Service attributable to supply of construction workers to perform job duties under client's direct instructions. The customer are usually billed on monthly basis for the service fee calculated based on pre-agreed amount or unit rate per employee. The Group has primarily responsibility for fulfilling the contract to ensure the suitability and quality of the workers. The Group is subject to the risk associated with employment of the workers. Revenue for provision of labour supply is recognised on a gross basis over time as the customer simultaneously received and consumed the benefits provided by the Group's performance while labour costs paid to the Group's employees are recognised as cost.

**Variable consideration**

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

### Leases

**Definition of a lease**

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases (Continued)

**The Group as a lessee**

**Allocation of consideration to components of a contract**

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

**Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to leases of machinery and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight- line basis or another systematic basis over the lease term.

**Right-of-use assets**

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from the commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases (Continued)

**Refundable rental deposits**

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

**Lease liabilities**

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at the date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The lease liability is presented as a separate line in the consolidated statement of financial position.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases (Continued)

**Lease modifications**

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

**The Group as a lessor**

*Classification and measurement of leases*

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever, the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivable at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. Variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on index or a rate are recognised as income when they arise.

*Allocation of consideration to components of a contract*

When a contract includes both lease and non-lease components, the Group applies IFRS 15 Revenue from Contracts with Customers ("IFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases (Continued)

*Refundable rental deposits*

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from the lessees.

*Lease modification*

Changes in considerations of lease contract that were not part of the original terms and conditions are accounted for as lease modifications including lease incentives provide through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payment relating to the original lease as part of the lease payments for the new lease.

### Foreign currencies

In preparing the financial statements of each individual group entity, 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 the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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.

Exchange difference arising on the settlement of monetary items arising on the settlement of monetary items, and on the retranslation of monetary items receivable from or payable to a foreign operation for which they arise.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates at the date of transactions are used. Exchange difference arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

### Borrowing costs

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

### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchases, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses of losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income and gains" .

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Employee benefits

**Defined contribution plans**

*Singapore*

The Group makes contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. CPF is a mandatory social security savings scheme funded by contributions from employers and employees. Under the Central Provident Fund Act (Chapter 36 of the laws of Singapore) (the "CPFA"), the Group is required to pay to the CPF by the end of each month in respect of each employee, who is either a citizen or permanent resident of Singapore, contributions at the contribution rates prescribed in the CPFA. These contributions are recognised as an expense in the period in which they become payable in accordance with the scheme.

*Hong Kong*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, employees are required to contribute 5% of their monthly salaries or up to a maximum of HK$1,500 and they can choose to make additional contributions. Employers' monthly contributions are calculated at 5% of the employee's monthly salaries or up to a maximum of HK$1,500 (the "mandatory contributions"). Employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65, death or total incapacity.

### Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

### Taxation

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

**(a) Current income tax**

The tax currently payable is based on taxable profit for the current year. Taxable profit differs from "profit/(loss) before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income 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.

**(b) Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Taxation (Continued)

**(b) Deferred tax (Continued)**

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, 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.

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.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment property that are measured using the 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 benefits embodied in the investment property over time, rather than through sale, except for freehold land, which is always presumed to recover entirely through sale.

For the purpose of measuring deferred tax for leasing transaction in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributables to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income taxes requirements* to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary difference arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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 to the same taxable entry by the same taxation authority.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Taxation (Continued)

**(c) Current and deferred tax**

Current and deferred tax are recognised 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 current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

**(d) Goods and services tax ("GST")**

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of other receivables or payables in the consolidated statements of financial position.

### Property, plant and equipment

Property, plant and equipment are stated in the consolidated statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

*Ownership interests in leasehold land and building*

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment property under cost model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The property, plant and equipment are depreciated over their estimated useful lives or amortised over the lease period on a straight-line basis as follow:

| | |
|---|---|
| Leasehold property | 60 years |
| Leasehold improvement | 3 years |
| Furniture and fixture | 5 years |
| Machinery and equipment | 1 to 6 years |
| Motor vehicles | 5 years |

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Investment property

Investment properties are property held to earn rentals and/or for capital appreciation. On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment property over their estimated useful life and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

### Impairment of property, plant and equipment, investment property and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, investment property and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, investment property and right-of-use assets, are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of any goodwill (if unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Impairment of property, plant and equipment, investment property and right-of-use assets (Continued)

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) 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 a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### 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. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date/settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivable arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

**Financial assets**

*Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

**Financial assets (Continued)**

*Classification and subsequent measurement of financial assets (Continued)*

Financial asset that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortise cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

*Amortised cost and interest income*

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no loner credit-impaired.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

**Financial assets (Continued)**

*Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial asset at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other income and gain" line item.

*Impairment of financial assets*

The Group performs impairment assessment under expected credit losses ("**ECL**") model on financial assets (including trade receivables and contract assets) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done 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 conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

**Financial assets (Continued)**

*Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

**Financial assets (Continued)**

*Significant increase in credit risk (Continued)*

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

*Definition of default*

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

*Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

**Financial assets (Continued)**

*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, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables and contract assets, when the amounts are over 2 years past due, 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. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

*Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

**Financial assets (Continued)**

*Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to 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 entity.

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.

**Financial liabilities and equity**

*Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Equity instruments*

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

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

**Financial liabilities**

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

*Financial liabilities at amortised cost*

Financial liabilities including trade and retention sum payables, other payables and accruals, bank borrowings and lease liabilities are subsequently measured at amortised cost, using the effective interest method.

*Derecognition of financial liabilities*

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

**Related parties transactions**

A party is considered to be related to the Group if:

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

(b) an entity is related to the Group if any of the following conditions applies:

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

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

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;

(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 Group or to the parent of the Group.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

**Related parties transactions (Continued)**

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that person in their dealing with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources, or obligations between the Group and a related party, regardless of whether a price is charged.

### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, which are not restricted as to use.

### Dividends

Dividends proposed by the Directors are classified as a separate allocation of retained earnings within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

## 4. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Management is of the opinion that there is no significant judgement, apart from those involving estimations set as below, made in applying accounting policies that has a significant effect on the amounts recognised in the consolidated financial statement.

The following are the critical judgements, that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statement.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

## 4. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

### Construction contract revenue recognition

Revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts, with reference to the proportion that contract costs incurred for work performed to date to the estimated total costs for the contracts. The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and provision for claims, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, the management conducts periodic reviews of the management budgets by comparing the budgeted amounts to the actual amounts incurred. The provision for claims is determined on the basis of the delay in the number of workdays of the completion of the construction works which is highly subjective and is subject to negotiation with the customers. Management conducts periodic review of the provisioning amount.

Significant judgement is required in estimating the contract revenue, contract costs, variation works and provision for claims which may have an impact in terms of percentage of completion and profit taken. The judgements of the management are based on contract costs and revenues on the latest available information, which includes detailed contract valuations. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenues are updated regularly and significant changes are highlighted through established internal review procedures. In particular, the internal reviews focus on the timing and recognition of payments and the age and recoverability of any disagreed income from variations to the contract scope or claims. The impact of the changes in accounting estimates is then reflected in the ongoing results.

### Provision of ECL for trade receivables, contract assets and deposits and other receivables

The Group uses provision matrix to calculate ECL for the trade receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables, contract assets and deposits and other receivables with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets and deposits and other receivables are disclosed in notes 19, 20 and 21 respectively.

### Impairment of property, plant and equipment, investment property and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset including right-of-use assets, the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts. Furthermore, the cash flows projections, growth rate and discount rate are subject to greater uncertainties in the current year due to uncertainty on how the Covid-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions in the Group's construction contract.

## 4. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

### Impairment of property, plant and equipment, investment property and right-of-use assets (Continued)

As at 31 December 2020, the carrying amounts of right-of-use assets, property, plant and equipment and investment property subject to impairment assessment were approximately S$1,223,000, S$ 6,761,000 and S$242,000 in respect of right-of-use assets, property, plant and equipment and investment property respectively.

### Income tax expense

The Group has exposure to income taxes in Singapore. In determining the income tax liabilities, management is required to estimate the amount of capital allowances, deductibility of certain expenses and applicable tax incentives. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred income tax recognised in the period in which such determination is made. The carrying amounts of the Group's current income tax liabilities as at 31 December 2020 was S$192,000 (2019: S$16,000).

### Depreciation

Items of property, plant and equipment, investment property and right-of-use assets are depreciated on a straight-line basis over the estimated useful life of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The deprecation expenses for future period is adjusted if there are significant changes from previous estimates.

### Determining the lease term

As explained in policy note 3, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the group, the group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

## 5. FINANCIAL INSTRUMENTS

### Categories of Financial Instruments

| | 2020<br>S$'000 | 2019<br>S$'000 |
|---|---|---|
| **Financial assets** | | |
| *Financial assets measured at amortised cost:* | | |
| – Trade receivables | **3,319** | 4,134 |
| – Deposits and other receivables | **446** | 3,558 |
| – Pledged bank deposits | **334** | – |
| – Cash and cash equivalents | **5,172** | 6,167 |
| | **9,271** | 13,859 |
| Financial assets measured at fair value through profit or loss | **1,745** | – |

| | 2020<br>S$'000 | 2019<br>S$'000 |
|---|---|---|
| **Financial liabilities** | | |
| *Financial liabilities measured at amortised cost:* | | |
| – Trade and retention sum payables | **947** | 986 |
| – Other payables and accruals | **5,066** | 5,025 |
| – Bank borrowings | **2,089** | – |
| – Lease liabilities | **1,240** | 187 |
| | **9,342** | 6,198 |

### Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk and liquidity risk.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

## 5. FINANCIAL INSTRUMENTS (CONTINUED)

### Credit risk concentration profile

**(a) Market risk**

*(i) Currency risk*

The Group's foreign currency exposure arises mainly from the exchange rate movements of the Hong Kong dollars against the Singapore dollars.

The Group's currently does not have a foreign currency hedging policy. However, the management monitors foreign currency risk exposure and will consider foreign currency hedging should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities as at 31 December 2020 and 2019 are as follows:

| | Liabilities | | Assets | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 |
| HKD | **1,072** | 1,286 | **2,605** | 3,543 |

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's post-tax loss to a reasonably possible change in the Hong Kong dollar exchange rate, with all other variables held constant.

| | **2020 Decrease/ (increase) in post-tax loss S$'000** | 2019 Decrease/ (increase) in post-tax loss S$'000 |
|---|---|---|
| Hong Kong dollars – strengthened 5% (2019: 5%) | **64** | 95 |
| – weakened 5% (2019: 5%) | **(64)** | (95) |

## 5. FINANCIAL INSTRUMENTS (CONTINUED)

### Credit risk concentration profile (Continued)

**(a) Market risk (Continued)**

*(ii) Other price risk*

The Group is exposed to equity price risk through its investments in listed equity security and quote fund investment measured at FVTPL. For listed equity security and quote fund investment measured at FVTPL quoted in the quoted prices in the Hong Kong Stock Exchange, Singapore Stock Exchange and Shanghai Stock Exchange respectively, and reference to market bid price quoted by financial institutions and brokers, the management of the Groups manages this exposure by maintaining a portfolio of investments with different risks.

Sensitivity analysis
The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date. For sensitivity analysis of listed equity security and quoted fund investment with fair value measurement categorized within Level, the sensitivity rate is increase to 15% in current year as a result of the volatile financial market.

If the prices of the respective listed equity security and quoted fund investment had been 15% higher/lower, the post-tax profit for the year ended 31 December 2020 would increase/decrease by approximately S$261,000 (2019: Nil as a result of the changes in fair value of FVTPL).

**(b) Credit risk**

The Group's major financial instruments include equity and debt investments, trade receivables, deposits and other receivables, pledged bank deposits, cash and cash equivalents, trade and retention sum payables, other payable and accruals, bank borrowings and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

## 5. FINANCIAL INSTRUMENTS (CONTINUED)

### Credit risk concentration profile (Continued)

**(b) Credit risk (Continued)**

The credit risk of the Group mainly arises from bank balances and deposits, trade receivables, contract assets and deposits and other receivables. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In respect of cash deposited at banks (including pledged bank deposits), the credit risk is considered to be low as the counterparties are reputable banks. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of cash at bank is assessed to be close to zero and no provision was made as of 31 December 2019 and 2020.

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forwarding-looking information.

As at 31 December 2020 and 2019, trade receivables and contract assets that are individually significant have been separately assessed for impairment. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience.

Majority of the Group's revenue is received from individual customers in relation to construction contracts. The Group's trade receivables arise from construction contracts. As at 31 December 2020 and 2019, the top three debtors and the largest debtor accounted for approximately 77.9% (2019: 83.1%) and 43.0% (2019: 60.1%), of the Group's trade receivables balance. In view of the history of business dealings with the debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these debtors saved for the debtor related to the impaired trade receivable disclosed in the below. Management makes periodic assessment on the recoverability of the trade and other receivables based on historical payment records, the length of overdue period, the financial strength of the debtors and whether there are any disputes with the debtors.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 35 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

## 5. FINANCIAL INSTRUMENTS (CONTINUED)

### Credit risk concentration profile (Continued)

**(b) Credit risk (Continued)**

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2020 and 2019:

| Trade receivables | Expected loss rate<br>% | Gross carrying amount<br>S$'000 | Loss allowance<br>S$'000 |
|---|---|---|---|
| **As at 31 December 2020** | | | |
| Neither past due nor impaired | **0.33** | **3,330** | **11** |
| Over 180 days | **100** | **88** | **88** |
| As at 31 December 2019 | | | |
| Neither past due nor impaired | 1.24 | 4,186 | 52 |

The following table provides information about the Group's exposure to credit risk and ECLs for contract assets as at 31 December 2020 and 2019:

| Contract assets | Expected loss rate<br>% | Gross carrying amount<br>S$'000 | Loss allowance<br>S$'000 |
|---|---|---|---|
| **As at 31 December 2020** | | | |
| Neither past due nor impaired | **1.45** | **6,984** | **103** |
| Over 180 days | **100** | **138** | **138** |
| As at 31 December 2019 | | | |
| Neither past due nor impaired | 1.93 | 9,955 | 192 |

The following table provides information about the Group's exposure to credit risk and ECLs for deposits and other receivables as at 31 December 2020 and 2019:

| Deposits and other receivables | Expected loss rate<br>% | Gross carrying amount<br>S$'000 | Loss allowance<br>S$'000 |
|---|---|---|---|
| **As at 31 December 2020** | | | |
| Neither past due nor impaired | **5.91** | **474** | **28** |
| As at 31 December 2019 | | | |
| Neither past due nor impaired | 3.55 | 3,497 | 124 |

## 5. FINANCIAL INSTRUMENTS (CONTINUED)

### Credit risk concentration profile (Continued)

**(b) Credit risk (Continued)**

The closing loss allowances for including trade receivables, contract assets and other financial assets at amortised cost as at 31 December 2020 and 2019 reconcile to the opening loss allowances as follows:

| | Trade receivables S$'000 | Contract assets S$'000 | Deposits and other receivables S$'000 | Total S$'000 |
|---|---|---|---|---|
| At 1 January 2019 | 338 | 300 | – | 638 |
| Allowance for/(reversal of) expected credit losses | 14 | (108) | 124 | 30 |
| Write off | (300) | – | – | (300) |
| At 31 December 2019 | 52 | 192 | 124 | 368 |
| At 1 January 2020 | **52** | **192** | **124** | **368** |
| Allowance for/(reversal of) expected credit losses | **47** | **49** | **(96)** | **–** |
| At 31 December 2020 | **99** | **241** | **28** | **368** |

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than 2 years past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The credit quality of the other receivables excluding prepayments has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. For the year ended 31 December 2019, the directors are of the opinion that the credit risk of other receivables is low due to the sound collection history of the receivables due from them. Therefore, expected credit loss rate of other receivables excluding prepayments is assessed to be close to zero and no provision was made as of 31 December 2019.

For the year ended 31 December 2020, reversal of allowance was made on deposits and other receivables relating to accounts that are long overdue with significant amounts, known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. The Group recognised the provision for expected credit losses by assessing the credit risk characteristics of debtor, discount rate and the likelihood of recovery and considering the prevailing economic conditions and assessed the provision as life time ECL non-credit impaired.

## 5. FINANCIAL INSTRUMENTS (CONTINUED)

### Credit risk concentration profile (Continued)

#### (c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity risk is to ensure, as far as possible, it will always have sufficient liquidity to meet its liabilities when due, such as maintaining sufficient cash and cash equivalents as disclosed in Note 23.

| | **Weighted average effective interest rate %** | **On demand or within 1 year S$'000** | **More than 1 year but less than 2 years S$'000** | **More than 2 years but less than 5 years S$'000** | **Over 5 years S$'000** | **Total undiscounted cash flows S$'000** | **Carrying amount S$'000** |
|---|---|---|---|---|---|---|---|
| **As at 31 December 2020** | | | | | | | |
| **Financial liabilities:** | | | | | | | |
| **Trade and retention sum payables** | **–** | **947** | **–** | **–** | **–** | **947** | **947** |
| **Other payables and accruals** | **–** | **5,066** | **–** | **–** | **–** | **5,066** | **5,066** |
| **Bank borrowings** | **2.3** | **2,188** | **–** | **–** | **–** | **2,188** | **2,089** |
| **Lease liabilities** | **3.9** | **166** | **144** | **190** | **1,110** | **1,610** | **1,240** |
| | | **8,367** | **144** | **190** | **1,110** | **9,811** | **9,342** |

| | Weighted average effective interest rate % | On demand or within 1 year S$'000 | More than 1 year but less than 2 years S$'000 | More than 2 years but less than 5 years S$'000 | Over 5 years S$'000 | Total undiscounted cash flows S$'000 | Carrying amount S$'000 |
|---|---|---|---|---|---|---|---|
| As at 31 December 2019 | | | | | | | |
| Financial liabilities: | | | | | | | |
| Trade and retention sum payables | – | 986 | – | – | – | 986 | 986 |
| Other payables and accruals | – | 5,025 | – | – | – | 5,025 | 5,025 |
| Lease liabilities | 4.7 | 67 | 67 | 62 | – | 196 | 187 |
| | | 6,078 | 67 | 62 | – | 6,207 | 6,198 |

## 5. FINANCIAL INSTRUMENTS (CONTINUED)

### Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year. The capital structure of the Group consists of debt, which includes bank borrowings and leases liabilities, as disclosed in notes 26 and 27 respectively, net of bank balances and cash and equity attributable to owners of the Group, comprising share capital and retained earnings. The management of the Group reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares and new debts.

The gearing ratio at the end of each reporting year was as follows:

| | **2020** | 2019 |
|---|---|---|
| | **S$'000** | S$'000 |
| Debt | **3,329** | 187 |
| Cash and cash equivalents | **(5,172)** | (6,167) |
| Net debt | **(1,843)** | (5,980) |
| Total equity | **16,790** | 18,865 |
| Net debt to equity ratio | **N/A** | N/A |

## 5. FINANCIAL INSTRUMENTS (CONTINUED)

### Fair value and fair value hierarchy

The fair value of financial assets and financial liabilities are determined as follows:

– the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

– the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider the fair values of trade receivables, deposits and other receivables, pledged bank deposits, cash and cash equivalents, trade and retention sum payables, other payable and accrual and bank borrowings reported in the consolidated statement of financial position approximate their carrying amounts due to their immediate or short-term maturities.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis:

| | 31 December 2020 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | S$'000 | S$'000 | S$'000 | S$'000 |
| Financial assets at fair value through profit or loss | 1,745 | – | – | 1,745 |

There were no transfers between levels 1, 2 and 3 during the year.

## 6. SEGMENT INFORMATION

The Group operates in one operating segment which is the provision of structural reinforced and concrete works in general building and civil engineering works. A single management team reports to the Directors (being the chief operating decision-maker ("**CODM**")) who comprehensively manage the entire business. The CODM reviews revenue by nature of contracts, i.e. "General Building Projects" and "Civil Engineering Projects" and profit for the year as a whole. Accordingly, the Group does not present separately segment information. No analysis of the Group's results by type of works nor assets and liabilities is regularly provided to the CODM for review. In addition, all of the Group's revenue is generated in Singapore and all of the Group's assets and liabilities are located in Singapore. Accordingly, no business or geographical segment information is presented.

### Revenue from major customers

Revenue from customers of the corresponding years which individually contributed over 10% of the Group's revenue for the years ended 31 December 2020 and 2019 is as follows:

| | **2020** | 2019 |
|---|---|---|
| | **S$'000** | S$'000 |
| Customer A | **–*** | 4,072 |
| Customer B | **1,430** | 2,542 |
| Customer C | **3,890** | 6,948 |
| Customer D | **3,689** | 2,222 |

* The corresponding revenue does not contribute over 10% of the Group's revenue for the respective year.

### Geographical information

The Group principally operates in Singapore, also the place of domicile. All revenue are derived from Singapore based on the location of services delivered and the Group's property, plant and equipment are all located in Singapore.

## 7. REVENUE

An analysis of revenue are as follow:

| | 2020 S$'000 | 2019 S$'000 |
|---|---|---|
| **Revenue from contract with customers** | | |
| General building projects | **7,579** | 16,613 |
| Civil engineering projects | **1,430** | 2,542 |
| Other services (note) | **424** | – |
| Labour supply | **–** | 1,251 |
| | **9,433** | 20,406 |
| Outstanding contract amount | **10,436** | 17,655 |

Note: Other services included provision of service for cut and bend the steel reinforcing bar owned by the customer.

### Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2020, the aggregated amount of the transaction price allocated to the remaining performance obligation under the Group's existing contracts is amounted to approximately S$10.4 million. This amount represents revenue expected to be recognised in the future from pre-completion construction contracts entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed which is expected to occur within the next 12 months.

## 8. OTHER INCOME AND GAINS

| | **2020** | 2019 |
|---|---|---|
| | **S$'000** | S$'000 |
| Government grants (Note) | **220** | 78 |
| Interest income | **33** | 100 |
| Sundry income | **91** | 149 |
| Dividend income | **5** | – |
| Rental income | **160** | – |
| Change in fair value of financial assets at fair value through profit or loss | **80** | – |
| Gains on disposal of property, plant and equipment | **–** | 320 |
| | **589** | 647 |

Note:

The government grants received mainly pertain to Special Employment Credit Scheme and Workforce Training and Upgrading Scheme, which are incentives received upon fulfilling the conditions for compensation of expenses already incurred or as immediate financial support. There were no unfulfilled conditions or contingencies relating to those government grants.

## 9. FINANCE COSTS

| | **2020** | 2019 |
|---|---|---|
| | **S$'000** | S$'000 |
| Interest on: | | |
| Bank borrowing wholly repayable on demand | **45** | – |
| Interest on lease liabilities | **46** | 4 |
| | **91** | 4 |

## 10. INCOME TAX (EXPENSE)/CREDIT

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

The Singapore Corporate Income Tax ("**CIT**") rate was 17% during the year ended 31 December 2020 (2019: 17%). Income tax expense for the Group relates wholly to the profits of the subsidiaries, which were taxed at a statutory income tax rate of 17% in Singapore. Major components of income tax expense are summarised as follows:

| | **2020** | 2019 |
|---|---|---|
| | **S$'000** | S$'000 |
| Current tax | | |
| – Singapore CIT | **–** | 7 |
| Under/(over) provision in respect of prior year | **189** | (58) |
| Deferred tax (note 28) | **(5)** | – |
| Income tax expense/(credit) | **184** | (51) |

A reconciliation of the tax expenses applicable to profit before tax at the statutory rate for country in which the Company's subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

| | **2020** | 2019 |
|---|---|---|
| | **S$'000** | S$'000 |
| (Loss)/profit before taxation | **(1,880)** | 101 |
| Income tax using the statutory tax rate | **(326)** | 16 |
| Non-deductible expenses | **378** | 358 |
| Non-taxable incomes | **(57)** | (162) |
| Enhanced deduction | **–** | (196) |
| Corporate tax rebate | **–** | (9) |
| Under/(over) provision in prior year | **189** | (58) |
| | **184** | (51) |

For the years ended 31 December 2020 and 2019, the Group has no tax loss brought forward from prior year to offset against the assessable profit in the future.

## 11. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation has been arrived at after charging:

| | **2020** **S$'000** | 2019 S$'000 |
|---|---|---|
| Auditors' remuneration | | |
| – Audit services | **107** | 193 |
| Material used | **733** | 1,529 |
| Subcontracting charges | **1,028** | 2,231 |
| Depreciation on property, plant and equipment | **430** | 182 |
| Depreciation on investment property | **6** | 5 |
| Depreciation on right-of-use assets | **121** | 34 |
| Expenses relating to short-term lease | **201** | 812 |
| Employee benefit expenses (including directors' emoluments) | | |
| Salaries and other employee benefits | **9,582** | 13,140 |
| Contributions to defined contribution retirement plan | **230** | 329 |
| | **9,812** | 13,469 |
| Less: government grants (Note) | **(1,846)** | – |
| Total employee benefit expenses (including directors' emoluments) | **7,966** | 13,469 |

Note:

Government grants comprises of COVID-19 related subsides under the Jobs Support Scheme ("JSS") and foreign worker rebate provided by the Singapore Government: Government grants of approximately S$1,490,000 are recognised against the cost of services while the remaining are presented under administrative expense.

## 12. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

### (i) Directors' Emoluments

Details for the emoluments of each director for the year ended 31 December 2020 are set out below:

| | Directors' Fees S$'000 | Salaries and bonuses S$'000 | Contributions to defined contribution retirement plan S$'000 | Other short-term benefits S$'000 | Total S$'000 |
|---|---|---|---|---|---|
| **Executive directors** | | | | | |
| Mr. Goh Cheng Seng | – | 550 | 12 | 20 | 582 |
| Ms. Tan Soh Kuan | – | 176 | 12 | 2 | 190 |
| Mr. Ng Sai Cheong | – | 120 | 3 | – | 123 |
| Mr. Wang Jianye | – | 149 | – | – | 149 |
| **Independent non-executive directors** | | | | | |
| Mr. Ma Yiu Ho Peter | 43 | – | – | – | 43 |
| Mr. Yip Ki Chi Luke | 43 | – | – | – | 43 |
| Mr. Zhou Guangguo | 43 | – | – | – | 43 |
| Mr. Clay Huen (note b) | 26 | – | – | – | 26 |
| | 155 | 995 | 27 | 22 | 1,199 |

## 12. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS (CONTINUED)

### (i) Directors' Emoluments (Continued)

Details for the emoluments of each director for the year ended 31 December 2019 are set out below:

| | Directors' Fees S$'000 | Salaries and bonuses S$'000 | Contributions to defined contribution retirement plan S$'000 | Other short-term benefits S$'000 | Total S$'000 |
|---|---|---|---|---|---|
| **Executive directors** | | | | | |
| Mr. Goh Cheng Seng | – | 960 | 22 | 21 | 1,003 |
| Ms. Tan Soh Kuan | – | 686 | 30 | 14 | 730 |
| Mr. Ng Sai Cheong | – | 261 | 3 | – | 264 |
| Mr. Wang Jianye | – | 146 | – | – | 146 |
| **Independent non-executive directors** | | | | | |
| Mr. Ma Yiu Ho Peter | 42 | – | – | – | 42 |
| Mr. Yip Ki Chi Luke | 42 | – | – | – | 42 |
| Mr. Zhou Guangguo | 42 | – | – | – | 42 |
| Dr. Zhang Tianmin (note a) | – | – | – | – | – |
| | 126 | 2,053 | 55 | 35 | 2,269 |

Notes:

a. Dr. Zhang Tianmin was resigned as independent non-executive Director of the Company on 8 May 2019.

b. Mr. Clay Huen was appointed as independent non-executive Director of the Company on 23 April 2020.

## 12. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS (CONTINUED)

### (ii) Five Highest paid Individuals

The five individuals whose emoluments were the highest in the Group for the year included 4 (2019: 4) directors of the Company whose directors' emoluments are disclosed in the above analysis. The emoluments payable to the rest of 1 (2019: 1) individuals during the year are as follows:

| | **2020** | 2019 |
|---|---|---|
| | **S$'000** | S$'000 |
| Salaries and bonuses | **141** | 144 |
| Contributions to defined contribution retirement plan | **–** | – |
| | **141** | 144 |

The number of non-director highest paid employees whose emoluments fell within the following bands is as follows:

| | **Number of individuals** | |
|---|---|---|
| | **2020** | 2019 |
| Nil to HK$1,000,000 (equivalent to Nil to S$180,505) | **1** | 1 |

During the years ended 31 December 2020 and 2019, no emoluments were paid by the Group to any of the Directors and the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. There was no Directors and the five highest paid individuals agreed to waive or waived any emoluments during the years ended 31 December 2020 and 2019.

## 13. DIVIDENDS

The Directors of the Company do not recommend the payment of any dividend of the years ended 31 December 2020 and 2019.

## 14. (LOSS)/EARNINGS PER SHARE

| | **2020** | 2019 |
|---|---|---|
| | **S$'000** | S$'000 |
| (Loss)/profit for the year attributable to owners of the Company | **(2,064)** | 152 |
| | **'000** | '000 |
| Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share | **400,000** | 400,000 |

The calculation of basic (loss)/earnings per share is based on the (loss)/profit for the year attributable to owners of the Company and the weighted average number of shares in issue.

Diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share because there were no potential dilutive ordinary shares outstanding during both years.

## 15. INVESTMENT PROPERTY

| | Total<br>S$'000 |
|---|---|
| **Cost** | |
| As at 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020 | 300 |
| **Accumulated depreciation** | |
| As at 1 January 2019 | 47 |
| Charge for the year | 5 |
| As at 31 December 2019 and 1 January 2020 | 52 |
| Charge for the year | 6 |
| **As at 31 December 2020** | 58 |
| **Net carrying values** | |
| **As at 31 December 2020** | 242 |
| As at 31 December 2019 | 248 |
| **Fair value** | |
| **As at 31 December 2020** | 520 |
| As at 31 December 2019 | 520 |

The investment property of the Group consists of an industrial building used for rental income generation purpose. It was located at 50 Serangoon North Avenue 4 #04-21 Singapore 555856 on a leasehold land. The estimated useful life of the investment property is 60 years. The investment property is stated at cost less accumulated depreciation and any impairment loss.

The investment property was classified under Level 3 in the fair value hierarchy. During the year, there were no transfer of fair value measurements between Level 1 and 2 and no transfer into or out of Level 3.

As at 31 December 2020, investment property was valued by GB Global Pte Ltd holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. Fair value is determined by a market comparison method by reference to recent sales price of comparable properties. The significant unobservable input in the fair value measurement is the price per square feet, which ranged from S$454 to S$550 and the weighted average price per square feet is S$503.

A significant increase/decrease in the unobservable input would result in a significant higher/lower in the fair value measurement. The highest and best use of the investment property of the Group does not differ from its current use.

As at 31 December 2020, the Group's investment properties of approximately S$242,000 have been pledged to secure bank borrowing (note 26) granted to the Group.

## 16. PROPERTY, PLANT AND EQUIPMENTS

| | Property S$'000 | Leasehold improvement S$'000 | Furniture and fixture S$'000 | Machinery and equipment S$'000 | Motor vehicles S$'000 | Total S$'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| As 1 January 2019 | 1,560 | 196 | 148 | 1,123 | 692 | 3,719 |
| Additions | – | – | 1 | 54 | 117 | 172 |
| Disposals | – | – | (2) | (711) | (89) | (802) |
| Transfer from right-of-use assets | – | – | – | – | 127 | 127 |
| As at 31 December 2019 and 1 January 2020 | 1,560 | 196 | 147 | 466 | 847 | 3,216 |
| Additions | 5,000 | 411 | 8 | 20 | – | 5,439 |
| Disposals | – | – | (3) | – | – | (3) |
| **As at 31 December 2020** | 6,560 | 607 | 152 | 486 | 847 | 8,652 |
| **Accumulated depreciation** | | | | | | |
| As at 1 January 2019 | 136 | 196 | 72 | 747 | 660 | 1,811 |
| Charge for the year | 27 | – | 20 | 89 | 46 | 182 |
| Disposals | – | – | (2) | (493) | (89) | (584) |
| Transfer from right-of-use assets | – | – | – | – | 55 | 55 |
| As at 31 December 2019 and 1 January 2020 | 163 | 196 | 90 | 343 | 672 | 1,464 |
| Charge for the year | 305 | – | 19 | 50 | 56 | 430 |
| Disposals | – | – | (3) | – | – | (3) |
| **As at 31 December 2020** | 468 | 196 | 106 | 393 | 728 | 1,891 |
| **Net carrying values** | | | | | | |
| **As at 31 December 2020** | **6,092** | **411** | **46** | **93** | **119** | **6,761** |
| As at 31 December 2019 | 1,397 | – | 57 | 123 | 175 | 1,752 |

### Assets pledged as securities

As at 31 December 2020, the Group's property with carrying amount of approximately S$6,092,000 (2019: S$Nil) were pledged as securities for the Group's bank borrowings (note 26).

Additions to property, plant and equipment are analysed as follows:

| | **2020 S$'000** | 2019 S$'000 |
|---|---|---|
| Additions of property, plant and equipment | **5,439** | 172 |
| Decrease in deposit paid | **(2,500)** | – |
| Acquired under bank borrowings | **(2,500)** | – |
| Cash payments to acquire property, plant and equipment | **439** | 172 |

## 17. RIGHT-OF-USE ASSETS

The Group does not have the option to purchase the right-of-use assets for a nominal amount at the end of the lease terms.

| | **Leasehold land** | **Motor vehicles** | **Office premises** | **Total** |
|---|---|---|---|---|
| | S$'000 | S$'000 | S$'000 | S$'000 |
| **As at 31 December 2020** | | | | |
| Carrying amount | 1,108 | 42 | 73 | 1,223 |
| As at 31 December 2019 | | | | |
| Carrying amount | – | 62 | 111 | 173 |
| **For the year ended 31 December 2020** | | | | |
| Depreciation charge | 59 | 20 | 42 | 121 |
| For the year ended 31 December 2019 | | | | |
| Depreciation charge | – | 20 | 14 | 34 |

| | **2020** | 2019 |
|---|---|---|
| | **S$'000** | S$'000 |
| Expense relating to short-term leases | **201** | 812 |
| Addition to right-of-use assets | **1,167** | 125 |

## 18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2020<br>S$'000 | 2019<br>S$'000 |
|---|---|---|
| Listed equity security in Hong Kong (note (a)) | **93** | – |
| Listed equity security in Singapore (note (a)) | **857** | – |
| Listed equity security in China (note (a)) | **34** | – |
| | **984** | – |
| Quoted fund investments (note (b)) | **761** | – |
| | **1,745** | – |

Notes:

(a) The fair value of the listed equity security were determined by quoted prices in the Hong Kong Stock Exchange, Singapore Stock Exchange and Shanghai Stock Exchange respectively.

(b) The fair value of quoted fund investments are determined by reference to market bid price quoted by financial institutions and brokers.

Detail of the fair value measurement was set out in note 5.

## 19. TRADE RECEIVABLES

| | 2020<br>S$'000 | 2019<br>S$'000 |
|---|---|---|
| Trade receivables | **3,418** | 4,186 |
| Less: Allowance for expected credit losses | **(99)** | (52) |
| | **3,319** | 4,134 |

Credit period granted to the Group's customers generally within 35 days from invoice date of the relevant contract revenue.

The ageing analysis of the Group's trade receivables based on invoices date, net of allowance for expected credit losses, are summarised as follows:

| | 2020<br>S$'000 | 2019<br>S$'000 |
|---|---|---|
| Within 30 days | **2,469** | 4,064 |
| 31 to 90 days | **551** | – |
| 91 to 180 days | **141** | 70 |
| Over 180 days | **158** | – |
| | **3,319** | 4,134 |

The Group's trade receivables as at the reporting dates that were neither past due nor impaired for whom there was no recent history of default. The Group's management considers that trade receivables were past due but not impaired under review are of good credit quality. The Group does not hold any collateral in respect of trade receivables past due but not impaired.

Bad debt, in respect of trade receivables, is recognised by using a provision account unless the Group is satisfied that the recoverability of bad debt is remote; in such case, the bad debt is written off against trade receivables directly.

Details of assessment on expected credit losses are set out in Note 5(a).

## 20. CONTRACT ASSETS/CONTRACT LIABILITIES

| | 2020<br>S$'000 | 2019<br>S$'000 |
|---|---|---|
| Contract assets: | | |
| Construction services | **880** | 3,578 |
| Retention sum receivable | **6,242** | 6,377 |
| | **7,122** | 9,955 |
| Less: Allowance for expected credit losses | **(241)** | (192) |
| | **6,881** | 9,763 |
| Contract liabilities: | | |
| Construction services | **955** | 1,066 |

The contract assets primarily relate to the Group's rights to consideration for work completed but not yet billed at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. The contract liabilities primarily relate to the advanced consideration received from customers, for which revenue is recognised based on the progress of the provision of related services.

The balance of contract assets and contract liabilities (construction service) are expected to be recovered/settled within one year.

The terms of some construction contracts stipulate that the customers withhold a portion of total contract sum (usually 5% to 10%) and will be settled in accordance with the terms of the respective contracts. The terms and conditions in relation to the release of retention vary from contract to contract.

## 20. CONTRACT ASSETS/CONTRACT LIABILITIES (CONTINUED)

Movement in the contract assets and the contract liabilities balances during the years ended 31 December 2020 and 2019 are as follows:

Contract assets:

| | S$'000 |
|---|---|
| As at 1 January 2019 | 10,035 |
| Rights of consideration for work amplitude but not yet billed | 1,972 |
| Retention receivables released | (3,233) |
| Retention receivables recognised | 881 |
| Reversal of expected credit losses on contract asset assets | 108 |
| As at 31 December 2019 and 1 January 2020 | 9,763 |
| Transfers from the contract assets recognised to trade receivables | (3,578) |
| Rights of consideration for work amplitude but not yet billed | 880 |
| Retention receivables released | (921) |
| Retention receivables recognised | 786 |
| Allowance for expected credit losses on contract assets | (49) |
| As at 31 December 2020 | 6,881 |

The expected timing of recovery or settlement for contract assets as 31 December 2020 and 2019 is as follows:

| | **2020**<br>**S$'000** | 2019<br>S$'000 |
|---|---|---|
| Within one year | **6,881** | 8,785 |
| More than one year | **–** | 978 |
| | **6,881** | 9,763 |

The movements in the loss allowance for impairment of contract assets during the years ended 31 December 2020 and 2019 are as follows:

| | **2020**<br>**S$'000** | 2019<br>S$'000 |
|---|---|---|
| At beginning of the year | **192** | 300 |
| Allowance for/(reversal of) expected credit losses on contract asset | **49** | (108) |
| At the end of the year | **241** | 192 |

Details of assessment on expected credit losses are set out in Note 5(a).

## 20. CONTRACT ASSETS/CONTRACT LIABILITIES (CONTINUED)

Contract liabilities:

| | S$'000 |
|---|---|
| As at 1 January 2019 | (3,068) |
| Consideration received from customers over the amounts of revenue recognised | (1,919) |
| Revenue recognised during the year | 3,921 |
| As at 31 December 2019 and 1 January 2020 | (1,066) |
| Consideration received from customers over the amounts of revenue recognised | (1,319) |
| Revenue recognised during the year | 1,430 |
| As at 31 December 2020 | (955) |

## 21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | **2020 S$'000** | 2019 S$'000 |
|---|---|---|
| Prepayments | **1,181** | 380 |
| Deposits | **172** | 2,861 |
| Other receivables | **302** | 821 |
| | **1,655** | 4,062 |
| Less: Allowances for expected credit losses | **(28)** | (124) |
| | **1,627** | 3,938 |

## 22. PLEDGED BANK DEPOSITS

Pledged bank deposits carry fixed interest rate of 1.00% and represent deposits amounting to S$334,000 (2019: S$Nil) pledged to banks to secure banking facilities granted to the Group.

Details of impairment assessment of pledged bank deposits are set out in note 5.

## 23. CASH AND CASH EQUIVALENTS

| | **2020** | 2019 |
|---|---|---|
| | **S$'000** | S$'000 |
| Cash and bank balances | **5,172** | 1,746 |
| Time deposits with an original maturity of less than three months | **–** | 4,421 |
| | **5,172** | 6,167 |

The bank balances bear interest at floating rates based on daily bank deposits rates. Certain of the Group's cash as bank earns interest at the weighted average effective interest rates of 0.20% (2019: 1.15%) per annum. Short term time deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates.

Cash and cash equivalents were denominated in the following currencies:

| | **2020** | 2019 |
|---|---|---|
| | **S$'000** | S$'000 |
| Singapore dollars | **5,153** | 6,132 |
| Hong Kong dollars | **14** | 18 |
| Renminbi | **5** | 17 |
| | **5,172** | 6,167 |

## 24. TRADE AND RETENTION SUM PAYABLES

| | **2020** | 2019 |
|---|---|---|
| | **S$'000** | S$'000 |
| Trade payables | **784** | 713 |
| Retention sum payables | **163** | 273 |
| | **947** | 986 |

Trade and retention sum payables are non-interest bearing. Trade payables are generally settled on 30 days terms. The terms and conditions in relation to the release of retention vary from contract to contract, which usually within 1 year and subject to practical completion, the expiry of the defect liability period or a pre-agreed time period.

Trade and retention sum payables were denominated in Singapore dollars.

## 24. TRADE AND RETENTION SUM PAYABLES (CONTINUED)

Ageing analysis of trade and retention sum payables as at the reporting dates is as follows:

| | **2020** | 2019 |
|---|---|---|
| | **S$'000** | S$'000 |
| 0 to 30 days | **523** | 372 |
| 31 to 90 days | **179** | 88 |
| 91 to 180 days | **8** | 26 |
| Over 180 days | **237** | 500 |
| | **947** | 986 |

## 25. OTHER PAYABLES AND ACCRUALS

| | **2020** | 2019 |
|---|---|---|
| | **S$'000** | S$'000 |
| Accrued operating expenses (note a) | **4,037** | 3,661 |
| Other payables (note b) | **767** | 745 |
| GST payables | **262** | 619 |
| | **5,066** | 5,025 |

Note:

a. As at 31 December 2020, accrued operating expenses mainly represented the accrued salaries of approximately S$1,650,000 (2019: S$2,335,000)

b. As at 31 December 2020, there was amount due to related party of approximately S$650,000 (2019: approximately S$650,000) included in other payables.

## 26. BANK BORROWINGS

| | 2020<br>S$'000 |
|---|---|
| Secured bank borrowings | **2,089** |
| The carrying amounts of bank borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable*: | |
| Within one year | **504** |
| Within a period of more than one year but not exceeding two years | **516** |
| Within a period of more than two year but not exceeding five years | **1,069** |
| | **2,089** |
| Less: Amount contain a repayment on demand clause shown under current liabilities | **(2,089)** |
| Amount shown under non-current liabilities | **–** |
| The exposure of the Group's bank borrowings are as follows: | |
| Fixed-rate borrowings | **2,089** |

* The amounts due are based on scheduled repayment date set out in loan agreement.

The Group's fixed-rate borrowings carrying interest rate at 2.0% per annum.

As at 31 December 2020, bank borrowings are secured by the property, plant and equipment, investment property, pledged bank deposit and corporate guarantee provided by the Company as detailed in note 31.

## 27. LEASE LIABILITIES

| | 2020<br>S$'000 | 2019<br>S$'000 |
|---|---|---|
| Within one year | **151** | 61 |
| Within a period of more than one year but not exceeding two years | **73** | 61 |
| Within a period of more than two years but not exceeding five years | **117** | 65 |
| Over five years | **899** | – |
| | **1,240** | 187 |
| Less: Amount due for settlement with 12 months shown under current liabilities | **(151)** | (61) |
| Amount due for settlement after 12 months shown under non-current liabilities | **1,089** | 126 |

The weighted average incremental borrowing rates applied to lease liabilities 4.7% (2019: 4.7%).

## 28. DEFERRED TAX LIABILITIES

| | **2020** | 2019 |
|---|---|---|
| | **S$'000** | S$'000 |
| As at 1 January | **30** | 30 |
| Credited to profit or loss during the year (note 10) | **(5)** | – |
| As at 31 December | **25** | 30 |

The deferred tax liabilities resulted from temporary taxable differences arising from depreciation in relation to capital allowance claims on qualified assets in accordance with prevailing tax laws in Singapore.

## 29. SHARE CAPITAL

Details of movements of share capital of the Company are as follows:

| | **Number of shares** | **amount** |
|---|---|---|
| | '000 | S$'000 |
| Authorised share capital of the Company at HK$0.01 each: | | |
| **As at 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020** | 1,000,000 | 1,747 |
| Issued and fully paid of the Company at HK$0.01 each: | | |
| **As at 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020** | 400,000 | 695 |

## 30. SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 24 October 2017. The following is the summary of the principal terms of the Scheme:

No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 31 December 2020 and 2019.

### (a) Purpose

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and service providers of the Group and to promote the success of the business of the Group.

### (b) Who may join and basis of eligibility

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, including, where required under the GEM Listing Rules, the independent non-executive Directors) from time to time on the basis of the participant's contribution or potential contribution to the development and growth of the Group.

### (c) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option, provided that in the event of fractional prices, the subscription price per Share shall be rounded upwards to the nearest whole cent.

### (d) Maximum number of Shares

The maximum number of shares in respect of which options may be granted under the Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue, being 40,000,000 shares, unless the Company obtains a fresh approval.

### (e) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted in any 12-month period to a Participant under the Scheme and other schemes must not exceed 1% of the Shares in issue.

### (f) Time of exercise of option

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the date of grant subject to the provisions of early termination thereof.

## 31. PLEDGE OF ASSETS

The Group's bank borrowings had been secured by the pledge of the Group's assets and the carrying amounts of the respective assets are as follows:

| | 2020<br>S$'000 | 2019<br>S$'000 |
|---|---|---|
| Investment property (note 15) | **242** | – |
| Property, plant and equipment (note 16) | **6,092** | – |
| Pledged bank deposits (note 22) | **334** | – |
| | **6,668** | – |

## 32. OPERATING LEASE COMMITMENTS

### As lessor

The Group leases out certain of its property under operating lease arrangement. The rental income earned during the year was approximately S$2,500 per month (2019: Nil). The Group had future minimum lease receipts from tenants under non-cancellable operating lease which fall due as follows:

| | 2020<br>S$'000 | 2019<br>S$'000 |
|---|---|---|
| Within one year | **30** | – |
| Within a period of more than one year but not exceeding two years | **27** | – |
| | **57** | – |

## 33. MATERIAL RELATED PARTIES TRANSACTIONS

In addition to the information disclosed elsewhere in the financial statement, the following transactions took place between the Group and related parties at terms agreed between the parties:

(i) Compensation paid to key management personnel of the Group represented are disclosed in Note 12.

(ii) Amount due to related party of the Group are disclosed in Note 25.

## 34. NON-CASH TRANSACTIONS

(a) During the year ended 31 December 2020, the additions of property, plant and equipment was settled by the deposit paid and bank borrowing of S$2,500,000 and S$2,500,000 respectively.

(b) During the year ended 31 December 2020, the Group entered into new lease agreement for the leasehold land with terms of 16.5 years. On the lease commitment, the Group recognised right-of-use assets of S$1,167,000 and lease liability of S$1,167,000.

## 35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

| | Bank borrowings S$'000 | Lease liabilities S$'000 | Total S$'000 |
|---|---|---|---|
| As at 1 January 2019 | – | 105 | 105 |
| Changes from financing cash flows: | | | |
| Repayment of lease liabilities | – | (30) | (30) |
| Addition of lease liabilities | – | 125 | 125 |
| Accrued lease rentals payments | – | (13) | (13) |
| Interest paid | – | (2) | (2) |
| Total changes in financing cash flows | – | 185 | 185 |
| Other change: | | | |
| Interest expenses | – | 2 | 2 |
| As at 31 December 2019 and 1 January 2020 | – | 187 | 187 |
| Changes from financing cash flows: | | | |
| Repayment of bank borrowings | **(411)** | **–** | **(411)** |
| Repayment of lease liabilities | **–** | **(160)** | **(160)** |
| Interest paid | **(45)** | **–** | **(45)** |
| Total changes in financing cash flows | **(456)** | **(160)** | **(616)** |
| Other change: | | | |
| Interest expenses | **45** | **46** | **91** |
| New lease entered | **–** | **1,167** | **1,167** |
| New bank borrowings raised | **2,500** | **–** | **2,500** |
| | **2,545** | **1,213** | **3,758** |
| **As at 31 December 2020** | **2,089** | **1,240** | **3,329** |

## 36. RETIREMENT BENEFIT PLANS

### Hong Kong

The Group operates a Mandatory Provident Fund Scheme (the "**MPF scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (2019: HK$30,000). Contributions to the plan vest immediately.

### Singapore

The CPF is a comprehensive social security system that enables working citizens and permanent residents of Singapore to set aside funds for retirement. We are required to pay monthly to the CPF in respect of each employee, who is either a citizen or permanent resident of Singapore, contributions at the contribution rates prescribed under the Central Provident Fund Act (Cap 36) of Singapore ("**CPFA**").

Pursuant to section 7(2) of the CPFA, the employer is allowed to recover certain amounts as stipulated in the CPFA from the monthly wages of an employee.

Section 7(3) of the CPFA provides that any employer who has recovered any amount from the monthly wages of an employee in accordance with the CPFA and fails to pay the contributions to the CPF within such time as may be prescribed, shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S$10,000 or to imprisonment for a term not exceeding seven (7) years or to both.

Section 9 of the CPFA provides that, where the amount of the contributions which an employer is liable to pay in respect of any month is not paid within the prescribed period for payment, the employer shall be liable to pay interest on the amount for every day the amount remains unpaid commencing from the first day of the month succeeding the month in respect of which the amount is payable and the interest shall be calculated at the rate of 1.5% per month or the sum of S$5.00, whichever is the greater.

The CPFA provides that in general if any person convicted of an offence under the CPFA for which no penalty is provided shall be liable on conviction to pay a fine not exceeding S$5,000 or to imprisonment for a term not exceeding 6 months or both, and if that person is a repeat offender for the same offence, to a fine not exceeding S$10,000 or to imprisonment for a term not exceeding 12 months or both.

The total expense recognised in consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 of approximately S$230,000 (2019: S$329,000), which represents contributions paid and/or payable to the scheme by the Group.

## 37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

### (a) Statement of Financial Position

| | **2020** **S$'000** | 2019 S$'000 |
|---|---|---|
| **Current assets** | | |
| Amount due from a subsidiary | **2,592** | 3,526 |
| Cash and cash equivalents | **13** | 17 |
| | **2,605** | 3,543 |
| **Current liabilities** | | |
| Accruals | **1,022** | 1,235 |
| Amount due to a subsidiary | **50** | 51 |
| | **1,072** | 1,286 |
| **Net assets** | **1,533** | 2,257 |
| **Capital and reserves attributable to owners of the Company** | | |
| Share capital | **695** | 695 |
| Reserves | **838** | 1,562 |
| **Total equity** | **1,533** | 2,257 |

The financial statements was approved and authorised for issue by the board of directors on 25 March 2020 and was signed on its behalf by:

**Goh Cheng Seng**
*Executive Director*

**Ng Sai Cheong**
*Executive Director*

## 37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

### (b) Reserves

| | Share Premium S$'000 | Exchange reserves S$'000 | Accumulated losses S$'000 | Total S$'000 |
|---|---|---|---|---|
| As at 1 January 2019 | 8,060 | 53 | (5,451) | 2,662 |
| Loss for the year | – | – | (1,047) | (1,047) |
| Other comprehensive loss for the year | – | (53) | – | (53) |
| Total comprehensive loss for the year | – | (53) | (1,047) | (1,100) |
| As at 31 December 2019 | 8,060 | – | (6,498) | 1,562 |

| | **Share Premium S$'000** | **Exchange reserves S$'000** | **Accumulated losses S$'000** | **Total S$'000** |
|---|---|---|---|---|
| As at 1 January 2020 | **8,060** | **–** | **(6,498)** | **1,562** |
| Loss for the year | **–** | **–** | **(724)** | **(724)** |
| Other comprehensive loss for the year | **–** | **–** | **–** | **–** |
| Total comprehensive loss for the year | **–** | **–** | **(724)** | **(724)** |
| **As at 31 December 2020** | **8,060** | **–** | **(7,222)** | **838** |

## 38. SUBSIDIARIES

The Group's principal subsidiaries as at 31 December 2020 are set out below. The proportion of ownership interest held equals the voting rights held by the Group. The country of incorporation is also the principal place of business.

| Name of Subsidiaries | Place of incorporation | Issued and fully paid share capital/registered capital at the date of this report | 2020 % | 2019 % | Principal activities |
|---|---|---|---|---|---|
| Directly held: | | | | | |
| Indigo Link Holdings Limited ("**Indigo Link**") | BVI | Ordinary shares US$0.01 | **100** | 100 | Investment holding |
| Indirectly held: | | | | | |
| IEPL | Singapore | Ordinary shares S$3,000,000 | **100** | 100 | Building construction |
| ICPL | Singapore | Ordinary shares S$100,000 | **100** | 100 | Building construction |

## 39. EVENTS AFTER THE REPORTING PERIOD

With refer to the announcement dated 11 August 2020, 16 October 2020, 11 December 2020 and 26 February 2021, the Group had delay in despatch of circular major transaction in relation to acquisition of 20% issued share capital of target Company.

## 40. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 25 March 2021.

# FINANCIAL SUMMARY

*For the year ended 31 December 2020*

For the five years ended 31 December 2016, 2017, 2018, 2019 and 2020:

## RESULTS

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2020** | 2019 | 2018 | 2017 | 2016 |
| | **S$'000** | S$'000 | S$'000 | S$'000 | S$'000 |
| Revenue | **9,433** | 20,406 | 42,556 | 45,196 | 30,068 |
| (Loss)/profit before taxation | **(1,880)** | 101 | 3,056 | 3,948 | 3,282 |
| Income tax (expense)/credit | **(184)** | 51 | (549) | (1,345) | (308) |
| (Loss)/profit for the year | **(2,064)** | 152 | 2,507 | 2,603 | 2,974 |
| Total comprehensive (loss)/income for the year | **(2,075)** | 172 | 2,498 | 2,592 | 2,974 |

## ASSETS AND LIABILITIES

| | At 31 December | | | | |
|---|---|---|---|---|---|
| | **2020** | 2019 | 2018 | 2017 | 2016 |
| | **S$'000** | S$'000 | S$'000 | S$'000 | S$'000 |
| Total assets | **27,304** | 26,175 | 28,982 | 31,737 | 26,307 |
| Total liabilities | **10,514** | 7,310 | 10,289 | 15,084 | 16,510 |
| Total equity | **16,790** | 18,865 | 18,693 | 16,653 | 9,797 |