

KAKIKO GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2225

Annual Report **2018**

Contents

	<i>Page</i>
Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	4
Biographical Details of Directors and Senior Management	12
Corporate Governance Report	16
Report of the Directors	31
Environmental, Social and Governance Report	43
Independent Auditor's Report	56
Consolidated Statement of Profit or Loss and Other Comprehensive Income	63
Consolidated Statement of Financial Position	64
Consolidated Statement of Changes in Equity	66
Consolidated Statement of Cash Flows	67
Notes to the Consolidated Financial Statements	69
Four Years Financial Summary	141

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Kuah Ann Thia (*Chairman and Chief Executive Officer*)
Ms. Dolly Hwa Ai Kim (also known as Ms. Dolly Ke Aijin)

Non-executive Director

Mr. Lu Yong (appointed on 2 July 2018)

Independent Non-executive Directors

Mr. Ong Shen Chieh (also known as Mr. Wang Shengjie)
Mr. Lau Kwok Fai Patrick
Mr. Lam Raymond Shiu Cheung

Audit Committee

Mr. Lau Kwok Fai Patrick (*Chairman*)
Mr. Ong Shen Chieh
Mr. Lam Raymond Shiu Cheung

Nomination Committee

Mr. Lam Raymond Shiu Cheung (*Chairman*)
Mr. Ong Shen Chieh
Mr. Lau Kwok Fai Patrick

Remuneration Committee

Mr. Ong Shen Chieh (*Chairman*)
Mr. Lau Kwok Fai Patrick
Mr. Lam Raymond Shiu Cheung

COMPANY SECRETARY

Mr. Kwok Siu Man (resigned on 2 March 2019)
Mr. Chan Yip Wang (appointed on 2 March 2019)

AUTHORISED REPRESENTATIVES

Mr. Kuah Ann Thia
Mr. Chan Yip Wang

COMPLIANCE ADVISER

Grande Capital Limited
1204B, 12/F, Tower 2, Lippo Centre
89 Queensway, Hong Kong

INDEPENDENT AUDITORS

Deloitte & Touche LLP
*Public Accountants and
Chartered Accountants Singapore*
6 Shenton Way
OUE Downtown 2
#33-00
Singapore 068809

LEGAL ADVISER

As to Hong Kong law
Loong & Yeung
Solicitors of Hong Kong
Room 1603, 16/F, China Building
29 Queen's Road Central
Central, Hong Kong

REGISTERED OFFICE

Vistra (Cayman) Limited
P.O. Box 31119
Grand Pavilion, Hibiscus Way
802 West Bay Road, Grand Cayman
KY1-1205 Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

750 Chai Chee Road
#03-10/14 Viva Business Park
Singapore 469000

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1603, 16/F
China Building
29 Queen's Road Central
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
P.O. Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F, 148 Electric Road
North Point
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Bank of China Tower
1 Garden Road
Hong Kong

DBS Bank Ltd

12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982

OCBC Bank Ltd

65 Chulia Street
OCBC Centre
Singapore 049513

United Overseas Bank Limited

1 Tampines Central 1
#02-03 UOB Tampines Centre
Singapore 529539

Bank of Singapore Limited

63 Market Street
22nd Floor Bank of Singapore Centre
Singapore 048942

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Stock code: 2225

COMPANY WEBSITE

<http://kttgroup.com.sg>

Chairman's Statement

On behalf of the Board of Directors (the "**Board**"), I am pleased to present the annual report of Kakiko Group Limited (the "**Company**") and its subsidiary corporations (collectively, the "**Group**") for the financial year ended 31 December 2018 (the "**Year**" or "**FY2018**").

YEAR IN REVIEW

FY2018 has been a bittersweet year for the Group as the global economy is laden with uncertainties arising from the US-China trade war and the industry continues to remain competitive.

Our Group's revenue increased to approximately S\$47.5 million as compared to approximately S\$44.4 million for the year ended 31 December 2017 ("**FY2017**"), representing an increase of approximately 6.8%. This was attributed to the rescheduling of several major infrastructure contracts in Singapore from 2017 to this year, which resulted in an increase in the demand for manpower outsourcing services in FY2018. Despite that, the Group's gross profit margin decreased from 26.4% for FY2017 to 18.7% for FY2018, mainly due to increases in foreign workers' wages and related costs as more workers were retained and recruited in FY2018.

Despite the rise in top line, the Group has suffered a loss of approximately S\$3.5 million in FY2018 due to higher cost of services and administrative expenses.

LOOKING AHEAD

After government of Singapore had imposed cooling measures, this has dampened the recovery of the building and construction scene in the private sector, and effectively ended the current cycle of en-bloc fever. In January 2019, the Building Construction Authority of Singapore estimated that the total value of construction contracts to be awarded in 2019 could be in the upper limit of S\$32 billion, comparable to the preliminary estimate of S\$30.5 billion in 2018. This higher projection is on the back of a good pipeline of major public infrastructure and industrial projects which help to mitigate the slow recovery in the private sector.

Although this may potentially translate into greater business opportunities for the Group, we remain cautious and expect to face continuing headwinds in 2019.

A NOTE OF APPRECIATION

On behalf of the Board, I would like to express my heartfelt appreciation to our shareholders, customers, business associates, management and staff for the continuing and unwavering support through the years.

Kuah Ann Thia

Chairman, Executive Director and Chief Executive Officer
Singapore, 28 March 2019

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

Our Group's revenue increased from approximately S\$44.4 million for FY2017 to approximately S\$47.5 million for FY2018. The following table sets forth a breakdown of the revenue for FY2018 and FY2017 indicated:

	FY2018	FY2017	Increase/ (Decrease) by
	S\$	S\$	S\$
Manpower outsourcing and ancillary services	41,249,556	36,394,609	4,854,947
Dormitory services	5,228,727	5,260,452	(31,725)
Construction ancillary services	451,760	2,046,241	(1,594,481)
IT services	527,220	739,840	(212,620)
	47,457,263	44,441,142	3,016,121

Revenue from manpower outsourcing and ancillary services increased from approximately S\$36.4 million in FY2017 to approximately S\$41.2 million in FY2018, representing an increase of approximately 13.3%. Such increase was mainly due to the rescheduling of several major infrastructure contracts in Singapore from 2017 to 2018 which resulted in an increase in the demand for manpower sourcing services in FY2018.

Revenue from dormitory services remained broadly stable at approximately S\$5.2 million and S\$5.3 million for FY2018 and FY2017, respectively. Given the occupancy rate of our dormitory, the current capacity of our dormitory is insufficient to capture further business opportunities, which results in the stable revenue derived from dormitory services. Towards the end of the Year, the Group rented a dormitory which has a right of first offer to purchase should the property be put up for sale during the three-year lease period.

Revenue from construction ancillary services in FY2018 decreased by approximately S\$1.6 million as compared to that in FY2017. This was mainly due to a decrease in the number of projects awarded to the Group in relation to cleaning services, building maintenance and renovation works in FY2018.

The decrease in revenue from IT services from approximately S\$0.74 million in FY2017 to approximately S\$0.53 million in FY2018 was mainly due to (i) the end of a contract with one of two customers during the Year which was not renewed, and (ii) a decrease in the number of maintenance and support days required by the remaining customer.

Gross profit and gross profit margin

Our Group's gross profit decreased from approximately S\$11.7 million for FY2017 to approximately S\$8.9 million for FY2018, while gross profit margin decreased from approximately 26.4% for FY2017 to approximately 18.7% for FY2018. Such decreases were mainly due to an increase in costs of services from approximately S\$32.7 million in FY2017 to approximately S\$38.6 million in FY2018, which was due primarily to the following:

- increase in foreign workers' wages from approximately S\$9.6 million in FY2017 to approximately S\$11.9 million in FY2018 mainly due to the fact that more workers were retained and recruited in FY2018 as compared to those in prior years for the large-scale public sector projects;

Management Discussion and Analysis

- b. increase in foreign workers levy from approximately S\$11.4 million in FY2017 to approximately S\$13.2 million in FY2018 mainly due to (i) an increase in foreign worker levy charges imposed by the Ministry of Manpower of the Singapore Government (“**MOM**”) since July 2017; and (ii) more workers were retained and recruited by the Group in FY2018 as mentioned above;
- c. increase in depreciation from approximately S\$0.8 million in FY2017 to approximately S\$1.0 million in FY2018 due to additional plant and equipment purchased during the Year;
- d. increase in workers’ living related costs from approximately S\$3.0 million in FY2017 to approximately S\$4.1 million in FY2018, due to the fact that more workers were retained and recruited in FY2018 as mentioned above, resulting in an increase in the number of foreign workers who were housed to other third party dormitory service providers, leading to an increase in rental expenses for external accommodation; and
- e. increase in other workers’ related costs from approximately S\$1.3 million in FY2017 to approximately S\$1.7 million in FY2018 mainly due to increases in workers’ general expenses, work permit application charges and training expenses as the Group retained and recruited more workers in FY2018.

Other income

Other income decreased from approximately S\$1.73 million in FY2017 to approximately S\$1.24 million in FY2018 mainly due to the absence of a one-off profit sharing arrangement which ended in December 2017 with Mines and Minerals Resources Co., Ltd., a Myanmar company, for deployment of manpower in Myanmar. The decrease was partially offset by (i) the receipt of a one-off retrofitting grant from MOM amounting to S\$82,604 and a grant for trade credit insurance from International Enterprise Singapore, a statutory board under the Ministry of Trade and Industry of the Singapore Government, amounting to S\$60,900 in 2018; (ii) an increase of approximately S\$0.3 million in grants received under the Workforce Training and Upgrading Scheme (as defined in Note 7 to the consolidated financial statements of the Group for FY2018 (the “**Consolidated Financial Statements**”)); and (iii) interest income earned from short-term deposits and treasury products.

Administrative expenses

Administrative expenses increased from approximately S\$7.1 million in FY2017 to approximately S\$12.8 million in FY2018 due mainly to the following:

- a. increase in directors’ remuneration from approximately S\$0.78 million in FY2017 to approximately S\$2.2 million in FY2018 due to (i) the entering into of the service agreements with the Group’s executive Directors and independent non-executive Directors in late 2017 prior to the Listing; and (ii) appointment of two directors for five of the Group’s subsidiaries in January 2018.
- b. increase in insurance from S\$0.26 million in FY2017 to S\$0.43 million in FY2018 mainly due to the purchase of trade credit insurance which provides cover against loss due to credit risks such as protracted default, insolvency or bankruptcy.
- c. increase in legal and professional fee from S\$0.26 million in FY2017 to S\$0.56 million in FY2018 mainly due to (i) an increase in ongoing claims commenced by us against our customers in relation to recovery of payments; and (ii) annual retainer fees paid to the Company’s share registrar, compliance and legal advisers who were appointed after the Listing in October 2017.

Management Discussion and Analysis

- d. increase in staff salaries, bonuses, allowances, welfare and employee benefits from approximately S\$3.95 million in FY2017 to approximately S\$5.97 million in FY2018 mainly due to an increase in the headcount and bonus payment made to our back office staff and incentive trip in July 2018.
- e. increase in travelling and entertainment expenses from approximately S\$0.12 million in FY2017 to approximately S\$0.69 million in FY2018 mainly due to increase in costs in relation to the relationship building with our existing and potential customers and suppliers in 2018.
- f. increase in referral fee by approximately S\$0.50 million in FY2018 mainly due to a one-time rental commission payable to an agent for leasing of a dormitory.
- g. increase of approximately S\$0.19 million in other expenses mainly due to expenses incurred for (i) printing and delivery of annual and interim reports; and (ii) translation and typesetting fees for annual and interim reports and announcements made in 2018.

Other losses

Other losses increased by approximately S\$0.35 million in FY2018 mainly due to (i) the loss on fair value movement of equity instruments designated at fair value through profit or loss of approximately S\$0.15 million; (ii) loss of approximately S\$0.55 million on financial assets measured at amortised cost; and (iii) an increase of approximately S\$0.12 million in expected credit loss recognised on trade and other receivables in accordance with IFRS 9 which became effective on 1 January 2018. This was partially offset by the increase of approximately S\$0.56 million in net foreign exchange gain as a result of the revaluation of bank balances denominated in Hong Kong dollar (“HK\$”), which appreciated against Singapore dollar (“S\$”) in FY2018.

Other expenses

The Group’s other expenses for FY2017 was the recognition of listing expenses. No such expense was incurred in FY2018.

Income tax credit

The Group recorded an income tax credit of approximately S\$0.32 million in FY2018 (FY2017: income tax expense of approximately S\$0.87 million) mainly due to loss before income tax and the recognition of deferred tax assets for unutilised tax losses.

Loss for the year

As a result of the above factors, the Group recorded a loss of approximately S\$3.5 million in FY2018 (FY2017: profit of approximately S\$4.6 million, excluding non-recurring listing expenses of S\$2.3 million), which was mainly due to the higher cost of services and administrative expenses.

Loss per share

For FY2018, the basic loss per share was Singapore 0.29 cent and the calculation is based on the loss attributable to owners of the Company of approximately S\$3.5 million and the weighted average number of 1,230,000,000 ordinary shares in issue during the Year.

Management Discussion and Analysis

For FY2017, the basic earnings per share was Singapore 0.21 cent and the calculation is based on the profit attributable to owners of the Company of approximately S\$2.3 million and the weighted average number of 1,071,095,890 ordinary shares in issue during FY2017.

Diluted loss/earnings per share was the same as the basic loss/earnings per share because the Group had no dilutive potential shares during FY2018 and FY2017.

DIVIDEND

The Board did not recommend distribution of any dividend to the shareholders of the Company (the “**Shareholders**”) for FY2018 (FY2017: nil).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

Liquidity

The Group generally meets its working capital requirements from its internally generated funds and maintained a healthy financial position. Upon the Listing, the source of funds of the Group had been a combination of internally generated funds and net proceeds from the Share Offer (as defined in Note 27 to the Consolidated Financial Statements).

Treasury policy

The Group has adopted a prudent financial management approach towards its treasury policy and thus maintained a healthy financial position throughout the Year. The Board closely monitors the Group’s liquidity position to ensure that the liquidity structure of the Group’s assets, liabilities, and other commitments can meet its funding requirements all the time.

Use of proceeds from the Share Offer

The net proceeds from the Share Offer were approximately HK\$82.6 million (equivalent to approximately S\$14.1 million) (after deducting underwriting fees and Listing expenses), out of which approximately S\$0.3 million has been set aside for the acquisition of three new lorries during the Year.

In line with that disclosed in the Company’s prospectus dated 4 October 2017 (the “**Prospectus**”), our Directors presently intend that the net proceeds will be applied as follows:

- (i) approximately 93.4% of the net proceeds, for partly financing the acquisition of an additional foreign worker dormitory at an estimated consideration of HK\$162.0 million (equivalent to approximately S\$28.0 million, being the mid-point of our estimated range of consideration for the proposed acquisition), in connection with our plan to (a) cater to the accommodation needs of the additional foreign employees to be hired under our business expansion plan; and (b) increase the scale of our dormitory service business; and
- (ii) approximately 6.6% of the net proceeds, for financing the acquisition of 10 additional lorries for us to cope with the expected increase in transportation needs from a larger size of our manpower in accordance with our business expansion plan. As at 31 December 2018, three lorries have been acquired under finance leases.

Management Discussion and Analysis

The net proceeds which are not immediately applied to the above purposes were deposited into short-term interest-bearing deposits or treasury products with a licensed bank in Singapore.

As mentioned above, towards the end of the Year, the Group rented a dormitory which has a right of first offer to purchase should the property be put up for sale during the three-year lease period.

Borrowings and gearing ratio

As at 31 December 2018, the Group had an aggregate of current and non-current finance lease obligations of approximately S\$0.3 million as compared to approximately S\$0.1 million as at 31 December 2017. The increase was due to additions of motor vehicles which were acquired under finance lease arrangements in FY2018.

The Group's gearing ratio as at 31 December 2018 was approximately 1.4% (2017: approximately 0.3%). Gearing ratio is calculated by dividing total borrowings (comprising bank borrowings, finance lease obligations and amount due to a Director) by total equity as at the end of the respective year and multiplied by 100%.

As at 31 December 2018, the Group had unutilised banking facilities of approximately S\$609,816 available for cash drawdown (2017: Nil).

Cash and cash equivalents

As at 31 December 2018, the Group had cash and cash equivalents of approximately S\$16 million, of which approximately 24.7% was denominated in S\$ and approximately 75.3% was denominated in HK\$ which were placed in major licensed banks in Singapore and Hong Kong, respectively. Cash and cash equivalents denominated in United States dollars ("US\$") were immaterial.

Foreign exchange exposure

The Group transacts mainly in S\$, which is the functional currency of all the entities in the Group. However, the Group retains a large portion of the proceeds from the Share Offer in HK\$ which contributed to an unrealised foreign exchange gain of approximately S\$0.3 million as HK\$ strengthened against S\$ in FY2018.

Charges on the Group's assets and contingent liabilities

As at 31 December 2018, the Group's finance lease obligations were secured by the charge over leased assets with an aggregate net book value of approximately S\$0.36 million (as at 31 December 2017: S\$0.12 million). The Group did not have any material contingent liabilities as at 31 December 2018 and 2017.

Capital expenditures and capital commitments

The Group's capital expenditures principally consisted of expenditures on renovation of a newly rented dormitory, motor vehicles, computer and equipment, furniture and fittings. The Group recorded capital expenditures for the purchases of property, plant and equipment and additions to investment property in the amounts of approximately S\$0.59 million and S\$1.4 million for FY2018 and FY2017, respectively. The Group did not have any capital commitments as at 31 December 2018 (as at 31 December 2017: S\$0.68 million).

Management Discussion and Analysis

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

There were no material acquisitions and disposal of subsidiaries, associates and joint ventures for FY2018 and FY2017.

During the Year, the Group held investments in quoted equity shares and dual currency deposits (“**DCDs**”), at fair value of approximately S\$1.4 million and S\$1.5 million, respectively as at 31 December 2018, and approximately S\$70,000 and nil, respectively as at 31 December 2017.

The abovementioned investments in quoted equity securities offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on closing quoted market prices on the last market day of the financial year.

DCDs on the other hand provide an enhanced guaranteed interest payment at maturity. However, the currency delivered at maturity depends upon a predetermined conversion rate (“Fixed Rate”) on the maturity date. The Group will receive the final payment amount at maturity in base (initial) currency if the linked currency strengthens against the base currency. If the linked currency weakens against base currency, the Group will receive final payment amount in linked currency at the Fixed Rate.

Performance during the Year and up to the date of this annual report

Quoted Equity Shares

The following table sets out the Group’s investment in quoted equity shares for the Year:

Name of quoted equity shares	Exchange and stock code	No. of shares as at 31/12/2018	No. of shares at the date of this report	Average unit cost price	Closing price as at 31/12/2018	Closing price at the date of this report
Agricultural Bank of China Limited – H	HKEX: 1288	428,000	428,000	HK\$3.8839	HK\$3.43	HK\$3.65
Bank of China Limited – H	HKEX: 3988	460,000	230,000	HK\$3.5132	HK\$3.38	HK\$3.59
China Communications Construction Company Limited – H	HKEX: 1800	200,000	100,000	HK\$7.9908	HK\$7.40	HK\$8.22
China Mobile Limited	HKEX: 941	20,000	10,000	HK\$76.0387	HK\$75.35	HK\$80.30
Kingboard Holdings Limited	HKEX: 148	87,000	–	HK\$25.9715	HK\$20.90	–
Wilmar International Limited	SGX: F34	20,000	20,000	S\$3.5	S\$3.12	S\$3.31

The following table sets out the Group’s disposal of investment in quoted equity shares after 31 December 2018 and up to the date of this report:

Name of quoted equity shares	Exchange and stock code	Date of disposal	No. of shares disposed	Average unit cost price	Settlement price per unit
Bank of China Limited – H	HKEX: 3988	4 March 2019	230,000	HK\$3.5132	HK\$3.72
China Communications Construction Company Limited – H	HKEX: 1800	28 February 2019	100,000	HK\$7.9908	HK\$8.4633
China Mobile Limited	HKEX: 941	1 March 2019	10,000	HK\$76.0387	HK\$83.85
Kingboard Holdings Limited	HKEX: 148	7 March 2019	1,500	HK\$25.9715	HK\$28.5
		13 March 2019	85,500	HK\$25.9715	HK\$28.8

Management Discussion and Analysis

Dual Currency Deposits

The following table sets out the details of the Group's investment in DCDs for the Year:

Base currency	Linked currency	Fair value as at 31 December 2018	Guaranteed interest rate	Maturity date	Fixed rate
HK\$8,851,862	S\$1,561,175	S\$1,540,728	3.0%	7 January 2019	5.67

Future prospects of the investments

The quoted equity shares, a majority of which are blue-chip stocks, have historically shown to generate growth in the long term and are considered to be low risk investments. As explained above, the investments offer the Group the opportunity to receive dividend income and future capital gains.

The DCDs potentially provide higher interests than normal fixed deposits and we can get back our investment at maturity in either the original investment currency (base currency) or an alternate currency which may aid us in the acquisition of dormitory (SGD) or payment of professional fees to Hong Kong professional parties (HKD).

Off-balance sheet transactions

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

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2018, the Group had 1,720 employees (as at 31 December 2017: 1,556), including foreign workers.

The Group determines employee salaries based on employee's qualifications, position and seniority. In order to attract and retain valuable employees, the Group reviews the performance of our employees, which will be taken into account in annual salary review and promotion appraisal. The Group has also adopted a sales incentive scheme, pursuant to which our sales managers are entitled to sales commission based on the number of hours of deployment in respect of any manpower outsourcing contracts obtained by them from customers.

The Group incurred workers and staff costs (including the Directors and chief executive's remuneration, and other staff's salaries, wages and other benefits) of approximately S\$23.7 million and S\$17.5 million for FY2018 and FY2017 respectively.

Management Discussion and Analysis

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Interest rate risk

The Group is exposed to cash flow interest rate risk on the variable rates of interest earned on the bank balances. The Group is also exposed to fair value interest rate risk in relation to fixed-rate finance lease obligations.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider interest rate hedging should the need arise.

Foreign currency risk

The Group has certain bank balances, financial assets measured at fair value through profit or loss, trade receivables and payables denominated in US\$ and HK\$ other than the functional currency of respective group entities, which expose the Group to foreign currency risk.

The Group manages the risk by closely monitoring the movement of the foreign currency rate.

Credit risk

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new customer, the Group carries out a research on the credit risk of the customer, assesses the customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed when necessary.

In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group recognises a loss allowance for expected credit losses ("ECL") on trade and other receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instrument. In this regard, management of the Group considers that the Group's credit risk is significantly reduced.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Fair value risk

The Group is exposed to fair value risk arising from financial assets and financial liabilities that are measured at fair value on a recurring and non-recurring basis.

Equity price risk

The Group is exposed to equity risks arising from equity investments designated at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. KUAH Ann Thia (柯安錠) (“Mr. Kuah”), aged 45, is the founder of our Group. He was appointed as an executive Director on 14 February 2017 and as the chairman of the Board (the “**Chairman**”) and our chief executive officer (“**CEO**”) on 26 September 2017. He is responsible for the overall business development as well as financial and strategic planning of our Group and has been managing our businesses for more than 10 years. He is also a director of each of the Company’s subsidiaries: Real Value Global Limited, Harbour Gold Investments Limited, Leading Elite Global Limited, Priceless Developments Limited, Promising Elite Investments Limited, Accenovate Consulting (Asia) Pte. Ltd., Accenovate Engineering Pte. Ltd. (“**Accenovate Engineering**”), Kanon Global Pte. Ltd. (“**Kanon Global**”), Keito Engineering & Construction Pte. Ltd. (“**Keito Engineering**”), KT&T Engineers and Constructors Pte. Ltd. (“**KT&T Engineers**”), KT&T Global Pte. Ltd., KT&T Resources Pte. Ltd. (“**KT&T Resources**”), Nichefield Pte. Ltd. (“**Nichefield**”) and Tenshi Resources International Pte. Ltd. (“**Tenshi Resources**”). Mr. Kuah is the husband of Ms. Akiko Koshiishi, who is a member of the senior management of the Company as the head of administrative department. He is also the sole director of Mighty One Investments Limited, the controlling shareholder of the Company.

Prior to founding our Group, Mr. Kuah had worked as a managing director in two construction companies and had five years of experience in the building and construction industry in Singapore.

Mr. Kuah obtained a degree of Bachelor of Science from the State University of New York at New Paltz in the United States (“**USA**”) in December 1997. He further obtained a degree of Master of Business Administration (Business Administration) from the California State University, Hayward in USA in June 2002 through a distance learning programme.

Ms. Dolly HWA Ai Kim (also known as Ms. Dolly KE Aijin) (柯愛金) (“Ms. Hwa”), aged 46, was appointed as an executive Director on 31 March 2017 and as our general manager on 26 September 2017. Ms. Hwa is mainly responsible for the overall management of our business operation and supervision. She is also a director of each of the Company’s subsidiaries: Accenovate Engineering, Keito Engineering, KT&T Engineers, KT&T Resources, and Tenshi Resources since 31 January 2018.

Prior to joining our Group, Ms. Hwa had worked as a sales representative in various construction companies for over five years. Since joining our Group as the general manager of KT&T Engineers in September 2007, she has accumulated more than 10 years of experience in our business and operations.

Ms. Hwa obtained a diploma in mechanical engineering from Ngee Ann Polytechnic in Singapore in August 1993.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. ONG Shen Chieh (also known as Mr. WANG Shengjie) (王聖潔) (“Mr. Ong”), aged 42, was appointed as our independent non-executive Director (the “**INED(s)**”) on 26 September 2017. Mr. Ong is the chairman of the remuneration committee of the Board and a member of each of the audit committee and the nomination committee of the Board. He is primarily responsible for supervising and providing independent advice to the Board. He obtained a degree of Bachelor of Science (Real Estate) from the National University of Singapore in July 2001.

Biographical Details of Directors and Senior Management

Mr. Ong has over 10 years of experience in corporate finance, private equity and merger and acquisitions. From May 2006 to August 2008, Mr. Ong worked at Provenance Capital Pte. Ltd. at which his last position was manager. From August 2008 to February 2012, Mr. Ong worked at EV Capital Pte. Ltd. at which his last position was vice-president. From March 2012 to February 2016, Mr. Ong worked as a senior manager and the head of new business development department at ORIX Leasing Singapore Limited. He is currently a director of Sakal Investments Limited.

Mr. Ong is currently an independent non-executive director of Eindex Corporation Limited, the issued shares of which are listed on the Catalist of Singapore Exchange Securities Trading Limited ("**SGX**") (stock code: 42Z.SI) as well as Elec & Eltek International Company Limited, the issued shares of which are dually listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 1151) and on the main board of the SGX (stock code: E16.SI).

Mr. LAU Kwok Fai Patrick (劉國輝) ("Mr. Lau"), aged 46, was appointed as our INED on 26 September 2017. He is also the chairman of the audit committee of the Board and a member of each of the nomination committee and the remuneration committee of the Board. He is primarily responsible for supervising and providing independent advice to the Board.

Mr. Lau has more than 20 years of experience in the fields of accounting, auditing, financial advisory and corporate governance. From December 1997 to April 1999, Mr. Lau served as an associate at PricewaterhouseCoopers Ltd. From October 1999 to June 2011, Mr. Lau worked at KPMG at which his last position was manager. From July 2011 to June 2016, Mr. Lau served in various positions, including deputy general manager, financial controller and company secretary, in China City Railway Transportation Technology Holdings Company Limited (now known as BII Railway Transportation Technology Holdings Company Limited), the shares of which are listed on GEM of the Stock Exchange during May 2012 to December 2013 (stock code: 8240) and were transferred to the Main Board since December 2013 (stock code: 1522).

Mr. Lau is currently the chief financial officer and company secretary of International Alliance Financial Leasing Co. Ltd. whose shares have been listed on the Main Board of the Stock Exchange (stock code: 1563), since March 2019.

Mr. Lau has been an independent non-executive director of Dafy Holdings Limited (formerly known as FDB Holdings Limited), the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1826), since January 2018.

Mr. Lau obtained an honours diploma in Accounting from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in July 1996. He later obtained a degree in Master of Science in Corporate Governance and Directorship (Distinction) from Hong Kong Baptist University in November 2014. He also completed the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) ("**HKICPA**") Diploma in Insolvency organised by the HKICPA in June 2004. Mr. Lau has been a member of the HKICPA and a fellow member of the Association of Chartered Certified Accountants since July 2003 and December 2007, respectively. He has also been a member of Hong Kong Baptist University Chapter of Beta Gamma Sigma since April 2014.

Biographical Details of Directors and Senior Management

Mr. LAM Raymond Shiu Cheung (林兆昌) (“Mr. Lam”), aged 53, was appointed as our INED on 26 September 2017. Mr. Lam is the chairman of the nomination committee of the Board and a member of each of the audit committee and the remuneration committee of the Board. He is primarily responsible for supervising and providing independent advice to the Board.

Mr. Lam is currently an independent non-executive director of Chinese Strategic Holdings Limited (stock code: 8089), China Assurance Finance Group Limited (stock code: 8090) and Yin He Holdings Limited (previously known as Zebra Strategic Holdings Limited) (stock code: 8260), the issued shares of all of which are listed on GEM of the Stock Exchange. He also was an independent non-executive director of The Hong Kong Building and Loan Agency Limited, the issued shares of which are listed on the Main Board of the Stock Exchange, for the period from February 2012 to June 2014 (stock code: 145).

Mr. Lam obtained a Master’s Degree in Applied Finance from Macquarie University of Australia in September 1994. Mr. Lam has over 7 years of experience in business development. From 2009 to 2012, he was the deputy chief executive officer of China Eco Farming Limited, the issued shares of which are listed on GEM of the Stock Exchange (stock code: 8166). Mr. Lam was an executive director of Chinese Food and Beverage Group Limited, the issued shares of which were listed on GEM of the Stock Exchange (stock code: 8272) from April 2013 to January 2019.

NON-EXECUTIVE DIRECTOR

Mr. LU Yong (陸勇) (“Mr. Lu”), aged 45, was appointed as our non-executive Director on 2 July 2018. Mr. Lu is currently the executive director and general manager of Zhejiang Baibang Wande Properties Limited (浙江百邦萬德置業有限公司) (“**Zhejiang Baibang**”). Mr. Lu joined Zhejiang Baibang in 2010. Zhejiang Baibang is principally engaged in the property development business in the People’s Republic of China (the “**PRC**”) and it also explores “One Belt, One Road” related property projects.

Prior to joining Zhejiang Baibang, Mr. Lu worked for Yueching City Dongfeng Automobile Limited (樂清市東風汽車有限公司), which is principally engaged in logistics and transportation related business in the PRC, with his last position as general manager. Mr. Lu has also previously worked in various PRC government entities.

Mr. Lu graduated from Wuhan Sports University (武漢體育學院) (formerly known as Wuhan Institute of Physical Education) in the PRC in 1998.

SENIOR MANAGEMENT

Ms. Akiko KOSHIISHI (“Ms. Koshiishi”), aged 42, is the head of administrative department and is responsible for overseeing our Group’s administrative matters. She is also a director of each of Accenovate Engineering, Kanon Global, KT&T Engineers and Nichefield. Since joining our Group in May 2006, Ms. Koshiishi has accumulated more than 10 years of experience in our Group’s operations. Ms. Koshiishi obtained an associate degree from the Department of English Language and Literature of Komazawa Women’s Junior College, Japan in March 1997. Ms. Koshiishi is the wife of Mr. Kuah Ann Thia, the Chairman, an executive Director and CEO.

Biographical Details of Directors and Senior Management

Mr. Kelvin HO Kim Leng (also known as Mr. Kelvin HE Jinlong) (何金龍) (“Mr. Ho”), aged 43, is our chief financial officer. He is overall responsible for overseeing the Group’s financial reporting, financial planning, treasury and financial control matters. Prior to joining the Group, he was the chief financial officer (“**CFO**”) of Attilan Group Limited, the issued shares of which are listed on the main board of SGX (stock code: 5ET.SI), and has helped the group to obtain new funding to diversify into preschool business and working capital.

He has held similar positions in Changjiang Fertilizer Holdings Limited (now known as Olive Tree Estates Limited), the issued shares of which are listed on the Catalist of SGX (stock code: 1H2.SI), that produces nitrogenous fertilizer, liquid ammonia and methanol in the People’s Republic of China and Powerland AG, a luxury handbag manufacturer previously listed on Prime Standard of Frankfurt Stock Exchange.

Prior to assuming the CFO roles in these listed companies, Mr. Ho was with Daiwa Capital Markets Singapore Limited and Genesis Capital Pte. Ltd., where he was responsible for the execution of corporate finance transactions. Mr. Ho has more than 10 years of experiences in working on listing exercises spanning across different industries.

Mr. Ho also has several years of experience as an external auditor with Crowe Horwath First Trust and KPMG where he performed statutory audit for companies in the manufacturing and service industries to ensure the accounts are in compliance with the Singapore Companies Act, Financial Reporting Standards of Singapore and Singapore Auditing Standards.

Mr. Ho is a member of Certified Practising Accountant Australia and has a degree in Bachelor of Business in Accountancy from RMIT University, Australia.

Mr. GOH Wee How Stephen (also known as Mr. WU Weihao) (吳偉豪) (“Mr. Goh”), aged 36, is the head of sales and business development, and is responsible for the strategic deployment of employees and overseeing our Group’s sales and business development department. Mr. Goh joined our Group as an accounts manager in August 2013 and has been promoted to the position of the head of sales and business development in March 2016. He is also a director of each of the Company’s subsidiaries: Accenovate Engineering, Keito Engineering, KT&T Engineers, KT&T Resources, and Tenshi Resources since 31 January 2018.

Mr. Goh obtained his degree of Bachelor of Science (Education) from Nanyang Technological University, Singapore in June 2007.

Ms. TEO Hong Eng (張鳳英) (“Ms. Teo”), aged 52, is the dormitory and transport manager, and is responsible for overseeing our Group’s operation of dormitory and logistic arrangement. She joined our Group as an accounts manager in October 2008 and has been promoted to the position of dormitory and transport manager in January 2015.

Ms. Teo graduated from Ngee Ann Polytechnic in Singapore obtaining a diploma in accountancy in August 1990.

Corporate Governance Report

The Company is committed to fulfilling its responsibilities to the Shareholders and protecting and enhancing Shareholders' value through good corporate governance.

The directors of the Company (the "**Directors**") recognise the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Group so as to achieve effective accountability.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted and, save for the deviation from code provisions A.1.8 and A.2.1 of the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as disclosed in this report, has complied with all applicable code provisions as set out in the CG Code during the Year and the period thereafter up to the date of this annual report (collectively, the "**Period**").

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "**Model Code**") as contained in Appendix 10 to the Listing Rules as its own code of conduct governing the securities transactions by the Directors. In response to a specific enquiry made by the Company on each of the Directors, all Directors have confirmed that they had complied with the Model Code and its code of conduct regarding directors' securities transactions during the Year.

BOARD OF DIRECTORS

Responsibilities

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's values and standards and ensures that the requisite financial and human resources support are in place for the Group to achieve its objectives. The functions performed by the Board include but are not limited to formulating the Group's business and investment plans and strategies, deciding all significant financial (including major capital expenditure) and operational issues, developing, monitoring and reviewing the Group's corporate governance practices and all other functions reserved to the Board under the Company's amended and restated articles of association (the "**Articles of Association**"). The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference. The Board may from time to time delegate certain functions to management of the Group (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 and other duties assigned to it from time to time.

The Directors have full access to information of the Group and are entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

Corporate Governance Report

Composition

The Company is committed to holding the view that the Board should include a balanced composition of executive Directors and non-executive Directors (including the INEDs) so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

As at the date of this annual report, the Board comprises the following six Directors, of which the INEDs in aggregate represent 50% of the Board members:

Executive Directors

Mr. Kuah Ann Thia (*Chairman and Chief Executive Officer*)

Ms. Dolly Hwa Ai Kim (also known as Ms. Dolly Ke Aijin)

Non-executive Director

Mr. Lu Yong (Appointed on 2 July 2018)

INEDs

Mr. Ong Shen Chieh (also known as Mr. Wang Shengjie)

Mr. Lau Kwok Fai Patrick

Mr. Lam Raymond Shiu Cheung

The biographical details of each of the Directors are set out in the section headed “Biographical Details of Directors and Senior Management” of this annual report.

Mr. Kuah is the husband of Ms. Akiko Koshiishi, who is a member of the senior management of the Company as the head of administrative department.

There was no financial, business, family or other material relationship among the Directors during the Year and up to the date of this annual report.

The INEDs have brought in a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in the Board meetings and serving on various Board committees, all INEDs will continue to make various contributions to the Company.

Throughout the Year, the Company had three INEDs, meeting the requirements of the Listing Rules that the number of INEDs must represent at least one-third of the Board members, and that at least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise.

Corporate Governance Report

The Company has received a confirmation of independence in writing from each of the INEDs pursuant to Rule 3.13 of the Listing Rules. Based on such confirmation, and not aware of any unfavorably reported incidents, the Company considers that all the INEDs are independent and have met the independence guidelines as set out in Rule 3.13 of the Listing Rules during the Year and up to the date of this annual report.

The term of appointment of each INED and the non-executive Director are for a period of two years commencing from Oct 2017 and July 2018 respectively and are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles of Association.

During the Year, the Chairman, being an executive Director and the CEO held one meeting with the INEDs without the presence of other executive Directors.

As the Company was sourcing and waiting for various quotations for Directors' liabilities insurance after the shares of the Company were listed on the Stock Exchange, insurance cover in respect of legal actions against the Directors was not in place during the period from 17 October 2017 to 11 February 2018. In addition, as there were regular and timely communications among the Directors and the senior management of the Group, the Board was of the opinion that sound and effective corporate governance within the Group would suffice in monitoring and mitigating legal and compliance risks. Proper insurance coverage in respect of legal actions against the Directors' liabilities has been arranged by the Company since 12 February 2018 and accordingly, the Company has complied with code provision A.1.8 of the CG Code.

Directors' Induction and Continuing Professional Development

Each of the Directors has received a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of the Director's responsibilities under statute and common law, the Listing Rules, other legal and regulatory requirements and the Company's business and governance policies.

The Company will from time to time provide briefings to all Directors to develop and refresh their duties and responsibilities. All Directors are encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, the continuing professional development programmes received by each of the Directors during the Year is summarised as follows:

Name of Directors	Type of trainings
Mr. Kuah	B
Ms. Hwa	B
Mr. Lu	B
Mr. Ong	B
Mr. Lau	A and B
Mr. Lam	B

A: attending seminars/conferences/forums

B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities

Corporate Governance Report

Meetings of the Board and the Shareholders and Directors' Attendance Records

The Board is scheduled to meet four times a year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. For all other Board meetings, notice will be given in a reasonable time in advance. The Directors are allowed to include any matter in the agenda that is required for discussion and resolution at the meeting. To enable the Directors to be properly briefed on issues arising at each of the Board meetings and to make informed decisions, an agenda and the accompanying Board papers will be sent to all Directors at least three days before the intended date of the Board meeting, or such other period as agreed. The Company Secretary is responsible for keeping all Board meetings' minutes. Draft and final versions of the minutes will be circulated to the Directors for comments and record respectively within a reasonable time after each meeting and the final version is open for the Directors' inspection.

During the Year, the Board held eight regular meetings and, amongst other matters, considered and approved (i) the change of compliance adviser; (ii) the audited consolidated financial statements of the Group for the year ended 31 December 2017; (iii) the change of authorised person, administrator and security officer for the Stock Exchange e-submission; (iv) the abridged unaudited consolidated financial results of the Group for the three months ended 31 March 2018; (v) the appointment of non-executive Director; (vi) the unaudited consolidated financial statements of the Group for the six months ended 30 June 2018; (vii) the execution of an indemnity to an insurance company; and (viii) the abridged unaudited consolidated financial results of the Group for the nine months ended 30 September 2018 and the change of company secretary.

The attendance record of each Director at the meetings of the Company during the Year is set out below:

Name of Directors	Attendance/ Number of Board Meetings
Mr. Kuah	8/8
Ms. Hwa	6/8
Mr. Lu (appointed on 2 July 2018)	3/3
Mr. Ong	6/8
Mr. Lau	6/8
Mr. Lam	6/8

The Board held a meeting on 28 March 2019 and, amongst other matters, considered and approved the audited consolidated financial statements of the Company for the Year (the "**Consolidated Financial Statements**"). Each of the Directors attended the above Board meetings.

During the Year, the Company held the annual general meeting of the Shareholders on 25 June 2018. All the Directors attended such meeting.

Corporate Governance Report

Board Diversity Policy

The Board adopted a policy of the Board diversity and discussed all measurable objectives set for implementing the same.

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria. 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.

CHAIRMAN AND CHIEF EXECUTIVE

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Kuah currently holds both positions. Mr. Kuah has been managing the Group's business and overall financial and strategic planning since May 2006. This arrangement also helps the Company to execute business strategies more efficiently in the ordinary business activities. All the other Directors (including the non-executive Director (the "**NED**") and INEDs) consider that the vesting of the roles of the Chairman and the CEO in Mr. Kuah is beneficial to the business operations and management of the Group and will provide a strong and consistent leadership to the Group. In addition, due to the fact that our NED and INEDs represent over half of the Board members, all the Directors (including the NED and INEDs) consider that there is a balance of power and authority such that no one individual has unfettered power of decision. The Board will review the management structure from time to time and the need to separate the roles of the Chairman and the chief executive to two individuals.

BOARD COMMITTEES

The Board established three Board committees, namely the audit committee ("**Audit Committee**"), the nomination committee ("**Nomination Committee**") and the remuneration committee ("**Remuneration Committee**") of the Company to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.

Audit Committee

The Audit Committee was established on 26 September 2017 with written terms of reference in compliance with the CG Code. The written terms of reference of the Audit Committee are published on the respective websites of the Stock Exchange and the Company. The Audit Committee comprises all the INEDs, namely Mr. Ong, Mr. Lau and Mr. Lam. Mr. Lau is the chairman of the Audit Committee.

The principal roles and functions of the Audit Committee include but are not limited to:

- making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving its remuneration and terms of engagement, and handling any questions regarding its resignation or dismissal;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and discussing with the external auditor on the nature and scope of the audit and reporting obligations before the audit commences;

Corporate Governance Report

- developing and implementing a policy on engaging external auditor to supply non-audit services and reporting to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- monitoring the integrity of the Company's financial statements and annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them;
- reviewing the Company's financial controls, and risk management and internal control systems;
- discussing the risk management and internal control systems with management to ensure that management has performed its duty to have such effective systems;
- considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- where an internal audit function exists, ensuring co-ordination between the internal and external auditors and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;
- reviewing the Group's financial and accounting policies and practices;
- reviewing the external auditor's management letter, any material queries raised by the external auditor to the management about the accounting records, financial accounts or systems of control and the management's response;
- ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- reviewing the arrangements that the employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters; and
- considering other topics as defined by the Board.

During the Year, three Audit Committee meetings were held, which all the INEDs in their respective capacities as the chairman and members attended and, amongst other matters, reviewed and approved the draft audited consolidated financial statements of the Group for FY2017, the unaudited consolidated financial statements of the Group for the six months ended 30 June 2018 and the draft internal audit report for the Year for presentation to the Board for consideration and approval.

On 28 March 2019, the Audit Committee held a meeting which all the INEDs in their respective capacities as the chairman and members attended and, amongst other matters, reviewed and approved the draft audited Consolidated Financial Statements for presentation to the Board for consideration and approval.

Corporate Governance Report

Nomination Committee

The Nomination Committee was established on 26 September 2017 with written terms of reference in compliance with the CG Code. The written terms of reference of the Nomination Committee are published on the respective websites of the Stock Exchange and the Company. The Nomination Committee comprises all the INEDs, namely Mr. Ong, Mr. Lau and Mr. Lam. Mr. Lam is the chairman of the Nomination Committee.

The principal roles and functions of the Nomination Committee include but are not limited to:

- reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- reviewing the Board diversity policy and the progress on achieving the objectives set for implementing the said policy;
- identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;
- assessing the independence of the INEDs; and
- making recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for the Directors, in particular, the Chairman and the chief executive.

During the Year, two Nomination Committee meetings were held and, amongst other matters, reviewed (i) the structure, size and composition of the Board, assessed the independence of the INEDs and recommended to the Board for consideration the re-appointment of the retiring Directors at the forthcoming annual general meeting of the Company ("**AGM**") held on 25 June 2018; and (ii) the biography of Mr. Lu prior to his appointment as NED on 2 July 2018. Each of the INEDs attended the above meetings in the capacity of the chairman or a member of the Nomination Committee.

On 28 March 2019, the Nomination Committee held a meeting and, amongst other matters, assessed the INEDs' independence and recommended to the Board for consideration the re-appointment of the retiring Directors at the forthcoming AGM. The chairman and all members of the Nomination Committee attended such meeting.

Remuneration Committee

The Remuneration Committee was established on 26 September 2017 with written terms of reference in compliance with the CG Code. The written terms of reference of the Remuneration Committee are published on the respective websites of the Stock Exchange and the Company. The Remuneration Committee comprises all the INEDs, namely Mr. Ong, Mr. Lau and Mr. Lam. Mr. Ong is the chairman of the Remuneration Committee.

Corporate Governance Report

The principal roles and functions of the Remuneration Committee include but are not limited to:

- making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing the remuneration policy;
- reviewing and approving the Management's remuneration proposals with reference to the Board's corporate goals and objectives;
- making recommendations to the Board on the remuneration packages of individual executive Directors and senior management (the "**Senior Management**") including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- making recommendations to the Board on the remuneration of the non-executive Directors;
- considering the salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- reviewing and approving the compensation payable to the executive Directors and the Senior Management for any loss or termination of office or appointment to ensure that it is consistent with the contractual terms and is otherwise fair and not excessive;
- reviewing and approving the compensation arrangements relating to the dismissal or removal of the Directors for misconduct to ensure that they are consistent with the contractual terms and are otherwise reasonable and appropriate; and
- ensuring that no Director or any of his/her associates (as defined in the Listing Rules) is involved in deciding his/her own remuneration.

During the Year, two Remuneration Committee meetings were held and the Remuneration Committee, amongst other matters, reviewed and recommended to the Board for consideration (i) certain remuneration-related matters of the Directors and the Senior Management; and (ii) the terms of the appointment of Mr. Lu (including but not limited to monetary remuneration and other non-monetary benefits). Each of the INEDs attended the above meetings in the capacity of the chairman or a member of the Remuneration Committee.

On 28 March 2019, the Remuneration Committee held a meeting and, amongst other matters, reviewed and recommended to the Board for consideration certain remuneration-related matters of the Directors and the Senior Management. The chairman and all members of the Remuneration Committee attended such meeting.

Corporate Governance Report

Corporate Governance Functions

The Board is responsible for performing the corporate governance functions, which include:

- developing and reviewing the Company's policies and practices on corporate governance;
- reviewing and monitoring the training and continuous professional development of the Directors and the Senior Management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
- reviewing the Company's compliance with the CG Code and disclosure in this report.

During the Year, the Board reviewed the compliance with the CG Code and the disclosure in the annual report of the Company and monitored the training and continuous professional development of the Directors and the Senior Management.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company has adopted the nomination policy ("**Nomination Policy**") setting out the principles which guide the Nomination Committee to identify and evaluate a candidate for nomination to the Board for appointment or Shareholders for election as a Director.

The Nomination Committee shall consider a number of factors in making nominations, including but not limited to the following:

- Skills, experience and professional expertise: The candidate should possess the skills, knowledge, experience and professional expertise which are relevant to the operations of the Group;
- Diversity: Candidates should be considered on merit and against objective criteria, with due regard to the diversity perspectives set out in the board diversity policy of the Company;
- Commitment: The candidate should be able to devote sufficient time to attend the board meetings and participate in induction, training and other board associated activities. In particular, if the proposed candidate will be nominated as an INED and will be holding his/her seventh (or more) listed company directorship, the Nomination Committee should consider the reason given by the candidate for being able to devote sufficient time to the Board and committee meetings;
- Standing: The candidate must satisfy the Board and the Stock Exchange that he/she has the character, experience and integrity, and is able to demonstrate a standard of competence commensurate with the relevant position as a Director; and

Corporate Governance Report

- Independence: The candidate to be nominated as an INED must satisfy the independence criteria set out in Rule 3.13 of the Listing Rules. Where applicable, the totality of the candidate's education, qualifications and experience shall also be evaluated to consider whether he or she has the appropriate professional qualifications or accounting or related financial management expertise for filling the office of an INED.

If the Nomination Committee determines that an additional or replacement Director is required, the Nomination Committee may take such measures that it considers appropriate in connection with its identification and evaluation of a candidate. The Nomination Committee may propose to the Board a candidate recommended or offered for nomination by a shareholder of the Company as a nominee for election to the Board and the appointment or re-appointment of Directors and succession planning for Directors is subject to the approval of the Board. On making recommendation, the Nomination Committee may submit the candidate's personal profile and a proposal to the Board for consideration. In order for the proposal to be valid, it must clearly indicate the nominating intention and the candidate's consent to be nominated and the personal profile must be incorporated and/or accompanied by the full particulars of the candidate that are required to be disclosed under the Listing Rules, including the information and/or confirmation required under Rule 13.51(2) of the Listing Rules. If the candidate is proposed to be appointed as an INED, his or her independence shall be assessed in accordance with the factors set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time.

Each proposed new appointment, election or re-election of a Director shall be assessed and/or considered against the criteria and qualifications set out in the Nomination Policy by the Nomination Committee which shall recommend its views to the Board and/or the Shareholders for consideration and determination.

The Nomination Committee will monitor the implementation of the Nomination Policy. The Nomination Committee will from time to time review the Nomination Policy, as appropriate, to ensure the effectiveness of the policy.

Each of the executive Directors entered into a service agreement for his/her appointment with the Company on 26 September 2017 for an initial term of one year commencing from October 2017 and has entered into new service agreement for his/her appointment with the Company which have been further extended for a period of three years commencing 17 October 2018. Each of the executive Directors is subject to retirement by rotation and re-election at the AGM in accordance with Articles of Association.

Each of the INEDs entered into a service agreement for his appointment with the Company for a term of two years commencing from October 2017, and is subject to retirement by rotation and re-election at the AGM in accordance with Articles of Association.

The NED entered into service agreement for his appointment with the Company for a term of two years commencing from July 2018 and is subject to retirement by rotation and re-election at the AGM in accordance with the Articles of Association.

Corporate Governance Report

According to Article 108(a) of the Articles of Association, at each AGM, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. According to Article 108(b) of the Articles of Association, the Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself/herself for re-election. Any Director who has not been subject to retirement by rotation in the three years preceding the AGM shall retire by rotation at such AGM. Any further Directors so to retire shall be those who have been the longest in office since their last re-election or appointment and so that as between the persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

According to Article 111 of the Articles of Association, the Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. Any Director so appointed shall be subject to retirement by rotation.

According to Article 112 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director, but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in a general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election. Any Director appointed under the Articles of Association shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an AGM.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration for the Year are set out in Note 13 to the Consolidated Financial Statements.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the Senior Management (other than the Directors) whose particulars are contained in the section headed "Biographical Details of Directors and Senior Management" in this annual report for the Year by band is set out below:

Remuneration band (in HK\$)	Number of individuals
Nil to 500,000	–
500,001 to 1,000,000	1
1,000,001 to 1,500,000	1
1,500,001 to 2,000,000	1
2,000,001 to 2,500,000	–
2,500,001 to 3,000,000	1

Corporate Governance Report

AUDITOR AND THEIR REMUNERATION

The auditor's reporting responsibilities for the audit of the Group's consolidated financial statements for the year ended 31 December 2018 are set out in the section "Independent Auditor's Report" of this annual report. Deloitte & Touche LLP ("**Deloitte**") provided the audit and non-audit services. The remuneration paid/payable to Deloitte in respect of the Year is set out below:

Services	Fee paid/ payable (in S\$)
Audit services – Annual audit	404,000
Non-audit services – Tax Compliance Services	30,000
Total	<u>434,000</u>

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the Consolidated Financial Statements that give a true and fair view of the financial position and the state of affairs of the Group for the Year in accordance with IFRS issued by 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.

The Directors 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.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company has in place policies and procedures in relation to risk management and internal control. The Board is responsible for evaluating and determining the nature and extent of the risks that the Company is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems. The Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

Recently, the Board, through the Audit Committee, has conducted a review of the effectiveness of the risk management and internal control systems of the Group covering all material controls, including financial, operational and compliance controls functions. The Board considers that the Group's risk management and internal control systems are adequate and effective.

As part of the annual statutory audit, the Company's external auditor obtained an understanding of internal controls relevant to the audit and designed audit procedures over the relevant controls, as appropriate. Any deficiencies in internal controls and recommendations for improvements are reported to the Audit Committee. The Audit Committee also reviews the effectiveness of the actions taken on the recommendations made by the external auditor in this respect, if any.

Corporate Governance Report

The Company has an internal audit function performed by an engaged external professional firm which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems, and reports their findings to the Board on, at least, an annual basis.

Based on the internal and external auditors' recommendations, the actions taken by the Management, the on-going review and continuing efforts in enhancing internal controls and processes, the Board, with the concurrence of the Audit Committee, is of the opinion that the system of internal controls and risk management that had been maintained by the Management throughout the Year was adequate and effectively met the needs of the Group in its current business environment, and addressed the financial, operational, compliance and information technology risks.

The Board expects that a review of the risk management and internal control systems will be performed annually.

DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong and the Listing Rules and the overriding principle that inside information should be announced as soon as reasonably practicable when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;
- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and the Company's website;
- the Group has strictly prohibited unauthorised use of confidential or inside information; and
- the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the executive Directors and the chief financial officer of the Company (the "**Chief Financial Officer**") are authorised to communicate with parties outside the Group.

COMPANY SECRETARY

The Company has appointed Mr. Kwok Siu Man ("**Mr. Kwok**") as the Company Secretary with effect from 26 September 2017.

Mr. Kwok had been nominated by Boardroom Corporate Services (HK) Limited ("**Boardroom**") to act as the Company Secretary and Boardroom provided certain corporate secretarial services to the Company until the Resignation Date pursuant to an engagement letter entered into between the Company and Boardroom. The primary person at the Company with whom Mr. Kwok contacted in respect of company secretarial matters was Mr. Kelvin Ho Kim Leng, the Chief Financial Officer.

Corporate Governance Report

Mr. Kwok delivered and attended over 15 hours' relevant continuous professional development training during the Year pursuant to Rule 3.29 of the Listing Rules.

Mr. Kwok resigned as the Company Secretary with effect from 2 March 2019 (the "**Resignation Date**") and Mr. Chan Yip Wang ("**Mr. Chan**") has been appointed as Company Secretary with effect from the same date.

The Company engaged Mr. Chan as its company secretary, who has been working with BPO Global Services Limited to provide corporate secretarial services to the Company. Mr. Chan possesses the necessary qualification and experience, and is capable of performing the functions of the company secretary,

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene an Extraordinary General Meeting (the "EGM")

Any one or more Shareholders holding at the date of deposit of the requisition not less than 10% of the paid-up capital of the Company having the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall have the right, by written requisition to the Board or the Company Secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned (the "**Requisitionist(s)**") at the principal place of business of the Company in Hong Kong (presently Room 1603, 16/F., China Building, 29 Queen's Road Central, Central, Hong Kong) for the attention of the Board or the Company Secretary.

The Requisition must state clearly the name(s) and the contact details of the Requisitionist(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM and the proposed agenda.

The Company will check the Requisition and the identity and shareholding of the Requisitionist(s) will be verified with the Company's branch share registrar in Hong Kong. If the Requisition is found to be proper and in order, the Board will proceed to convene an EGM and/or include the proposal(s) made or the resolution(s) proposed by the Requisitionist(s) at the EGM within two months after the deposit of the Requisition. If within 21 days of the deposit of the Requisition the Board fails to proceed to convene such EGM, the Requisitionist(s) himself/herself/themselves may do so in the same manner.

For including a resolution to propose a person for election as a Director at general meetings, the Shareholders are requested to follow the Articles of Association. A notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Company's principal place of business in Hong Kong or at the Hong Kong branch share registrar and transfer office of the Company. The period for lodgement of the notices required under the Articles of Association will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for the Shareholders to propose a person for election as a Director are posted on the Company's website.

Corporate Governance Report

Procedures for Shareholders to Send Enquiries to the Board

Shareholders may direct their enquiries about their shareholdings or their notification of change of correspondence address or their dividend/distribution instructions to the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong.

Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available. Shareholders may send their enquiries and concerns to the Board by post to the headquarters and principal place of business of the Company in Singapore at 750 Chai Chee Road, #03-10/14 Viva Business Park, Singapore 469000 or by email to enquiries@kttgroup.com.sg, for the attention of the Company Secretary.

COMMUNICATION WITH THE SHAREHOLDERS

The shareholders communication policy aims to set out the provisions with the objective of ensuring that the Shareholders, both individual and institutional, and, in appropriate circumstances, the investment community (including the Company's potential investors as well as analysts reporting and analyzing the Company's performance) at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company.

Information shall be communicated to Shareholders and the investment community mainly through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and its corporate communications and other corporate publications on the Company website. Effective and timely dissemination of information to Shareholders and the investment community shall be ensured at all times.

CONSTITUTIONAL DOCUMENTS

There was no change in the constitutional documents of the Company during the Year.

The amended and restated memorandum and articles of association of the Company are available on the respective websites of the Stock Exchange and the Company.

Report of the Directors

The Directors are pleased to present this Directors' report (the "**Directors' Report**") to the Shareholders together with the audited Consolidated Financial Statements.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the provision of manpower outsourcing and ancillary services to building and construction contractors in Singapore. We also provide dormitory services, IT services and construction ancillary services (which comprise warehousing services, cleaning services and building maintenance works) in Singapore. An analysis of the Group's segment information for FY2018 by business is set out in Note 6 to the Consolidated Financial Statements.

USE OF NET PROCEEDS FROM THE LISTING

The net proceeds from the Listing amounted to approximately S\$14.1 million (the "**Net Proceeds**").

At the appropriate timing, under the right price and terms, the Company intends to use the Net Proceeds to partly finance the acquisition of an additional foreign worker dormitory and to finance the acquisition of 10 additional lorries in the coming years in accordance with the intended use of the Net Proceeds set out in the Prospectus.

During the Year, we have purchased 3 additional lorries under finance leases and towards the end of the Year, the Group rented a dormitory which has a right of first offer to purchase should the property be put up for sale during the 3-year lease period.

RESULTS AND APPROPRIATIONS

The results of the Group for FY2018 are set out in the consolidated statement of profit or loss and other comprehensive income of the Group on page 63 of this annual report.

The Board has resolved not to recommend the payment of any dividend for FY2018 (FY2017: nil).

BUSINESS REVIEW

A review of the Group's business during FY2018 and prospects of the Group's business are set out in the sections headed "Chairman's Statement" on page 3 and "Management Discussion and Analysis" on pages 4 to 11 of this annual report, which constitute part of this Directors' Report.

SHARE CAPITAL

Details of the movements in the Company's share capital during FY2018 are set out in Note 27 to the Consolidated Financial Statements in this annual report.

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

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

Report of the Directors

FINANCIAL STATEMENTS

The results of the Group for FY2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 63 of this annual report. The financial position of the Group as at 31 December 2018 is set out in the consolidated statement of financial position of the Group on pages 64 to 65 of this annual report. The financial position of the Company as at 31 December 2018 is set out in Note 38 to the Consolidated Financial Statements on page 139 of this annual report. The cash flows of the Group for the year ended 31 December 2018 are set out in the consolidated statement of cash flows on pages 67 to 68 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during FY2018 are set out in Note 16 to the Consolidated Financial Statements in this annual report.

INVESTMENT PROPERTY

Details of movements in the investment property of the Group during FY2018 are set out in Note 17 to the Consolidated Financial Statements in this annual report.

The fair value as at 31 December 2018 has been arrived at by the management and based on a valuation carried out by RAVIA Global Appraisal Advisory Limited whose method of valuation has been disclosed in Note 17 to the Consolidated Financial Statements in this annual report. The cumulative revaluation surplus of the investment property of approximately S\$3.9 million had not been included in the Group's Consolidated Financial Statements. The Group's accounting policy is to state such investment property at cost less accumulated depreciation and any impairment loss rather than at fair value. Had all the property interests been stated at such valuations, the additional annual depreciation would be approximately S\$1.3 million.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 December 2018 represents the aggregate of share premium less accumulated losses. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to the Shareholders subject to the provisions of the Articles of Association and provided that immediately following the distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. As at 31 December 2018, the reserves available for distribution to the Shareholders is approximately S\$10.7 million which represents the aggregate of share premium of approximately S\$15 million net of accumulated deficit of approximately S\$4.3 million.

DONATIONS

During the Year, the Group has made donations for charitable or other purposes amounted to a total of S\$144,300 (FY2017: S\$210,180).

Report of the Directors

EQUITY LINKED AGREEMENTS

No equity linked agreements were entered into by the Company during FY2018 or subsisted at end of FY2018.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to promoting sustainable development, which is extremely important to create long term value for the Group's Shareholders, clients, employees, other stakeholders, as well as general public. The Company cares about the impact of its daily operation on environment and society. While conducting its business operation, it makes effort to meet the interests of all stakeholders, economy, environment, society and corporate governance and does its best to achieve a fine balance.

As the biggest contributor to the Group's carbon footprint is the indirect greenhouse gas emission from electricity consumption and fresh water is a precious resource in Singapore, the Group has established environmental management system that comprises measures and work procedures that are required to be followed by our employees, including but not limited to, internal policies on water and energy conservation.

In FY2018, there was no conviction of non-compliance with environmental laws and regulations. We will continue to ensure implementation of our policy on environmental management as mentioned above to avoid violation of applicable laws or regulations in respect of the environment.

Details of environmental, social and governance practices adopted by the Group is set out in the environmental, social and governance report on pages 43 to 55 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements. The Group has been allocating system and staff resources to ensure ongoing compliance with the rules and regulations.

The Group's operations are mainly carried out by the Company's subsidiaries in Singapore while the Company itself was incorporated in the Cayman Islands and its issued shares are listed on the Main Board of the Stock Exchange. Our establishment and operations accordingly shall comply with the relevant laws and regulations in Hong Kong, the Cayman Islands and Singapore.

During the Year, the Group has complied, to the best of our knowledge, with, in respect of employment of foreign workers, Employment Act (Chapter 91), Employment of Foreign Manpower Act (Chapter 91A), Immigration Act (Chapter 133); in respect of employees' benefits, Children Development Co-Savings Act (Chapter 38A) and Central Provident Fund Act (Cap. 36); in respect of workmen's compensation, Work Injury Compensation Act (Chapter 354); in respect of dormitory services, Building Control Act (Chapter 29), Control of Vectors and Pesticides Act (Chapter 59), Environmental Public Health Act (Chapter 95), the Fire Safety Act (Chapter 109A), the Planning Act (Chapter 232) and Foreign Employee Dormitories Act 2015 (No. 3 of 2015); and in respect of environment protection, Environmental Public Health Act (Chapter 95) and other relevant laws and regulation on environmental protection.

Report of the Directors

The Group also complies with the requirements under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Listing Rules and the Securities and Futures Ordinance for the disclosure of information and corporate governance. The Group also complies with the requirements of Employment Ordinance and ordinances relating to occupational safety for the interest of employees of the Group in Hong Kong. No important event affecting the Group has occurred since the end of the Year.

During the Year, the Board was unaware of any non-compliance with relevant laws and regulations that have a significant impact on the business and operations of the Group.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

As at 31 December 2018, the Group had over 158 local staff and 1,562 foreign workers. The employees are remunerated according to their job scope and responsibilities, individual performance appraisals and the Group's performance. Other benefits available to eligible employees include provident fund, medical insurance scheme and long service awards.

The Group maintains a good relationship with its customers. We have a team of site coordinators in place to receive, analyse and study complaints and make recommendations on remedies with the aim of improving service quality.

The Group is in good relationship with its suppliers and conducts a fair and strict appraisal of its suppliers.

DIRECTORS

The Directors during the Year and up to the date of this annual report are:

Executive Directors

Mr. Kuah Ann Thia (*Chairman and CEO*)

Ms. Dolly Hwa Ai Kim (also known as Ms. Dolly Ke Aijin)

Non-executive Director

Mr. Lu Yong (appointed on 2 July 2018)

Independent Non-executive Directors

Mr. Ong Shen Chieh (also known as Mr. Wang Shengjie)

Mr. Lau Kwok Fai Patrick

Mr. Lam Raymond Shiu Cheung

Report of the Directors

Article 112 of the Articles of Association provides that any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Any such Director appointed shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting of the Company. Accordingly, Mr. Lu Yong who was appointed as Director by the Board on 2 July 2018, will retire at the annual general meeting to be held in 2019 ("**2019 AGM**") and, being eligible, will offer himself for re-election at the 2019 AGM.

Article 108(a) of the Articles of Association provides that at each AGM, one third of the Directors for the time being, or, if their number is not three or a multiple of three, then 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 by rotation at least once every three years. A retiring Director shall be eligible for re-election. According to article 108(b) of the Articles of Association, the Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself/herself for re-election. Any Director who has not been subject to retirement by rotation in the three years preceding the AGM shall retire by rotation at such AGM. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. Accordingly, Ms. Dolly Hwa Ai Kim and Mr. Ong Shen Chieh shall retire by rotation at the 2019 AGM and being eligible, will offer themselves for re-election at the 2019 AGM.

The Nomination Committee had assessed and reviewed each of the INEDs written confirmation of independence based on the independence criteria as set out in Rule 3.13 of the Listing Rules and confirmed that all of them, namely Mr. Ong Shen Chieh, Mr. Lau Kwok Fai Patrick and Mr. Lam Raymond Shiu Cheung remain independent.

The biographical details of the Directors and senior management of the Group are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 12 to 15 of this annual report.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the INEDs, a confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all INEDs are independent.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

Each of the INEDs has entered into an agreement for appointment/a service agreement with the Company on 26 September 2017 for a term of two years commencing on 17 October 2017.

The non-executive Director entered into a service agreement for his appointment with the Company for a term of two years commencing from July 2018.

Save as disclosed aforesaid, none of the Directors has entered into a service agreement or agreement for appointment with the Company or any of its subsidiaries other than the agreement expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

All Directors are subject to retirement by rotation at least once every three years in accordance with the Articles of Association.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 31 December 2018, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and 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 (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long position in the shares of HK\$0.01 each of the Company ("Shares")

Name of Director/ chief executive	Capacity/Nature of interest	Number of Shares/ interested	Approximate percentage of the Company's issued Shares
Mr. Kuah Ann Thia	Interest of a controlled corporation (Note)	632,500,000	51.42%

Note:

The entire issued share capital of Mighty One Investments Limited ("Mighty One") is beneficially owned by Mr. Kuah Ann Thia, the Chairman, an executive Director and CEO. Therefore, Mr. Kuah Ann Thia is deemed to be interested in 632,500,000 Shares held by Mighty One by virtue of the SFO. Mr. Kuah Ann Thia is the sole director of Mighty One.

Report of the Directors

Long position in the ordinary share of an associated corporation

Name of Director/ chief executive	Name of associated corporation	Capacity/Nature of interest	Number of share held	Percentage of interest
Mr. Kuah Ann Thia (Note (2))	Mighty One (Note (1))	Beneficial owner	1	100%

Notes:

- (1) Mighty One is the direct shareholder of the Company and is an associated corporation of the Company within the meaning of Part XV of the SFO.
- (2) Mr. Kuah Ann Thia is the sole director of Mighty One.

Save as disclosed above, as at 31 December 2018, none of the Directors nor the chief executive of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The Company has not adopted any share option scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and Its Associated Corporation" above:

- (a) at no time during FY2018 was the Company, any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors or their respective associates (as defined in the Listing Rules) to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate; and
- (b) none of the Directors, or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during FY2018.

Report of the Directors

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

As at 31 December 2018, so far as is known to the Directors, the following persons and entity, other than the Directors and the chief executive of the Company, had interests or short positions in the shares or underlying shares as recorded in the register of the Company required to be kept under Section 336 of the SFO:

Long position in the Shares

Name of Shareholder(s)	Capacity/Nature of interest	Number of Shares interested or held	Approximate percentage of the Company's issued Shares
Mighty One	Beneficial owner	632,500,000	51.42%
Ms. Akiko Koshiishi	Interest of spouse (Note)	632,500,000	51.42%

Note:

The entire issued share capital of Mighty One is beneficially owned by Mr. Kuah Ann Thia. Ms. Akiko Koshiishi is the wife of Mr. Kuah Ann Thia and is therefore deemed to be interested in all the Shares held by Mr. Kuah Ann Thia through his controlled corporation by virtue of the SFO.

Save as disclosed above, as at 31 December 2018, so far as is known by or otherwise notified to the Directors, no other persons or entity (other than the Directors or the chief executive of the Company) had interests and short positions in the shares and underlying shares as required to be recorded in the register to be kept by the Company under Section 336 of the SFO.

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

Details of the Directors' remuneration and the five individuals with highest emoluments are set out in Note 13 to the Consolidated Financial Statements in this annual report. The five highest paid individuals of the Group included two executive Directors and the remaining individuals fell within the following band:

Remuneration band	Number of individuals
Nil to HK\$500,000	–
HK\$500,001 to HK\$1,000,000	–
HK\$1,000,001 to HK\$1,500,000	–
HK\$1,500,001 to HK\$2,500,000	2
HK\$2,500,001 to HK\$3,000,000	1

Report of the Directors

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

During the Year, none of the Directors or the controlling shareholders of the Company nor their respective associates (as defined in the Listing Rules) had any interest in a business that competes or may compete, either directly or indirectly with the business of the Group.

Mr. Kuah Ann Thia, being the Chairman, an executive Director, and the CEO and Mighty One, the controlling shareholders of the Company, had declared that they did not engage in business competes or may compete with the business of the Group during the Year and complied with the enforcement of the undertakings given under the deed of non competition dated 26 September 2017 (the “**Deed of Non-Competition**”) as disclosed in the Prospectus. The INEDs, based on the information available to them, have reviewed the compliance with the Deed of Non-Competition and all the decisions taken (if any) in relation to whether to pursue new opportunity under the Deed of Non-Competition. The INEDs did not notice any incident of non-compliance with the Deed of Non-Competition.

INTEREST OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser Grande Capital Limited (“**Grande**”) (the “**Compliance Adviser**”) as at 31 December 2018, except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 1 February 2018, the Compliance Adviser nor its directors, employees or close associates had any interests in relation to the Company, which is required to be notified to the Company pursuant to the Listing Rules.

CHANGE OF COMPLIANCE ADVISER

Dakin has resigned as the Compliance Adviser with effect from 1 February 2018 due to the change in personnel of Dakin. Grande Capital Limited has been appointed as the new Compliance Adviser pursuant to Rule 3A.27 of the Listing Rules with effect from 1 February 2018. For further details, please refer to the announcement of the Company dated 31 January 2018.

CHANGE OF COMPANY SECRETARY

Mr. Kwok Siu Man has resigned as the company secretary with effect from 2 March 2019. Mr. Chan Yip Wang has been appointed as the new company secretary with effect from 2 March 2019. For further details, please refer to the announcement of the Company dated 1 March 2019.

FOUR YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years, as extracted from the audited Consolidated Financial Statements in this annual report and the Prospectus, is set out on page 141 of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group are set out in the section headed “Management Discussion and Analysis” of this annual report.

Report of the Directors

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

There was no transaction, arrangement or contract of significance to which the Company, or any of its subsidiaries, its holding companies or its fellow subsidiaries was a party and in which a Director nor a connected entity of a Director had a material interest, either directly or indirectly, subsisted at the end of FY2018 or at any time during FY2018.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

There was no contract of significance (whether for the provision of services to the Group or not) in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of FY2018 or at any time during FY2018.

PERMITTED INDEMNITY

The Articles of Association provide that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities (to the fullest extent permitted by the Companies Ordinance) which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto.

Since 12 February 2018, the Group has taken out and maintained directors' liability insurance throughout FY2018, which provides appropriate cover for legal actions brought against the Directors and directors of the subsidiaries of the Company. The level of the coverage is reviewed annually.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of revenue from rendering of services attributable to the Group's five largest customers combined was less than 30% of the total revenue of the Group for FY2018 and FY2017.

The top five suppliers of the Group accounted for approximately 59.3% (FY2017: 73.6%) of the Group's total purchases and the largest supplier of the Group accounted for 22.2% (FY2017: 27.3%) of the Group's total purchases for FY2018.

None of the Directors, their close associates, or any Shareholder, which to the knowledge of the Directors own more than 5% of the issued shares, has any interest in the Group's five largest customers and suppliers.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the businesses of the Group was entered into or existed during FY2018.

CONNECTED TRANSACTIONS

The Group has not entered into any related party transaction, connected transaction or continuing connected transaction for FY2018 which should be disclosed pursuant to the requirements of Chapter 14A of the Listing Rules. Details of related party transactions undertaken in the usual course of business are set out in the notes to the Consolidated Financial Statements. None of these related party transactions constitute a discloseable connected transaction as defined under the Listing Rules.

BANK BORROWINGS

As at 31 December 2018, the Group was in net cash position with no bank borrowings.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or under the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained a sufficient amount of public float for its issued shares as required under the Listing Rules throughout the Period.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Following a specific enquiry made by the Company on each of the Directors, all Directors have confirmed that they had complied with the required standards as set out in the Model Code and its own code of conduct throughout the Year. The Model Code also applies to other specified senior management of the Group.

EMOLUMENT POLICY OF THE GROUP

The emolument policy of the senior employees of the Group was tabled and recommended by the Remuneration Committee to the Board on the basis of the employees' merit, qualifications and competence.

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

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" on pages 16 to 30 of this annual report.

DIVIDEND POLICY

The Company has adopted a dividend policy ("**Dividend Policy**") in recommending dividends, to allow the Shareholders to participate in the Company's profits and for the Company to retain adequate reserves for future growth. The Company considers stable and sustainable returns to the Shareholders to be its goal.

Subject to the approval of the Shareholders and the requirements of the relevant law, the Company shall pay annual dividends to the Shareholders if the Group is profitable, the environment in which the Group operates is stable and there is no significant investment or commitment made by the Group. The remaining net profits will be used for the Group's development and operations. The Board may from time to time pay to the Shareholders such interim dividends if they appear to be justifiable to the Directors in view of the profits of the Group. The Dividend Policy allows the Company to declare special dividends from time to time in addition to interim and/or final dividends.

In proposing any dividend payout, the Board shall also take into account, inter alia, the Group's actual and expected financial performance; the Group's expected working capital requirements and future expansion plans; the Group's debt to equity ratios and the debt level; any restrictions on payment of dividends that may be imposed by the Group's lenders; general economic conditions, business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; dividends received from the Company's subsidiaries and associates; the Shareholders' and investors' expectations and industry's norm; and any other conditions or factors that the Board deems relevant.

Report of the Directors

The Dividend Policy and the declaration and/or payment of future dividends under the Dividend Policy are subject to the Board's continuing determination that the Dividend Policy and the declaration and/or payment of dividends would be in the best interests of the Group and Shareholders. The Board endeavours to maintain a balance between meeting Shareholders' expectations and prudent capital management with a sustainable Dividend Policy.

Details of the approval and payment procedures have been set out in Articles 154-170 of the Articles of Association. The form, frequency and amount of dividend payment by the Company are subject to any restrictions under the laws of the Cayman Islands and the Articles of Association of the Company.

The Board reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or in no way oblige the Company to declare a dividend at any time or from time to time.

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in or exercising of any rights in relation to the shares, they are advised to consult their professional advisers.

INDEPENDENT AUDITOR

The Consolidated Financial Statements have been audited by Deloitte, who will retire at the conclusion of the forthcoming 2019 AGM.

EVENTS AFTER THE YEAR

Save as disclosed in the above paragraph headed "Change of Company Secretary", the Directors confirm that no major event that affects the Group after 31 December 2018 and up to the date of this annual report.

On behalf of the Board

Kuah Ann Thia

Chairman, Executive Director and Chief Executive Officer

Singapore, 28 March 2019

Environmental, Social and Governance Report

The Group is pleased to present our Environmental, Social and Governance (“**ESG**”) Report. This ESG Report summarises our ESG performance and challenges during the Year and demonstrates our ongoing commitment to improve our ESG performance as we progress on our sustainability journey.

The Group is committed to promoting sustainable development, which is extremely important to create long-term value for the Group’s Shareholders, clients, employees, other stakeholders, as well as the general public. The Group cares about the impact of its daily operations on environment and society. While conducting its business operations, it makes effort to meet the interests of all stakeholders, economy, environment, society and corporate governance and does its best to achieve a fine balance.

This ESG Report is compiled in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Listing Rules. The data and other information contained in this ESG Report was sourced from the Group’s internal documents and was collated from multiple business units across the Group.

ENVIRONMENTAL

Aspect A1: Emissions

As the principal business of the Group is providing manpower supply, there is minimal direct impact to the environment and we do not generate hazardous waste. Our business operation is subject to certain environmental requirements pursuant to the laws in Singapore, including primarily those in relation to water pollution of our self-operated dormitories and the cleanliness of our workplace under the Environmental Public Health Act.

The biggest contributor to the Group’s carbon footprint is the indirect greenhouse gas (“**GHG**”) emission from electricity consumption, which is mainly attributed to the use of lighting system, air-conditioning and office equipment.

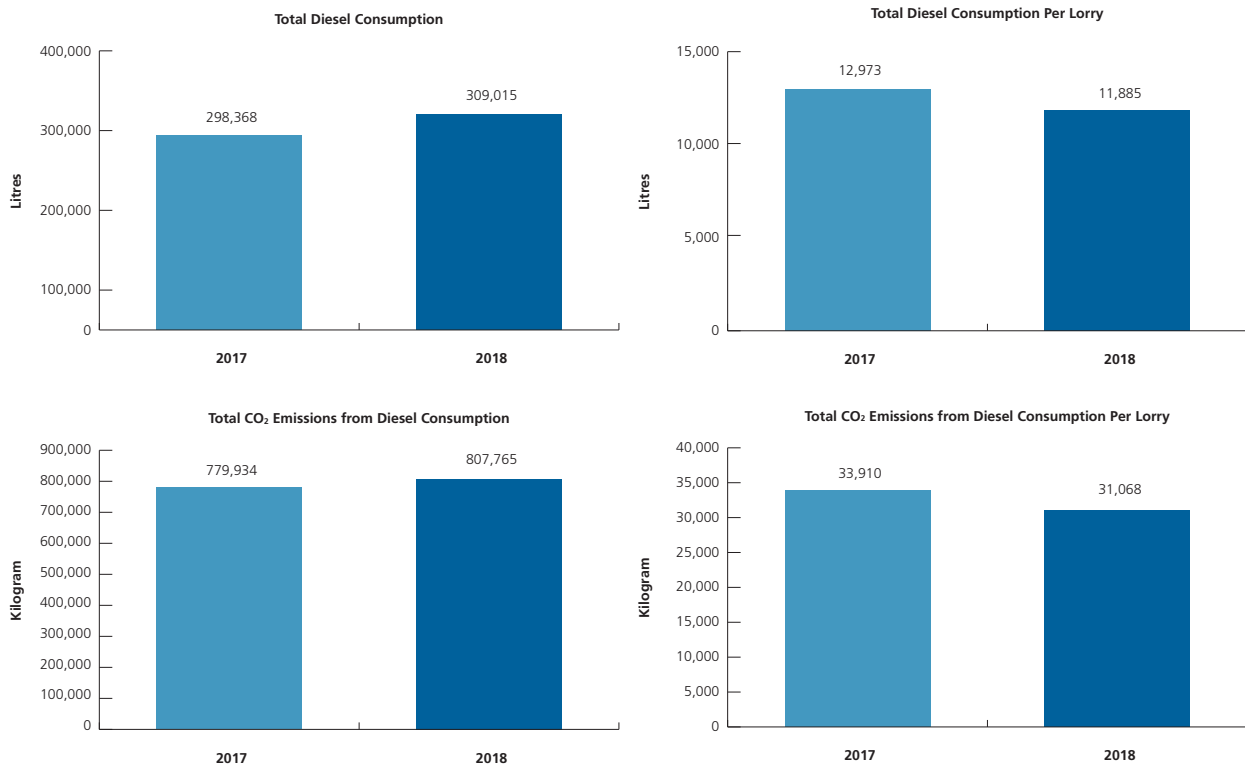
Recognising the impact of carbon and other GHG emissions on the global climate and the environment, the Group encourages the employees to turn off the lights, air-conditioners and electrical equipments when not in use and use energy-saving light bulbs such as light-emitting diode (“**LED**”) instead.

As our customers’ construction sites have grown, to cope with the increasing routes, the Group had purchased 3 new lorries between June and August in 2018 for our transport team to send our workers to the construction sites. The main source of air pollution from the Group’s business operation is vehicle exhaust gas during transportation.

Our lorries undergo regular maintenance and we instruct our drivers to switch off idling engines. To further reduce indirect greenhouse gas emission, we have handed out EZ link cards to our foreign workers and encourage them to take public transportation. The number of EZ link cards issued to them have increased from 145 in 2017 to 270 in 2018.

Environmental, Social and Governance Report

Our efforts have led to an overall reduction in diesel consumption and Carbon Dioxide (“CO₂”) per lorry from 12,973 litres of diesel and 33,910 kilograms of CO₂ per lorry in 2017 to 11,885 litres of diesel and 31,068 kilograms of CO₂ per lorry in 2018. However, our total diesel consumption and CO₂ emissions have increased due to an increase the transportation routes and number of lorries from 23 to 26.



We do not generate hazardous waste and our non-hazardous waste at our dormitories are properly disposed.

During the Year, the Group was not aware of any material non-compliance with environmental laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous that would have a significant impact on the Group.

Aspect A2: Use of Resources

Water conservation

In Singapore, fresh water is a precious resource and so we should try to protect water resource. As such, we have established an environmental management system that comprises measures and work procedures that are required to be followed by our employees, including but not limited to, internal policies on water and energy conservation.

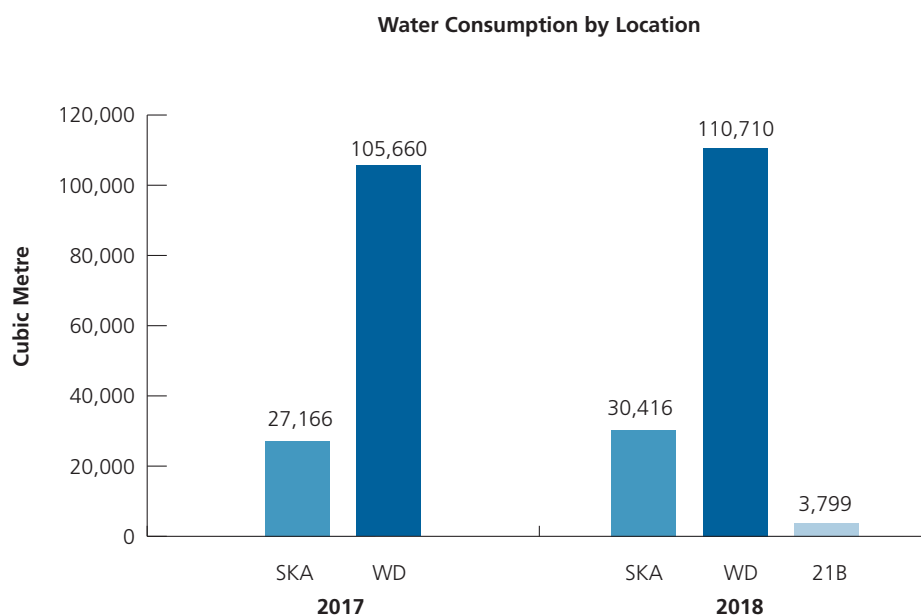
To ensure our workers are committed to reduce water usage, we have placed reminders near our water taps to remind our foreign workers to turn the faucet to the off position while not in use. We have also installed water efficient fittings such as press tap and dual flush water cistern at our dormitories.

Environmental, Social and Governance Report

The Group does not primarily engage in businesses which produce a large amount of industrial wastewater. Our wastewater mainly comes from the discharge of domestic wastewater from our dormitories.

We check our water consumption regularly and repair dripping faucets or hoses in a timely manner. There is no issue in sourcing water for dormitory purpose as Singapore has built a robust, diversified and sustainable water supply from four water sources known as the Four National Taps – (i) water from local catchment; (ii) imported water; (iii) high-grade reclaimed water known as NEWater; and (iv) desalinated water. In integrating the water system and maximising the efficiency of each of the Four National Taps, Singapore has overcome its lack of natural water resources to meet the needs of a growing nation (source: <https://www.pub.gov.sg/watersupply/fournationaltaps>).

Our water consumption at our dormitories ("**SKA**" – Sungei Kadut, "**WD**" – Woodlands and "**21B**" – 21B Senoko Loop) for the Year are as follows:



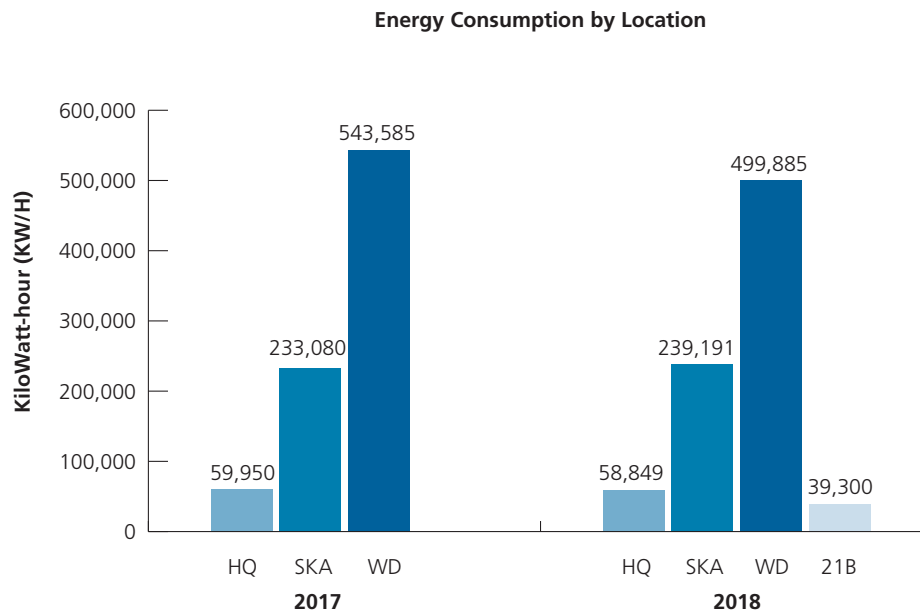
Our dormitory operating subsidiary, Nichefield Pte. Ltd. received an award from the Water Supply (Network) Department of Singapore's National Water Agency for running the Woodlands Dormitory as a water efficient (basic) building in November 2016.

From 2017 to 2018, our water consumption have increased from 27,166 cubic metres to 30,416 cubic metres at SKA and 105,660 to 110,710 cubic metres at WD. We have also rented a new dormitory at 21B in 4Q2018 and our operations at 21B has used up 3,799 cubic metres of water. The increase in water consumption is mainly due to the imposition of new housing standards by MOM in relation to cleanliness and housekeeping of the dormitories in order to improve the living conditions of the foreign workers, with effect from 1 April 2018. The rise in Singapore's average temperature in 2018 has also led to a higher water usage.

Environmental, Social and Governance Report

Electricity Conservation

We have a policy whereby the last person to leave the office premise (“**HQ**”) has to switch off the lights and equipment in the office to help conserve electricity. We also encourage the use of energy saving light bulbs such as LED. These have helped us to save electricity usage from 59,950 KW/H in 2017 to 58,849 KW/H in 2018.



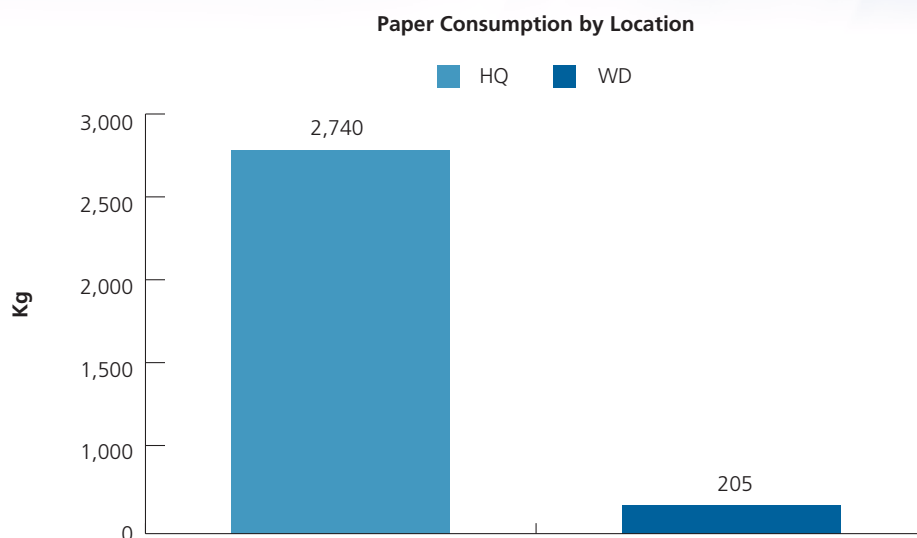
Despite the new dormitory and an increase of foreign workers, our overall electricity consumption has remained broadly stable with a slight increase of 610 KW/H, from 836,615KW/H in FY2017 to 837,225 KW/H in FY2018.

Paper conservation

The Group has adopted green office practices to reduce consumption and the impact on the environment. In order to reduce waste paper, we have developed the following measures:

- Reusing single-sided paper to minimise paper consumption, provided that the paper does not contain any confidential information;
- Deploying recycling bins to collect used paper products such as waste papers, posters, letters and envelopes;
- Saving paper by doing two sided printing;
- Writing on both sides of the papers;
- Bringing your own cup and avoiding paper cups usage;
- Reusing stationeries such as file folders and envelopes; and
- Reusing packaging boxes.

Environmental, Social and Governance Report



Information on the packaging material used and intensity of the electricity, water and paper consumption (e.g. per unit of production volume, per facility) is not available as we are not in the manufacturing industry.

Aspect A3: The Environmental and Natural Resources

Although our business does not directly damage and affect the environment, we have put in place various ways to help reduce the emissions from our daily operation and save energy consumption with a goal to minimizing the impact on the environment.

Save as disclosed in sections A1 and A2 above, the Group's operating activities have no significant impact on the environment and natural resources.

EMPLOYMENT AND LABOUR PRACTICES

Aspect B1: Employment

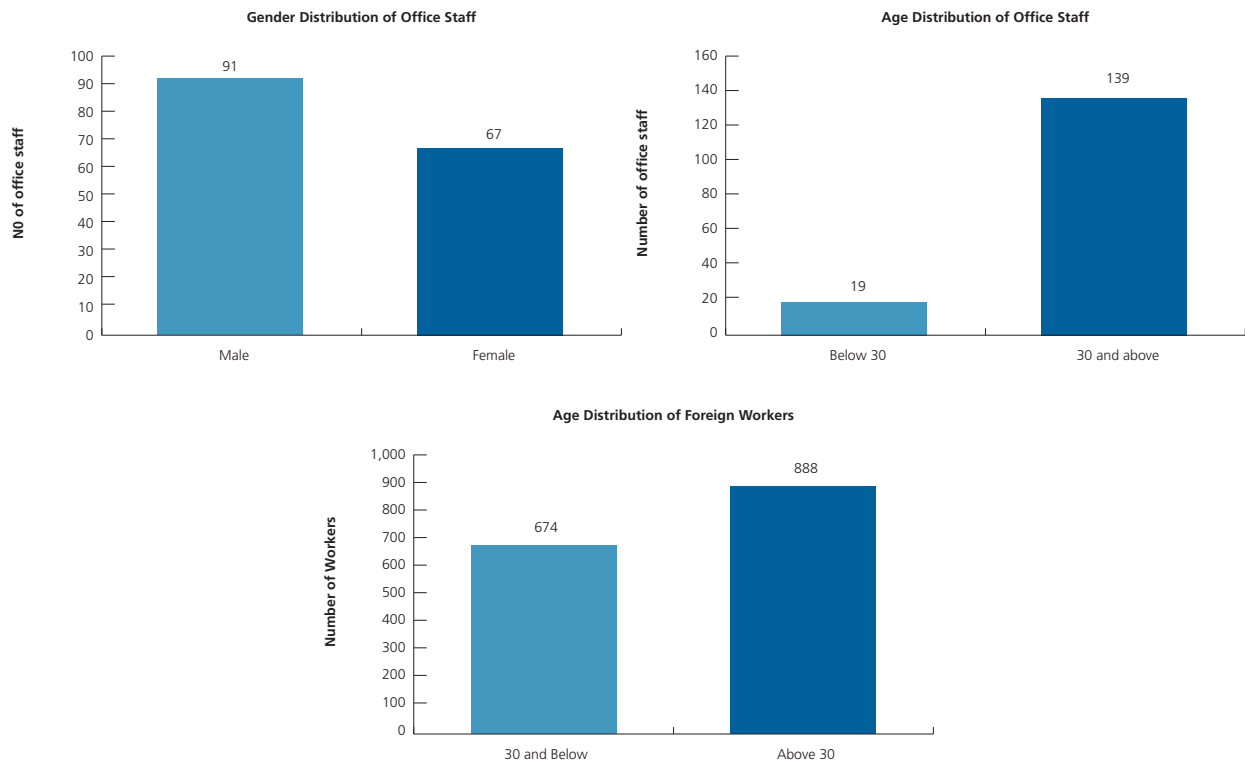
We embrace differences and recognise that diverse perspectives are important to our business success. As a responsible employer, the Group is committed to promoting equal opportunities and eliminating discrimination in all aspects of employment, training and career development. We promote equal opportunity with a strong emphasis on merit-based promotions. The Group is dedicated to developing a positive and harmonious workplace for employees, ensuring that every employee is treated equally and fairly, free from discrimination in respect of age, disability, religious belief, gender, sexual orientation, race, marital status, political belief and nationality, or any other category defined by law in all aspects of employment including recruitment, promotion, and opportunities for training, pay and benefits.

Firmly believing that human resource is one of its most valuable assets towards corporate success, we have put in place recruitment policies and a staff appraisal system. Internal employment and incentive processes are standardised and regulated by the management of the Group, and strictly executed by the Human Resources ("HR") department to attract and retain valuable talents.

Environmental, Social and Governance Report

As at 31 December 2018, we have employed over 158 local staff and 1,562 foreign workers. Our staff are remunerated according to their scope of employment and responsibilities. All our staff are based in Singapore. As at 31 December 2018, our local staff's turnover rate is 34% and our foreign workers' turnover rate is 31%.

All foreign workers are male while the breakdown of local employees are as follows:



For the Year, the Group had no violation record on relevant laws and regulations regarding employment that have significant impact on the Group.

Staff Handbook

All employees are given a staff handbook which they are required to adhere to. Our staff handbook details out the general terms and conditions of employment as well as certain employment procedures of our Group. It includes conditions of employment, holidays and leaves, employee benefits, performance appraisal and promotion, code of conduct and other matters such as disposal of confidential papers and energy conservation.

Performance Appraisal

Our transparent promotion practices take into account various factors such as business needs, increased scope of employment and responsibility, capability and contributions to the Group, as well as endorsements from the senior management.

Environmental, Social and Governance Report

The Group has a systematic and standardised appraisal system to evaluate employees' performances, assess their capabilities and determine whether they are in line with the Group's business development. It also provides a basis for promotion, salary increment and a communication platform for employees and management to set mutually acceptable and measurable performance standards, and career development opportunities.

Salaries are reviewed annually and discretionary bonuses are paid on periodic basis with reference to individual performance appraisals and the Group's performance.

Human Resources Policy

In line with our HR policy, our HR department is responsible for conducting our staff interview, probation, training, employee data maintenance, termination and resignation, performance evaluation and feedback mechanism, compensation, payroll, leave application and other HR matters.

Hiring of Foreign Workers

We are required to comply with the rules and regulation as stipulated by the MOM. Our current recruitment process provides equal opportunity in employment practices without discrimination in race and religion.

Dismissal

The Group ensures all employees are protected under the employment protection laws of Singapore. Our procedures generally include:

- Whenever an employee has handed in his or her resignation letter or being laid off, our HR executive or head of HR department will interview him or her to find out the reason of resignation;
- When we terminate an employment contract, the dismissed employee shall be given either his or her due notice or wages in lieu of notice, and the notice should not be served during his or her annual leave and maternity leave;
- An employee cannot be dismissed when she has been confirmed pregnant by a qualified medical doctor or have given notice of pregnancy to the Company; and
- An employee cannot be dismissed when he or she takes a paid medical leave.

Employee Welfare

The Group ensures all employees are entitled to be paid for annual leave, marriage leave, maternity leave and other statutory leaves and holidays in accordance with the law and safeguards employees' basic rights. Other benefits that are available to eligible employees include medical insurance scheme and long service awards.

In order to foster a harmonious working environment and encourage collaboration, we organised several company dinners and a company trip during the Year.

During the Year, we had team building activities at East Coast Park Singapore where we had treasure hunt games as well as sand castle building activities.

Environmental, Social and Governance Report



Aspect B2: Health and Safety

Safety is integral to our business operations. The Group recognises the importance of a safe and healthy work environment as the cornerstone of a successful organisation and aims to ensure that the health and safety of our employees are well taken care of. As such, we have engaged third party service providers to perform pest control at our self-operated dormitories from time to time. We also place emphasis on occupational health and work safety and provide regular training on workplace health and safety to our employees.

We are committed to protecting the health and safety of the employees and the community, we require all employees to comply with all the relevant occupational health and safety regulations, and do our utmost to provide them with a safe and healthy working environment. This includes providing the employees with the necessary protective equipment and medical insurance.

Due to the nature of works at construction sites, risks of accidents or injuries to our deployed workers are inherent. We have established a safety management system with reference to the Occupational Health & Safety Assessment Series ("**OHSAS 18001**") standards. This provides a framework for monitoring and evaluating the implementation of our safety policies and measures, from planning to actual implementation in daily operations, in an effort to provide our employees with a safe and healthy working environment.

Since 2009, the occupational health and safety management systems put in place by our operating subsidiaries, KT&T Engineers and Constructors Pte. Ltd. and Tenshi Resources Pte. Ltd., have been certified to be in accordance with the requirements of the OHSAS 18001:2007 standards.

Environmental, Social and Governance Report

We encourage our employees to advise us of any health and safety issues in their workplace so that we can eliminate or reduce the risk and work together to alleviate any health and safety risks to a minimum.

During the Year, the Group was not aware of any material non-compliance with laws and regulations relating to occupational health and safety that have a significant impact on the Group.

Aspect B3: Development and Training

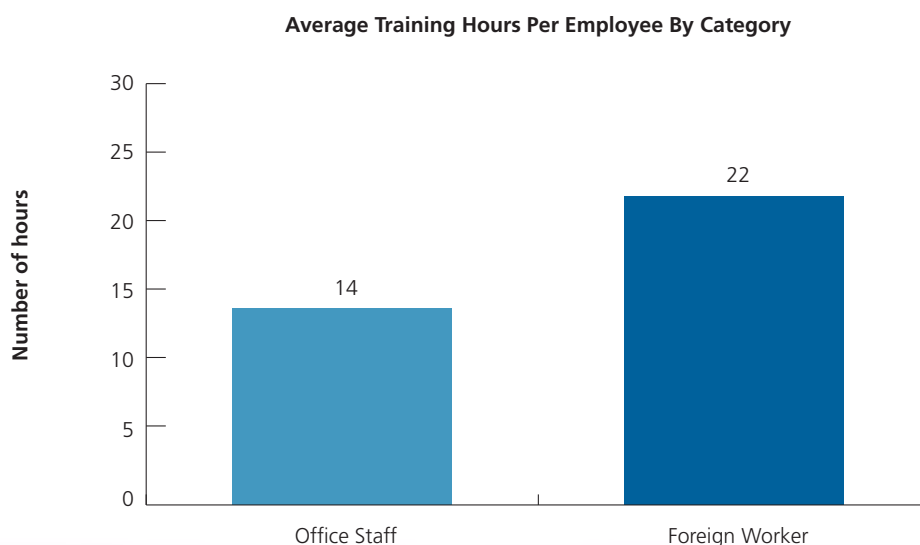
We believe that our employees and foreign workers should be equipped with skills needed to thrive in a rapidly evolving industry. Their development and training are instrumental to improve productivity and ensure sustainable growth of our Group.

Recognising that knowledge and skills of our employees are vital to the Group's continued business growth and success, it is the policy of the Group to encourage employees to attend appropriate courses to enhance their competence for performance improvement and career development. In view of this, the Group has organised workshops, seminars and training programmes that covered various aspects to improve employees' level of skills and knowledge and maximise their potential. They are also encouraged to enrol in job-related courses to enrich themselves.

In order to provide quality service to our customers, we constantly send our foreign workers to different types of training courses covering a wide range of areas such as inhouse rebar, carpentry and plastering training; coretrade for plumbing and pipe fittings; coretrade for precast concrete component erection; work-at-height; construction safety; rigger & signal; boom lift; tunnelling; confine space; and welder.

In FY 2018, we invested approximately S\$10,241 and 2,240 hours in staff training and S\$525,550 and 34,424 hours in foreign workers training.

Average training hours per employee by employee category



Environmental, Social and Governance Report

Aspect B4: Labour Standards

The Group firmly adopts a zero-tolerance policy on child labour and forced labour and we do not employ any person below the age of eighteen years at our workplace. Our suppliers are expected to follow the same standard of labour practices when working with us.

No employee should be made to work against his/her will or work as bonded/forced labour, or subject to corporal punishment or coercion. Our HR department, recruitment department and our site coordinators are responsible for implementing this policy.

HR department, recruitment department and administrative department maintain the employment contracts and relevant documentation on the details of our employees and foreign workers.

During the Year, the Group was not aware of any material non-compliance with the laws and regulations regarding child and forced labour that have a significant impact on the Group.

OPERATING PRACTICES

Aspect B5: Supply Chain Management

All our suppliers are based in Singapore. In managing the environmental and social risks of our supply chain, we will perform assessments on all our suppliers before engaging them and maintain an approved vendor list. We will also monitor and assess our suppliers annually whereby those with poor performance will be removed from our approved vendor list.

New supplier assessment

Our new suppliers are assessed based on capability, past track records, achievements and results of financial due diligence.

Monitoring of suppliers and subcontractors

We evaluate and monitor our suppliers' performance based on (1) the quality of service, (2) the timeliness in completing the required service or delivering of goods; (3) responsiveness; and (4) compliance with relevant rules and regulations. Suppliers' unsatisfactory performance will lead to their removal from our approved vendor list.

Aspect B6: Product Responsibility

As our business nature does not involve any manufacturing process, product responsibility issues are not directly related to us. However, we are committed to offering superior quality services to our customers by satisfying their expectations and needs.

Environmental, Social and Governance Report

The quality control measures adopted by our Group in respect of our foreign workers include the following:

(i) *Service quality*

We conduct regular evaluation on our foreign workers' performance. Our team of site coordinators conducts routine inspection at the relevant work sites to ascertain our customers' satisfaction with the service quality of our deployed workers. Further, our sales managers will usually make follow-up telephone calls to our customers shortly after the deployment to obtain their feedbacks, and attend to the complaints received from our customers, if any. If our customers consider the performance of any deployed workers unsatisfactory, we will, pursuant to the relevant contract terms, arrange for appropriate replacement in the following work day after receiving their requests. We will determine whether we will terminate and/or renew the employments of our foreign workers upon their expiry based on the evaluation results.

(ii) *Daily management*

While our foreign workers are under the supervision and control of our customers during their deployment, we generally require our customers to give a series of undertakings to us regarding the management of our deployed workers. Further, in the employment contracts with our foreign workers, we typically require them to closely follow our in-house dormitory rules, report to work on time as required by us and accept our assignment of jobs at different work sites of our customers from time to time.

(iii) *Trainings*

We provide in-house trainings to our foreign workers on rebarbing and other general construction works and arrange for some of them to attend external training courses on specialised construction works. We also provide briefings to our deployed workers on their service standard and work safety measures before the commencement of work.

(iv) *Health and safety*

Pursuant to the Workplace Safety and Health Act of Singapore, all our deployed workers will attend the safety induction course conducted by an onsite safety officer appointed by the main contractor of the work site on their first day of deployment. In addition, our site operations team will provide briefings to our deployed workers on their service standard and work safety measures before the commencement of work.

Data Protection

We respect customer data privacy and are committed to preventing customer data leakage or loss. Every employee must follow local regulations in relation to personal data privacy in order to safeguard customer data. Collected customer personal data is only accessible by an authorised personnel and those who would handle with care.

Environmental, Social and Governance Report

Intellectual Property Rights

The Group strives to protect its own Intellectual Property (“IP”) rights and respects third party IP rights according to all related applicable laws and regulations. We have registered Kakiko Group Limited’s and our operating subsidiary, KT&T Engineers and Constructors Pte. Ltd.’s, logos in Singapore on 18 September 2017 and they will be up for renewal on 18 September 2027.

In addition, KT&T Engineers and Constructors Pte. Ltd. is also the registrant of the domain name www.kttgroup.com.sg, which will expire on 25 September 2019.

We will monitor and keep track of the validity of these trademarks and domain name and shall take the necessary action to protect our IP rights.

Advertising and labelling

As we are in the manpower outsourcing, dormitory and IT services industries, we do not produce any goods. Our advertising and labelling activities are mainly flyers which are distributed to new customers. Currently, we are reducing our hard copy flyers and switching to electronic forms.

During the Year, the Group was not aware of any material non-compliance with the laws and regulations relating to health and safety, advertising, labelling and privacy matters that would have a significant impact on the Group.

Aspect B7: Anti-corruption

The Group operates with a high standard of integrity and ethics. Employees are required to conduct themselves with integrity, in an ethical and proper manner, and in compliance with the applicable laws and regulations of the countries in which the Group operates, including anti-bribery laws.

The Group has implemented gift and entertainment policy and fraud investigation policy to minimise risks of fraud, corruption and bribery. All employees are required to become acquainted with and abide by these policies and procedures. Every employee is required to complete the form for declaration of conflict of interest annually.

We have the current procedures to ensure our foreign workers are not being extorted:

- 1) renew their permits based on their work performance, disciplinary issues and their acceptance. Renewal of work permit is done by HQ; and
- 2) put on posters on dormitories to inform foreign workers of their employment rights.

As we are not a financial institution and our businesses are mainly in Singapore, we do not have much cross border transactions. We do not have an anti-laundering policy in place. However, all receipts of monies are matched to the customer invoices before banking in and all payments are matched to valid supplier invoices before processing payment.

Environmental, Social and Governance Report

We provide channels for our employees to report instances that they believe to be unethical or in breach of the Group's policies. The Group's whistleblowing policy allows employees to report suspicious cases in a confidential manner.

During the Year, the Group was not aware of any material breach of laws and regulations relating to regarding bribery, extortion, fraud and money laundering that have a significant impact on the Group.

Aspect B8: Community Investment

The Group recognises the inextricable connection between its continuous success and community prosperity. As a responsible and constructive corporate citizen, the Group has continuously offered sponsorships to various charitable organisations. For the reporting period, we have contributed S\$144,300 to the following three charitable organisations as well as a Singapore Secondary School and a Singapore Catholic Church.

- Sunlove, a charitable home which offers compassionate help in rehabilitative programs, from daily supervision to psychotherapy, occupational, physiotherapy and medical treatment for the intellectually-disabled.
- MINDS (Movement for Intellectually Disabled of Singapore), a non-governmental organisation catering to the needs of the Intellectually Disabled in Singapore.
- Singapore Cancer Society, a cancer advocacy and support organisation in Singapore.

Independent Auditor's Report

Deloitte.

德勤

To the Shareholders of Kakiko Group Limited
(Incorporated in the Cayman Islands with limited liability)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Kakiko Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 63 to 140, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance, and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRS**") issued by 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 International Standards on Auditing ("**ISAs**"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("**IESBA Code**"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. 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 matters	How the matter was addressed in the audit
Recoverability of trade receivables	
<p>The Group has \$7,546,044 of trade receivables as at 31 December 2018 (Note 19). The Group's customer base is principally from the construction and building sector, which has continued to experience a slowdown in the current financial year.</p> <p>Accordingly, the Group's trade receivables aging profile has increased over the year.</p> <p>The Group uses a provision matrix to calculate expected credit loss for the trade receivables. The provision matrix is based on the Group's historical default rates taking into consideration reasonable and supportable forward-looking information that is 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.</p> <p>The Group has disclosed the key sources of estimation uncertainty over the provision of impairment of trade receivables in Notes 5 and 19.</p>	<p>We have performed the following audit procedures:</p> <ul style="list-style-type: none"> • Obtained an understanding of the Group's control over the credit and collection process and monitoring of outstanding receivables; • Evaluated and challenged management's assessment of the recoverability of the Group's aged trade receivables which are past due but not impaired including management's assessment of the expected and lifetime credit loss of receivables as required under IFRS 9 <i>Financial Instruments</i> as at the reporting date, to support the collectability of the receivables and assumptions used; • Evaluated the specific analysis of individual customers with long overdue balance, including the profile, background and credibility of the customers; • Checked for subsequent collections from customers; • Performed past bad debt trend analysis by comparing the allowance of bad debt to the actual bad debts written off; and • Assessed the adequacy and appropriateness of the disclosures made in the financial statements.

Independent Auditor's Report

Key audit matters	How the matter was addressed in the audit
Termination of planned investment in Myanmar	
<p>(A) Profit-Sharing Agreement</p> <p>On 28 January 2017, a subsidiary of Kakiko Group Limited entered into a one-off profit sharing agreement with a company incorporated in Myanmar, Mines & Mineral Resources Co Ltd ("Mines & Mineral"), which ended in December 2017, where Mines & Mineral had utilised workers previously trained by the Group in Myanmar. This was recorded as "Other Income" on the consolidated statement of profit or loss and other comprehensive income during the year 31 December 2017 for an amount of S\$1,123,985. An amount of S\$582,338 (2017: S\$1,020,424) of the other income remained owing from Mines & Mineral as at 31 December 2018.</p> <p>(B) Convertible Bonds Subscription</p> <p>On 13 December 2017, another subsidiary of the Group entered into an agreement with Mines & Mineral, to subscribe for convertible bonds in Mines & Mineral for a principal amount of S\$1,300,000 with interest rate at 8% per annum and maturity date of 31 December 2022. As at 31 December 2017, S\$620,000 of the bonds issued was paid with the remaining payment made on 31 January 2018. The convertible feature allowed the subsidiary of the Group to convert the bonds into shares of Mines & Mineral, which will amount to 30% of the share capital of Mines & Mineral. The convertible bond was accounted for at fair value through profit or loss ("FVTPL") as at 31 December 2017.</p>	<p>We have performed the following audit procedures:</p> <ul style="list-style-type: none"> • Interviewed the General Manager of Mines & Mineral to corroborate the reasons for the investment in 2017 and the economic factors that led to the termination of the convertible bond investment to a receivable. We further understood the Mines & Mineral is confident of making the repayments as scheduled; • Corroborated the reason underpinning the termination of the convertible bond with publicly available information with respect to the project that fell through and the general economic conditions in Myanmar in 2018; • Established that Mines & Mineral is continuing operations through a visit to the Mines & Mineral office in Myanmar and has other revenue streams in place; • Read the termination of the convertible bond agreement entered into on 20 December 2018; • Evaluated the personal guarantee deed as provided by the CEO; • Checked the computation of the fair value of the receivables from Mines & Mineral given that the amount is payable in instalments and checked the interest rate being used in the computation. This resulted in a fair value loss of S\$550,977 in 2018 that was recorded as part of "Other gains and losses" on the consolidated statement of profit or loss and other comprehensive income; and • Checked management's accounting treatment of the receivables to ensure classification and measurement are in accordance with IFRS 9 <i>Financial Instruments</i>.

Independent Auditor's Report

Key audit matters	How the matter was addressed in the audit
Termination of planned investment in Myanmar <i>(Continued)</i>	
<p>During mid-to late 2018, management noted that whilst the outlook for Myanmar's economy remained positive the business risks have intensified and that has affected the business outlook in Myanmar. In addition, during 2018, the project that Mines & Mineral was expected to be part of did not materialise for reasons not within the control of the Group and Mines & Mineral.</p> <p>Therefore, on 20 December 2018, management of the Group took the decision to terminate the convertible bond agreement and enter into another agreement that will mandate Mines & Mineral to repay the S\$1,300,000 in twenty-five equal monthly instalments beginning 1 May 2019. Subsequent to the end of the reporting period, it was agreed with Mines & Mineral that the instalments shall commence on 1 April 2019.</p> <p>The CEO has provided a personal guarantee to the Group which allows for his own remuneration to be deducted should Mines & Mineral be in default of scheduled payments. The CEO also extended the personal guarantee to cover the amount owing from the profit-sharing agreement. On the CEO's best estimate, Mines & Mineral will repay the amount of S\$582,338 in twenty monthly instalments starting from 1 September 2019.</p> <p>The principal sums of S\$1,300,000 and S\$582,338 have been discounted to their amortised cost of S\$919,478 and S\$411,882 respectively.</p> <p>Details of the above have been disclosed in Notes 18 and 20.</p>	

Independent Auditor's Report

Key audit matters	How the matter was addressed in the audit
Recognition of deferred tax asset arising from unutilised tax losses	
<p>The Group has recognised deferred tax assets of S\$589,900 arising from tax losses carried forward as at 31 December 2018.</p> <p>In assessing the existence and valuation of deferred tax assets, management applied judgement and estimates in their forecast of future taxable profits available against which the deductible temporary differences can be utilised. Key estimates include revenue growth rate and cost of sales projections.</p> <p>Details of the deferred tax asset recognised are disclosed in Note 26.</p>	<p>We have performed the following audit procedures:</p> <ul style="list-style-type: none"> • Audited management's profit forecast and adjustments for taxable income; • Critically assessed the estimates used in the profit forecast, including growth rates; and • Assessed the reasonableness of management's corporate tax computation in determining the tax losses carried forward.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Independent Auditor's Report

Responsibilities of Directors and Those Charged With Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS issued by 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 intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, we exercise professional judgement and maintain professional scepticism 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.

Independent Auditor's Report

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

(Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Kanagasabai s/o Haridas.

Deloitte & Touche LLP

Public Accountants and Chartered Accountants

Singapore

28 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Note	2018 S\$	2017 S\$
Revenue	6	47,457,263	44,441,142
Cost of services		(38,567,429)	(32,719,871)
Gross profit		8,889,834	11,721,271
Other income	7	1,237,898	1,732,586
Selling expenses		(26,730)	(31,927)
Administrative expenses		(12,782,656)	(7,127,095)
Other gains and losses	8	(1,170,309)	(817,136)
Other expenses	9	–	(2,328,683)
Finance costs	10	(4,150)	(2,132)
(Loss) Profit before taxation	11	(3,856,113)	3,146,884
Income tax credit (expense)	12	317,161	(869,111)
(Loss) Profit after taxation, representing total comprehensive (loss) income for the year		(3,538,952)	2,277,773
(Loss) Earnings per share Basic and diluted	15	(0.29) cents	0.21 cents

See accompanying notes to consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2018

	Note	2018 S\$	2017 S\$
Non-current assets			
Property, plant and equipment	16	3,235,443	3,661,339
Investment property	17	152,762	245,940
Other receivables	20	1,200,828	25,577
Other financial assets at fair value through profit or loss	18	–	1,300,000
Deferred tax assets	26	589,900	–
		5,178,933	5,232,856
Current assets			
Trade receivables	19	7,546,044	8,030,789
Other receivables, deposits and prepayments	20	2,119,070	3,038,531
Financial assets at fair value through profit or loss	21	2,966,271	70,000
Bank balances and cash	22	15,995,300	21,747,251
		28,626,685	32,886,571
Current liabilities			
Trade and other payables	23	7,547,990	7,381,895
Contract liabilities	24	556,214	–
Obligations under finance leases	25	62,063	15,540
Income tax payable		333,372	1,174,035
		8,499,639	8,571,470
Net current assets		20,127,046	24,315,101

See accompanying notes to consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2018

	Note	2018 S\$	2017 S\$
Non-current liabilities			
Other payables	23	48,003	–
Obligations under finance leases	25	279,416	73,372
Deferred tax liabilities	26	90,400	123,500
		417,819	196,872
Net assets		24,888,160	29,351,085
Capital and reserves			
Share capital	27	2,142,414	2,142,414
Share premium	28	14,958,400	14,958,400
Merger reserves		1,350,000	1,350,000
Accumulated profits		6,437,346	10,900,271
Equity attributable to owners of the Company		24,888,160	29,351,085

The consolidated financial statements on pages 63 to 140 were approved and authorised for issue by the Board of Directors on 28 March 2019 and are signed on its behalf by:

Kuah Ann Thia
Chairman and Executive Director

Dolly Hwa Ai Kim
Executive Director

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company				
	Share capital	Share premium (Note 28)	Merger reserves (Note b)	Accumulated profits	Total
	S\$	S\$	S\$	S\$	S\$
At 1 January 2017	14	–	1,350,000	8,622,498	9,972,512
Profit representing total comprehensive income for the year	–	–	–	2,277,773	2,277,773
<i>Transactions with owners, recognised directly in equity</i>					
Reorganisation (Note a)	(14)	–	–	–	(14)
Issue of shares pursuant to the reorganisation (Note a, 27)	2	–	–	–	2
Issue of shares under the capitalisation issue (Note 27)	1,794,052	(1,794,052)	–	–	–
Issue of shares under the share offer (Note 27)	348,360	17,766,357	–	–	18,114,717
Share issue expenses	–	(1,013,905)	–	–	(1,013,905)
At 31 December 2017	2,142,414	14,958,400	1,350,000	10,900,271	29,351,085
Adoption of IFRS 9 (Note 37)	–	–	–	(923,973)	(923,973)
At 1 January 2018	2,142,414	14,958,400	1,350,000	9,976,298	28,427,112
Loss representing total comprehensive loss for the year	–	–	–	(3,538,952)	(3,538,952)
At 31 December 2018	2,142,414	14,958,400	1,350,000	6,437,346	24,888,160

Notes:

- (a) On 21 August 2017, Mighty One Investments Limited (“Mighty One”), the Company and Mr. Kuah Ann Thia (“Mr. Kuah”) entered into a sale and purchase agreement, pursuant to which the Company acquired 10 shares in Real Value Global Limited representing its entire issued share capital and in consideration thereof, 999 shares of the Company were issued and allotted to Mighty One, all credited as fully paid. Since then, the Company became the holding company of the Group.
- (b) The amount arose from the acquisition of entire equity interest in the Operating Subsidiaries (defined in Note 2) by the Company from the Controlling Shareholder in 2016.

Details of the reorganisation are set out in Note 2.

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 S\$	2017 S\$
Operating activities		
(Loss) Profit before taxation	(3,856,113)	3,146,884
Adjustments for:		
Depreciation of property, plant and equipment	998,840	836,036
Depreciation of investment property	93,178	33,592
Finance costs	4,150	2,132
Interest income	(166,001)	–
Dividend income	(18,870)	(1,400)
Loss on fair value movement on financial assets measured at fair value through profit or loss ("FVTPL")	152,702	–
Loss on financial assets measured at amortised cost	550,978	–
Loss on disposal of property, plant and equipment, net	7,195	36,305
Unrealised foreign exchange (gain) loss	(289,857)	304,398
Impairment loss recognised on trade and other receivables	657,994	540,276
Forfeited deposits to vendors	58,040	–
Write-off of staff loans	20,555	–
Operating cash flow before movements in working capital	(1,787,209)	4,898,223
<i>Movements in working capital:</i>		
Increase in trade receivables	(354,837)	(3,531,105)
Decrease (Increase) in other receivables, deposits and prepayments	379,523	(1,079,385)
Increase (Decrease) in trade and other payables	102,676	(111,856)
Increase in contract liabilities	556,214	–
Cash (used in) generated from operations	(1,103,633)	175,877
Income taxes paid	(1,146,502)	(1,615,224)
Net cash used in operating activities	(2,250,135)	(1,439,347)
Investing activities		
Additions to investment property	–	(279,532)
Acquisition of a subsidiary, net of cash acquired	84,151	–
Purchase of financial assets at fair value through profit or loss	(3,728,973)	(620,000)
Purchase of property, plant and equipment	(310,305)	(1,007,454)
Proceeds from disposal of property, plant and equipment	6,500	26,800
Interest received	166,001	–
Dividends received from financial assets measured at FVTPL	18,870	1,400
Net cash used in investing activities	(3,763,756)	(1,878,786)

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018	2017
	S\$	S\$
Financing activities		
Proceeds from issuance of shares	–	18,114,705
Share issue expenses paid	–	(1,013,905)
Interest paid	(4,150)	(2,132)
Dividends paid	–	(3,000,000)
Repayment of advance from a director	–	(4,323,603)
Repayment of borrowings	–	(43,439)
Repayment of finance lease payables	(23,767)	(85,519)
Net cash (used in) from financing activities	(27,917)	9,646,107
Net (decrease) increase in cash and cash equivalents	(6,041,808)	6,327,974
Cash and cash equivalents at beginning of the year	21,747,251	15,723,675
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies	289,857	(304,398)
Cash and cash equivalents at end of the year (Note 22)	15,995,300	21,747,251

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

1. GENERAL

Kakiko Group Limited (the "**Company**") was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 14 February 2017. The immediate and ultimate holding company of the Group is Mighty One. The ultimate controlling party is Mr. Kuah, who is also the Chairman, Executive Director and Chief Executive Officer of the Company. The registered office of the Company is at P. O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands. The Company was registered in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "**Hong Kong Companies Ordinance**") on 29 September 2017 and its principal place of business in Hong Kong registered is at Room 1603, 16/F, China Building, 29 Queen's Road Central, Central, Hong Kong. The headquarters and principal place of business of the Company in Singapore is at 750 Chai Chee Road, #03-10/14 Viva Business Park, Singapore 469000. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with effect from 17 October 2017.

The Company is an investment holding company and the principal activities of its operating subsidiaries are provision of manpower outsourcing and ancillary services, provision of dormitories services, provision of IT services and construction ancillary services for the building and construction industry.

The functional currency of the Company is Singapore dollars ("**S\$**"), which is also the presentation currency of the Company and its principal subsidiaries (Note 35).

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Prior to the group reorganisation (the "**Reorganisation**"), the operating subsidiaries of the Group including those group companies incorporated in Singapore set out in Note 35, were wholly controlled by Mr. Kuah (the "**Controlling Shareholder**") except for one company which 50% equity interest was held in trust by Mr. Kuah's wife, Ms. Akiko Koshiishi. In preparing for the initial listing of the shares of Kakiko Group Limited on the Stock Exchange, the companies comprising the Group underwent a Reorganisation as set out below:

- On 24 November 2016, Real Value Global Limited ("**Real Value**") was incorporated in the British Virgin Islands ("**BVI**") and one fully paid ordinary share of Real Value, representing its entire issued share capital, was allotted and issued to Mighty One (a company controlled by Mr. Kuah, not forming part of the Group) on 16 December 2016.
- Harbour Gold Investments Limited ("**Harbour Gold**"), Leading Elite Global Limited ("**Leading Elite**"), Priceless Developments Limited ("**Priceless Developments**") and Promising Elite Investments Limited ("**Promising Elite**") (collectively the "**Immediate Holding Companies**") were incorporated in the BVI on 28 November 2016, 28 November 2016, 13 October 2016 and 21 September 2016, respectively and one fully paid ordinary share of each of them representing their respective entire issued share capital, was allotted to Real Value on 16 December 2016.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- On 28 December 2016, Mr. Kuah acquired 50% equity interest in Nichefield Pte. Ltd. ("**Nichefield**") held by his nominee at a nominal cash consideration of S\$1.
- On 28 December 2016, the entire equity interest in Nichefield, Tenshi Resources International Pte. Ltd. ("**Tenshi**"), KT&T Engineers and Constructors Pte. Ltd. ("**KT&T Engineers**"), Keito Engineering & Construction Pte. Ltd. ("**Keito Engineering**"), KT&T Resources Pte. Ltd. ("**KT&T Resources**"), Accenovate Engineering Pte. Ltd. ("**Accenovate Engineering**"), Kanon Global Pte. Ltd. ("**Kanon Global**"), Accenovate Consulting (Asia) Pte. Ltd. ("**Accenovate Consulting**") and KT&T Global Pte. Ltd. ("**KT&T Global**") (collectively referred to as "**Operating Subsidiaries**") were restructured by transferring from Mr. Kuah to the Immediate Holding Companies as nominees of Real Value at consideration settled by way of issue and allotment of a total of nine shares in Real Value, credited as fully paid to Mighty One at the direction of Mr. Kuah.
- On 14 February 2017, the Company was incorporated in the Cayman Islands with an authorised share capital of Hong Kong Dollars ("**HK\$**") 380,000 divided into 38,000,000 shares with a par value of HK\$0.01 each, of which one share was allotted and issued in nil paid form to the initial subscriber, an independent third party and the said share was subsequently transferred to Mighty One on the same date for nil consideration.
- On 21 August 2017, Mighty One, the Company and Mr. Kuah entered into a sale and purchase agreement pursuant to which the Company acquired ten shares in Real Value, representing its entire issued share capital from Mighty One and in consideration thereof, 999 shares were issued and allotted to Mighty One, all credited as fully-paid.

As part of the Reorganisation, investment holding companies, including Real Value, the Immediate Holding Companies and the Company, were incorporated and interspersed between the Operating Subsidiaries and the Controlling Shareholder. Since then, the Company has become the holding company of the Group on 21 August 2017.

The Group resulting from the above mentioned Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group have been prepared using the principles of merger accounting as if the group structure under the Reorganisation had been in existence throughout the year ended 31 December 2017 or their respective dates of incorporation whichever is the shorter period.

The shares of the Company have been listed on the Stock Exchange since 17 October 2017.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. APPLICATION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

On 1 January 2018, the Group has adopted all the new and revised IFRSs that are effective and relevant to its operations. The adoption of these new/revised IFRSs does not result in changes to the Group's accounting policies and the effect on the amounts reported for the current and prior years are disclosed below.

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment of financial assets and 3) general hedge accounting. Details of these new requirements as well as their impact on the consolidated financial statements are described below and illustrated in Note 37.

The Group applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under Expected Credit Loss model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

The significant accounting policies for financial instruments under IFRS 9 are described in Note 4.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 18 *Revenue* and the related interpretations. IFRS 15 introduces a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of these new requirements as well as their impact on the financial statements are described below.

The Group has applied IFRS 15 using the modified retrospective method under which any cumulative effect of initially applying this standard recognised at the date of initial application (1 January 2018) is recognised as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 18 and the related interpretations. The Group has elected to apply this standard retrospectively only to contracts that are not completed contracts at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Group has adopted the terminology used in IFRS 15 to describe such balances.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. APPLICATION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

IFRS 15 Revenue from Contracts with Customers *(Continued)*

The Group's significant accounting policies for its revenue streams are disclosed in Note 4. Apart from providing more extensive disclosures, the amount of adjustment for each financial statement line item affected by the application of IFRS 9 and IFRS 15 under the modified retrospective approach is illustrated in Note 37.

At the date of authorisation of these consolidated financial statements, the Group has not applied the following relevant new IFRSs that have been issued but are not yet effective:

IFRS 16	Leases ¹
IFRIC 23	Uncertainty over Income Tax Treatments ¹
Amendments to IFRS 9	Prepayment Features with Negative Compensation ¹
Annual Improvements to IFRS Standards 2015-2017 Cycle	Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs ¹

¹ Effective for annual periods beginning on or after 1 January 2019

Except as described below, the directors of the Group consider that the application of the other new IFRSs, International Accounting Standards ("IASs") and Interpretations is unlikely to have a material impact on the financial statements of the Group in future periods.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer.

In addition, IFRS 16 provides guidance in the accounting for sale and leaseback transactions. Extensive disclosures are also required by the new Standard.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. APPLICATION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

IFRS 16 Leases *(Continued)*

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, more extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group had non-cancellable operating lease commitments of S\$15,302,116 (2017: S\$4,282,843) as disclosed in Note 30. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the management of the Group have completed a detailed review.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRS issued by the IASB. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period as explained in the accounting policies set out below.

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

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 would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as 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 measurements 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

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

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

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

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company 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 Company gains control until the date when the Company ceases to control the subsidiary.

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

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

Merger accounting for business combination involving entities under common control (prior to 1 January 2018)

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under control of the controlling entity.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Merger accounting for business combination involving entities under common control (prior to 1 January 2018) *(Continued)*

The consolidated statement of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is earlier.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquirer are measured in accordance with IFRS 2 *Share-Based Payments* at the acquisition date (see below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

When the consideration transferred by the Group in a business combination includes contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Revenue recognition

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in Note 3)

Under IFRS 15, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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. 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.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

(i) Provision of manpower outsourcing and ancillary services

The Group provides manpower outsourcing and ancillary services such as transportation and accommodation for workers outsourced to its customers. Such services are recognised as performance obligations satisfied over time. Revenue is recognised for these services based on the stage of completion of the contract as detailed below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

(ii) Provision of dormitory services

The Group rents dormitory bed spaces and provides ancillary services to occupants of the bed spaces. Revenue from the provision of such services is recognised under IFRS 15 as performance obligations satisfied over time. Revenue is recognised for these services based on the stage of completion of the contract as detailed below. Payment for the services is due prior to the commencement of the service period and therefore a contract liability is recognised. This balance was previously recognised as part of trade and other payables.

(iii) Provision of IT services

Revenue from the provision of IT maintenance services is recognised as performance obligations satisfied over time. Revenue is recognised for these services based on the stage of completion of the contract as detailed below. Payment for the services is due prior to the commencement of the service period and therefore a contract liability is recognised. This balance was previously recognised as part of trade and other payables.

(iv) Provision of construction ancillary services

Revenue from the provision of construction ancillary services is recognised as performance obligations satisfied over time. Revenue is recognised for these services based on the stage of completion of the contract as detailed below.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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

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.

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable, provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably. Revenue is recognised in profit or loss as follows:

- (i) Revenue from provision of manpower services, IT services, and construction ancillary services

Revenue from provision of services is recognised upon rendering of such service.

- (ii) Revenue from provision of dormitory services

Revenue from the leasing of dormitory bed spaces and related ancillary services is recognised, on a straight-line basis, over the terms of the respective contracts.

- (iii) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

- (iv) Dividend income

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

- (v) Other income from Myanmar

Other income from Myanmar will be recognised when a Myanmar counterparty utilised previously trained workers by the Group in Myanmar and is based on an agreement with the counterparty in Myanmar for specific projects.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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. Where 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.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the 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.

Leasing

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

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessor

Rental income from operating lease is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which the benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other 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 purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue 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 that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund ("CPF"), are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 benefits in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deduction of any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service costs, interest and re-measurement are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base 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 difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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 is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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

Current and deferred tax are recognised in profit or loss, except when it relates 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.

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

An item of property, 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 property, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lumpsum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as 'prepaid lease payments' in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses.

Depreciation is recognised so as to write off the cost of investment properties less their residual values over their estimated 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 investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Impairment of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of tangible assets *(Continued)*

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

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

If the recoverable amount of an asset (or 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. 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 each asset in the unit. 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 of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets (upon application of IFRS 9 in accordance with transitions in Note 3)

All regular way purchases or sales of financial assets are recognised and de-recognised on a trade 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 concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

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

Debt instruments 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 achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets (upon application of IFRS 9 in accordance with transitions in Note 3) *(Continued)*

Classification of financial assets (Continued)

- (i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (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) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets (upon application of IFRS 9 in accordance with transitions in Note 3) *(Continued)*

Classification of financial assets (Continued)

(ii) Financial assets at FVTPL

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

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value as at each reporting date, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically, for financial assets measured at amortised cost and measured at FVTPL, that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "other gains and losses" line item.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("**ECL**") on financial assets which are subject to impairment under IFRS 9 (including trade receivables, other receivables and deposits). The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets (upon application of IFRS 9 in accordance with transitions in Note 3) *(Continued)*

Impairment of financial assets (Continued)

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Assessment is 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 forecast of future conditions.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month 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.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

- 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 for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets (upon application of IFRS 9 in accordance with transitions in Note 3) *(Continued)*

Impairment of financial assets (Continued)

(i) Significant increase in credit risk *(Continued)*

- 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;
- significant increases in credit risk on other financial instruments of the same 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 on a financial asset 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.

Despite the foregoing, the Group assumes that the credit risk on a financial 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) the financial instrument 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 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets (upon application of IFRS 9 in accordance with transitions in Note 3) *(Continued)*

Impairment of financial assets (Continued)

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- 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 collaterals held by the Group).

Irrespective of the above analysis, 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.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of 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;
- d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- e) the disappearance of an active market for that financial asset because of financial difficulties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets (upon application of IFRS 9 in accordance with transitions in Note 3) *(Continued)*

Impairment of financial assets (Continued)

(iv) Write-off policy

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

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses 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 adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- 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.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets (upon application of IFRS 9 in accordance with transitions in Note 3) *(Continued)*

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial assets (before application of IFRS 9 in 1 January 2018)

Financial assets and other financial assets at fair value through profit or loss are classified into the following specified categories: financial assets "at fair value through profit or loss ("**FVTPL**")" and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or 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, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables, deposit and prepayments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amounts due from related parties and bank and cash balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets (before application of IFRS 9 in 1 January 2018) *(Continued)*

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- On initial recognition, it is part of an identified portfolio of 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.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or income earned on the financial asset and is included in the "other income" line item. Fair value is determined in the manner described in Note 33(d).

Impairment loss on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For financial assets held by the Group, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets (before application of IFRS 9 in 1 January 2018) *(Continued)*

Impairment loss on financial assets (Continued)

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past due beyond 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the 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 a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

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

- (i) Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash 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 liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

- (ii) Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "other gains and losses" line item in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities (Continued)

(iii) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The directors are of the opinion that there was no critical judgement involved that have a significant effect on the amounts recognised in the consolidated financial statements.

Key sources of estimation uncertainty

The following are 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 within the next twelve months.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

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

Key sources of estimation uncertainty *(Continued)*

Provision for impairment of receivables

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collaterals.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The Group uses a provision matrix to calculate ECL for the trade receivables. The provision matrix is based on the Group's historical default rates taking into consideration reasonable and supportable forward-looking information that is 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 which are 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 is disclosed in Note 19.

Recognition of deferred tax assets

The Group has recognised deferred tax assets of S\$589,900 (Note 26) as at 31 December 2018. Deferred tax assets are recognised for unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely level of future taxable profits together with future tax planning strategies and also subject to satisfying relevant tax legislations in the jurisdiction where the Group operates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the consideration specified in contracts with customers for the provision of manpower outsourcing and ancillary services, dormitory services, IT services and construction ancillary services, solely derived in Singapore during the year.

Information is reported to Mr. Kuah, being the Chairman, an Executive Director, the Chief Executive Officer and the chief operating decision maker of the Group ("CODM"), for the purposes of resource allocation and performance assessment. The accounting policies are the same as the Group's accounting policies described in Note 4. The CODM reviews revenue by nature of services, i.e. provision of manpower outsourcing and ancillary services to contractors of construction projects, provision of dormitory services, provision of IT services and provision of construction ancillary services and profit for the year as a whole. No further detailed analysis of the Group's results nor assets and liabilities is regularly provided to the CODM for review. Accordingly, only entity-wide disclosures on services, major customers and geographical information are presented in accordance with IFRS 8 *Operating Segments*.

An analysis of the Group's revenue for the year is as follows:

	2018 S\$	2017 S\$
<i>Revenue recognised over time:</i>		
Provision of manpower outsourcing and ancillary services	41,249,556	36,394,609
Provision of dormitory services	5,228,727	5,260,452
Provision of IT services	527,220	739,840
Provision of construction ancillary services	451,760	2,046,241
	47,457,263	44,441,142

As permitted under IFRS 15, the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) as of the end of the reporting period has not been disclosed as those performance obligations are part of customer contracts that have original expected duration of one year or less.

Major customers

There was no individual customer that contributed over 10% of total revenue of the Group during the financial years ended 31 December 2018 and 31 December 2017.

Geographical information

The Group principally operates in Singapore, which is also its 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

7. OTHER INCOME

	2018	2017
	S\$	S\$
Government grants (Note A)	728,899	219,231
Dividend income from investments in quoted equity shares	18,870	1,400
Interest income	166,001	–
Forfeiture of customer deposits	13,242	76,220
Work injury/workmen compensation claims	106,394	86,651
Sub-leasing income	184,026	186,093
Other income from Myanmar (Note B)	–	1,123,985
Others	20,466	39,006
	1,237,898	1,732,586

Note A:

Government grants mainly include the Wages Credit Scheme (the “WCS”), the Workforce Training and Upgrading Scheme (“WTU”), and retrofitting grants.

During the financial years ended 31 December 2018 and 2017, respective grants of S\$116,220 and S\$99,484 under WCS were received. Under this scheme, the Government of Singapore provides assistance to Singapore-registered businesses by way of co-funding 20% of wage increases given to Singapore citizen employees earning a gross monthly wage of S\$4,000 or below from 2016 to 2018.

During the financial years ended 31 December 2018 and 2017, the Group received respective grants of S\$338,557 and S\$18,886 under the WTU which co-funds up to 90% of the costs of selected skills assessment and training courses to upgrade the skills of workforce in the build environment.

During the year ended 31 December 2018, the Group received retrofitting grants of S\$215,678 (2017: S\$Nil) from the Ministry of Manpower of the Singapore Government to subsidise the costs incurred for retrofitting the Group’s investment property. Of the total grants received, S\$82,604 has been recognised in profit or loss for the year. The remaining S\$133,074 is recognised as deferred income as at 31 December 2018 (Note 23).

The remaining balance of Government grants are incentives received upon fulfilling the conditions for compensation of expenses already incurred or as immediate financial support with no future related costs nor related to any assets.

Note B:

Other income from Myanmar pertains to a one-off profit sharing arrangement the Group had with a third party counterparty in Myanmar during the year ended 31 December 2017 with respect to a business collaboration with the counterparty.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

8. OTHER GAINS AND LOSSES

	2018 S\$	2017 S\$
Loss arising on disposal of property, plant and equipment	7,195	36,305
Loss arising on financial assets measured at amortised cost	550,978	–
Changes in fair value of financial assets at fair value through profit or loss	152,702	–
Foreign exchange (gain) loss, net	(277,155)	287,813
Forfeited deposits to vendors	58,040	–
Impairment loss recognised on trade and other receivables	657,994	540,276
Write-off of staff loans	20,555	–
Write-back of payables	–	(47,258)
	1,170,309	817,136

9. OTHER EXPENSES

	2018 S\$	2017 S\$
Listing expenses	–	2,328,683

10. FINANCE COSTS

	2018 S\$	2017 S\$
Interest on:		
Bank borrowings	–	147
Obligations under finance leases	4,150	1,985
	4,150	2,132

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

11. (LOSS) PROFIT BEFORE TAXATION

(Loss) Profit before tax for the year has been arrived at after charging (crediting):

	2018	2017
	S\$	S\$
Depreciation of property, plant and equipment	998,840	836,036
Depreciation of investment property	93,178	33,592
Auditor's remuneration		
– Annual audit fees	404,000	165,000
– Reporting accountant's fee in connection with the listing of the Company	–	392,737
Non-audit fees paid to auditor of the Company	30,000	60,000
Directors' remuneration	1,953,672	1,181,197
Workers and other staff costs		
– Salaries, wages and other benefits	21,300,849	16,335,205
– Salaries, wages and other benefits paid to related parties (Note)	579,907	140,400
– Contribution to retirement benefit plans	945,319	794,821
– Foreign worker levy	13,177,955	11,373,370
Total workers and other staff costs	36,004,030	28,523,796
Gross rental income from investment property	5,228,727	5,260,452
Less: direct operating expenses incurred for investment property that generated rental income during the year	(3,851,975)	(3,666,697)
	1,376,752	1,593,755

Note: Salaries, wages and other benefits paid to related parties comprise S\$503,374 (2017: S\$140,000) paid to the spouse of an executive director of the Group (Note 13) and S\$76,533 (2017: S\$Nil) paid to another close family member of the executive director. Their remuneration packages have been reviewed and approved by the Remuneration Committee.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

12. INCOME TAX (CREDIT) EXPENSE

	2018 S\$	2017 S\$
Tax expense comprises:		
Current tax – Singapore corporate income tax (“ CIT ”)	373,042	661,657
(Over) Under provision for current tax in prior years	(67,203)	83,954
Deferred tax	(618,100)	64,400
(Over) Under provision for deferred tax in prior years	(4,900)	59,100
	(317,161)	869,111

Singapore CIT is calculated at 17% of the estimated assessable profit eligible for CIT rebate of 20%, capped at S\$10,000 for the Year of Assessment 2019 (“**YA2019**”), and 40%, capped at S\$15,000 for the Year of Assessment 2018 (“**YA2018**”) determined based on the financial year end date of respective group companies. Singapore-incorporated companies can also enjoy 75% tax exemption on the first S\$10,000 of chargeable income and a further 50% tax exemption on the next S\$290,000 of chargeable income.

The taxation for the year can be reconciled to the (loss) profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018 S\$	2017 S\$
(Loss) Profit before taxation	(3,856,113)	3,146,884
Tax at applicable tax rate of 17%	(655,539)	534,970
Tax effect of expenses not deductible for tax purpose	350,262	140,385
Tax effect of income not taxable for tax purpose	(14,400)	(238)
Effect of tax concessions and partial tax exemption	(98,627)	(482,306)
Effect of unused tax losses not recognised as deferred tax assets	102,459	15,794
Effect of different tax rates of subsidiaries operating in other jurisdiction	215,154	522,052
Tax effect of adoption of IFRS 9	(157,075)	–
(Over) Under provision of current tax in prior years	(67,203)	83,954
(Over) Under provision of deferred tax in prior years	(4,900)	59,100
Others	12,708	(4,600)
Taxation for the year	(317,161)	869,111

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's emoluments

Mr. Kuah Ann Thia and Ms. Dolly Hwa Ai Kim were appointed as executive directors of the Company on 14 February 2017 and 31 March 2017 respectively. Mr. Ong Shen Chieh, Mr. Lau Kwok Fai Patrick and Mr. Lam Raymond Shiu Cheung were appointed as independent non-executive directors of the Company on 26 September 2017. Mr. Lu Yong was appointed as non-executive director of the Company on 2 July 2018.

The emoluments paid or payable to the directors and chief executive of the Company (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) by entities comprising the Group during the year are as follows:

Year ended 31 December 2018

	Fees S\$	Salary And Allowances S\$	Discretionary Bonus (Note b) S\$	Retirement benefit scheme contributions (Note c) S\$	Total S\$
Executive Directors (Note d)					
Mr. Kuah Ann Thia (Note a)	817,116	444,000	185,000	106,930	1,553,046
Ms. Dolly Hwa Ai Kim	18,950	240,853	44,946	23,353	328,102
Independent Non-Executive Directors (Note e)					
Mr. Ong Shen Chieh	20,642	-	-	-	20,642
Mr. Lau Kwok Fai Patrick	20,684	-	-	-	20,684
Mr. Lam Raymond Shiu Cheung	20,684	-	-	-	20,684
Non-Executive Director (Note f)					
Mr. Lu Yong	10,514	-	-	-	10,514
	908,590	684,853	229,946	130,283	1,953,672

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(Continued)

Year ended 31 December 2017

	Fees S\$	Salary and allowances S\$	Discretionary Bonus (Note b) S\$	Retirement benefit scheme contributions (Note c) S\$	Total S\$
Executive Directors					
(Note d)					
Mr. Kuah Ann Thia (Note a)	218,691	444,000	–	75,480	738,171
Ms. Dolly Hwa Ai Kim	26,420	365,189	16,344	18,488	426,441
Independent					
Non-Executive					
Directors (Note e)					
Mr. Ong Shen Chieh	5,531	–	–	–	5,531
Mr. Lau Kwok Fai Patrick	5,527	–	–	–	5,527
Mr. Lam Raymond Shiu Cheung	5,527	–	–	–	5,527
	<u>261,696</u>	<u>809,189</u>	<u>16,344</u>	<u>93,968</u>	<u>1,181,197</u>

Note:

- Mr. Kuah Ann Thia acts as the Chairman and chief executive of the Company and his emoluments disclosed above included those for services rendered by him as the chief executive.
- The discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.
- No other retirement benefits were paid to directors in respect of their respective services in connection with the management of the affairs of the Company or its subsidiaries undertaking.
- The executive directors' emoluments shown above were for their services in connection with the management affairs of the Group.
- The independent non-executive directors' emoluments shown above were for their services as directors of the Company.
- The non-executive director's emoluments shown above was for his services as director of the Company.
- None of the directors has waived any remuneration in 2017 and 2018.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(Continued)

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, 2 (2017: 2) were directors of the Company during the year ended 31 December 2018 whose emoluments are included in the disclosures above. The emoluments of the remaining 3 (2017: 3) individuals were as follows:

	Year ended 31 December	
	2018 S\$	2017 S\$
Salaries and allowances	780,000	390,786
Discretionary bonus	224,333	7,324
Contributions to retirement benefits scheme	125,732	37,252
	1,130,065	435,362

Their emoluments were within the following bands presented in Hong Kong Dollars ("HK\$"):

Emolument bands	Number of employees	
	2018	2017
Nil to HK\$1,000,000	–	3
HK\$1,500,001 to HK\$2,500,000	2	–
HK\$2,500,001 to HK\$3,000,000 (Note)	1	–
	3	3

Note: Included in this emolument band is the spouse of an executive director of the Group, who received emoluments as director of four of the Group's subsidiaries and the head of administrative department of the Group. During the year ended 31 December 2018, the individual received salaries, bonus and contributions to retirement benefit scheme of S\$348,000, S\$68,333 and S\$87,040 (2017: S\$120,000, S\$Nil and S\$20,400) respectively.

During both reporting periods, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(Continued)

Employees' emoluments *(Continued)*

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

	2018 S\$	2017 S\$
Group		
Short-term benefits	2,842,960	1,566,034
Post-employment benefits	274,110	160,682
	3,117,070	1,726,716

The remuneration packages of directors and other members of key management were reviewed and approved by the Remuneration Committee.

14. DIVIDEND

No dividend was paid or declared by the group companies for the years ended 31 December 2018 and 2017.

15. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2018	2017
(Loss) Profit attributable to the owners of the Company for the purpose of basic earnings per share (S\$)	(3,538,952)	2,277,773
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,230,000,000	1,071,095,890
Basic and diluted (loss) earnings per share	(0.29) cents	0.21 cents

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.

No diluted (loss) earnings per share has been presented as the Group has no dilutive potential ordinary shares in issue for the years ended 31 December 2018 and 2017.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

16. PROPERTY, PLANT AND EQUIPMENT

	Properties and related structures on leasehold land		Leasehold improvements	Office equipment	Motor vehicles	Furniture and fittings	Computers	Total
	land	improvements						
	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$
Cost								
At 1 January 2017	4,157,552	1,985,672	120,436	1,865,512	140,332	247,689	8,517,193	
Additions	7,533	13,282	2,725	1,019,319	1,964	80,631	1,125,454	
Disposals	-	(100,475)	(10,034)	(504,348)	(24,774)	(71,723)	(711,354)	
At 31 December 2017	4,165,085	1,898,479	113,127	2,380,483	117,522	256,597	8,931,293	
Additions	-	127,372	5,350	388,535	46,780	18,602	586,639	
Disposals	-	-	-	(49,800)	-	-	(49,800)	
Write-off	-	-	-	-	-	(20,000)	(20,000)	
At 31 December 2018	4,165,085	2,025,851	118,477	2,719,218	164,302	255,199	9,448,132	
Accumulated depreciation								
At 1 January 2017	2,068,379	1,813,608	98,861	743,619	120,229	237,471	5,082,167	
Charge for the year	358,988	65,128	13,002	356,453	8,704	33,761	836,036	
Elimination on disposals	-	(100,475)	(10,034)	(441,243)	(24,774)	(71,723)	(648,249)	
At 31 December 2017	2,427,367	1,778,261	101,829	658,829	104,159	199,509	5,269,954	
Charge for the year	359,361	77,869	8,202	482,357	8,919	62,132	998,840	
Elimination on disposals	-	-	-	(36,105)	-	-	(36,105)	
Elimination on write-off	-	-	-	-	-	(20,000)	(20,000)	
At 31 December 2018	2,786,728	1,856,130	110,031	1,105,081	113,078	241,641	6,212,689	
Carrying value								
At 31 December 2018	1,378,357	169,721	8,446	1,614,137	51,224	13,558	3,235,443	
At 31 December 2017	1,737,718	120,218	11,298	1,721,654	13,363	57,088	3,661,339	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis with the following useful lives after taking into account the residual values:

Properties and related structures on leasehold land	Over the terms of lease of 3 – 12 years
Leasehold improvements	Shorter of 3 years or over the lease terms
Office equipment	3 years
Motor vehicles	5 years
Furniture and fittings	3 years
Computers	1 year

Included in the additions of property, plant and equipment are additions to motor vehicles amounting to S\$276,334 (2017: S\$118,000) which were acquired under finance lease arrangements during the year ended 31 December 2018.

The carrying value of below items are assets held under finance leases:

	2018 S\$	2017 S\$
Office equipment	1,576	4,917
Motor vehicles	356,602	116,033
	358,178	120,950

17. INVESTMENT PROPERTY

	Total S\$
Cost	
At 1 January 2017	2,707,893
Additions	279,532
At 31 December 2017 and 2018	2,987,425
Accumulated depreciation	
At 1 January 2017	2,707,893
Charge for the year	33,592
At 31 December 2017	2,741,485
Charge for the year	93,178
At 31 December 2018	2,834,663
Carrying value	
At 31 December 2018	152,762
At 31 December 2017	245,940

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

17. INVESTMENT PROPERTY *(Continued)*

The above investment property is depreciated on a straight-line basis over 3 years.

The Group's property interests are erected on a leasehold land under operating lease (less than 10 years) and held to earn rentals.

At 31 December 2018 and 2017, the fair values of the investment property amounted to S\$4,100,000 and S\$2,800,000 respectively. The fair value as at 31 December 2018 has been arrived at by the management and based on a valuation carried out by RAVIA Global Appraisal Advisory Limited (located at Unit B, 12/F., CKK Commercial Centre, 289 Hennessy Road, Wan Chai, Hong Kong), a Corporate Member of The Hong Kong Institute of Surveyors (General Practice Division) for the year ended 31 December 2018. The fair value as at 31 December 2017 was determined based on the management's estimation that there are no significant changes that they are aware of based on the last valuation performed on 30 April 2017 by RAVIA Global Appraisal Advisory Limited. RAVIA Global Appraisal Advisory Limited is not connected with the Group.

The fair value was determined based on the income approach, where the market rentals of all lettable bed spaces of the property are assessed and discounted at the market yield expected by investors for the type of property. The market rentals are assessed by reference to the rentals achieved in the lettable units of the property as well as other lettings of similar property in the neighbourhood. The discount rate is determined by reference to the yield derived from analysing the sales transactions of similar commercial property in the same area and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment property.

In estimating the fair value of the property, the highest and best use of the property is its current use.

Details of the Group's investment property and information about the fair value hierarchy as at end of the reporting period are as follows:

Woodlands Industrial Park E4 on State Land Lot 5817N PT MK 13 Singapore

	Fair value Level 3
	S\$
– As at 31 December 2017	2,800,000
– As at 31 December 2018	4,100,000

There was no transfer into or out of Level 3 during the years ended 31 December 2018 and 2017.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

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

	2018 S\$	2017 S\$
Convertible bonds, at fair value	–	1,300,000

The Group started to explore business opportunities together with the counterparty in Myanmar, Mines and Mineral, in 2012 as an attempt to expand the sources of foreign manpower. The Group invested significant sum of monies (approximately S\$1 million) since 2012 to about 2015 which was expensed off in the Group's accounts of the respective years, to set up training centres and facilities to train several Myanmar workers employed by Mines and Mineral in view of deploying them to the Singapore market. However, due to legislation reasons those trained workers could not be deployed to Singapore. Hence, the business venture was suspended. Nonetheless, these workers remained employed by Mines and Mineral.

With the improvement of construction industry in Myanmar over the years, the Group subsequently entered into a Memorandum of Understanding with Mines and Mineral on 28 January 2017, to entitle them a share of revenue generated from deployment of those trained workers to local projects as a method to recoup past investments.

In addition, to further boost their presence in the Myanmar market, the Group decided to invest in convertible bonds issued by Mines and Mineral on 13 December 2017. Management was of the view that the investment in convertible bonds will bring significant economic benefits to the Group for three key reasons:

- a) Myanmar's vast infrastructure and building development projects potential that will allow the Group to diversify from its Singapore operations;
- b) A significant project in Myanmar that the CEO felt that Mines and Mineral will be well positioned to supply manpower to the project; and
- c) The track record as per the profit-sharing agreement described above showed that Mines and Mineral was gaining a foothold into certain projects within Myanmar.

Accordingly, for those reasons above, management of the Group was of the view that the fair value of the convertible bonds approximated the cost of the investment given that it was consummated near the end of 31 December 2017.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

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

(Continued)

The proceeds from the convertible bonds were to be issued for:

- a) Leasing of land plots in Myanmar and constructing industrial properties for rental income; and
- b) Building more training facilities for local workers in Myanmar for construction work both local and overseas.

As at 31 December 2017, the convertible bonds issued by the counterparty in Myanmar Mines & Mineral, had nominal values amounting to S\$1,300,000, with interest rate at 8% per annum and maturity date of 31 December 2022. These investments were measured at fair value through profit or loss in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, as they form part of the contract containing one or more embedded derivatives since the Group has the option to convert the convertible bonds to shares from the date of issue of the bonds to the maturity date. Should all the convertible bonds be converted to shares on the date of conversion, it will amount to 30% of share capital of the issuer of the convertible bonds. IAS 39 permits the entire contract to be designated as at fair value through profit or loss.

As at 31 December 2017, S\$620,000 of the bonds issued was paid with the remaining payment made on 31 January 2018.

However, subsequent to the investment, political instabilities have affected the prospect of the Myanmar market, such as the Rohingya crisis and US sanction. To add to this political uncertainty, there were numerous infrastructure and residential projects across the country which were scheduled to commence in 2018 were indefinitely delayed.

In view of this, the management has taken the temporary decision to exit the market to manage the Group's risk exposure.

On 20 December 2018, both parties agreed to terminate the subscription of the convertible bonds due to a significant slowdown in the Myanmar economy since the issuance of the convertible bonds. Mines & Mineral shall return the sum of S\$1,300,000 in 25 equal monthly instalments commencing on 1 May 2019.

Subsequent to the end of the reporting period, it was further agreed with Mines & Mineral that the instalments shall commence on 1 April 2019. The principal sum of S\$1,300,000 has been discounted at an effective interest rate of 16% to its amortised cost of S\$919,478 and is classified as other receivable as at 31 December 2018 (Note 20).

Nonetheless, as the CEO firmly believes in the potential of Mines and Mineral and the opportunities in Myanmar, and as the investment in the convertible bonds was made by the Group as a result of his decision, the CEO has provided a personal guarantee to the Group which allows for his own remuneration to be deducted should Mines and Mineral be in default of scheduled payments (Note 20).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

19. TRADE RECEIVABLES

	2018 S\$	2017 S\$
Trade receivables	9,702,663	8,521,155
Less: loss allowance	(2,156,619)	(609,766)
	7,546,044	7,911,389
Unbilled revenue	-	119,400
	7,546,044	8,030,789

The credit terms to customers range from 3 to 30 days from the invoice date for trade receivables. The following is an analysis of trade receivables net of loss allowance presented based on due date at the end of each reporting period:

	2018 S\$	2017 S\$
Not due	2,849,290	2,934,003
1 to 30 days	3,709,169	2,692,103
31 days to 60 days	663,111	1,089,669
61 days to 90 days	113,377	96,715
91 days to 180 days	66,248	220,634
181 days to 365 days	96,745	878,265
Over 365 days	48,104	-
	7,546,044	7,911,389

The Group does not charge interest or hold any collateral over these balances.

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit limit to each customer on individual basis. Limits attributed to customers are reviewed once a year.

In 2018, loss allowance for trade receivables is measured at an amount equal to lifetime expected credit losses ("ECL"). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation technique or significant assumptions made during the current reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

19. TRADE RECEIVABLES *(Continued)*

The following table details the risk profile of trade receivables from contracts with customers based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

	Trade receivables - days past due							Total S\$
	Not past due	1 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 365 days	Over 365 days	
	S\$	S\$	S\$	S\$	S\$	S\$	S\$	
31 December 2018								
Expected credit loss rate	1.4%	1.3%	4.1%	8.8%	21.2%	86.8%	96.6%	
Estimated total gross carrying amount at default	2,890,790	3,758,007	691,222	124,260	84,022	732,465	1,421,897	9,702,663
Lifetime ECL	(41,500)	(48,838)	(28,111)	(10,883)	(17,774)	(635,720)	(1,373,793)	(2,156,619)
								<u>7,546,044</u>

The table below shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9:

	Lifetime ECL – not credit – impaired S\$	Lifetime ECL – credit – impaired S\$	Total S\$
At 1 January 2018	–	609,766	609,766
Adoption of IFRS 9 (Note 37)	362,009	561,964	923,973
At 1 January 2018 (Adjusted)	362,009	1,171,730	1,533,739
Transfer to credit-impaired	(362,009)	362,009	–
Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement	8,267	614,613	622,880
At 31 December 2018	<u>8,267</u>	<u>2,148,352</u>	<u>2,156,619</u>

Previous accounting policy for impairment of trade receivables

In 2017, trade receivables are considered to be impaired when there is objective evidence of impairment.

In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period and no impairment is considered necessary for those balances which are not past due at each reporting date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

19. TRADE RECEIVABLES *(Continued)*

Previous accounting policy for impairment of trade receivables *(Continued)*

Allowances for doubtful debts were recognised against trade receivables over 90 days based on estimated irrecoverable amounts from the provision of services for each customer, taking into account their creditworthiness, past collection history and past default experience.

Included in the Group's trade receivables were aggregate carrying amounts of S\$4,977,386, which were past due at 31 December 2017, for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and amounts were still considered recoverable based on repayment history of respective customer.

Aging of trade receivables which are past due but not impaired, net of allowance for doubtful debts, based on due date at each reporting date:

	2017 S\$
1 day to 30 days	2,692,103
31 days to 60 days	1,089,669
61 days to 90 days	96,715
91 days to 180 days	220,634
181 days to 365 days	878,265
	<hr/>
	4,977,386

In the opinion of the Group management, the trade receivables as at 31 December 2017 are of good credit quality which considering the high credibility of these customers, good track record with the Group and subsequent settlement, the management believes that no impairment allowance is necessary in respect of the remaining unsettled balances.

Movement in the loss allowance:

	2017 S\$
At 1 January 2017	641,344
Addition	621,517
Reversal	(81,241)
Written off	(571,854)
	<hr/>
At 31 December 2017	609,766

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

20. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018 S\$	2017 S\$
Non-current		
Other receivables from third party (Note)	1,088,851	–
Staff loan	111,977	25,577
	1,200,828	25,577
Current		
Other receivables from third parties (Note)	292,605	1,020,424
Less: loss allowance	(35,114)	–
	257,491	1,020,424
Deposits	490,639	708,344
Sundry debtors	6,336	38,103
Goods and Service Tax (“GST”) receivable	780,367	784,235
Prepayments	183,500	352,570
Advances to suppliers	6,321	–
Advances to a director	190,802	–
Advances to related parties	128,334	–
Advances to staff	45,680	–
Staff loan	29,600	134,855
	2,119,070	3,038,531

Note: The other receivables mainly pertain to receivables arising from the one-off profit sharing arrangement with Mines and Mineral, a third party counterparty in Myanmar, of S\$582,338 and the termination of convertible bonds issued by Mines and Mineral of S\$1,300,000, which was converted to a receivable as disclosed in Notes 7 and 18 respectively.

Subsequent to the end of the reporting period, it was agreed with Mines and Mineral that the sums of S\$582,338 and S\$1,300,000 will be repaid in 20 and 25 equal monthly instalments commencing from 1 September 2019 and 1 April 2019 respectively. The principal sums have been discounted at an effective interest rate of 16% to their amortised cost of S\$411,882 and S\$919,478 respectively. The resulting fair value loss of S\$170,456 and S\$380,522 respectively have been included in profit or loss for the year as part of “other gains and losses” (Note 8).

The CEO and managing director of the Group has provided a personal guarantee to the Group which covers the amounts owing from Mines and Mineral. The guarantee allows for his remuneration to be deducted should Mines and Mineral be in default of scheduled payments.

Advances to a director and related parties, who are close members of the family of the director, are non-trade, interest free and will be settled by means of offset against the future salaries of the counterparties, who are employed by the Group as at 31 December 2018.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

20. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

The following table shows the movement in lifetime ECL that has been recognised for other receivables and deposits:

	Lifetime ECL – credit impaired S\$
At 1 January 2018	–
Net remeasurement of loss allowance	35,114
At 31 December 2018	35,114

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 S\$	2017 S\$
Quoted equity shares	1,425,543	70,000
Dual currency deposits (“ DCD ”)	1,540,728	–
	2,966,271	70,000

The investments in quoted equity securities offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on closing quoted market prices on the last market day of the financial year. Subsequent to the end of the reporting period, the Group disposed a portion of the quoted equity shares held as at 31 December 2018. A gain on disposal of S\$165,454 was recognised in profit or loss for the year ending 31 December 2019.

During the year, the Group invested into DCDs which provide an enhanced guaranteed interest payment at maturity. However, the currency delivered at maturity depends upon a predetermined conversion rate (“**Fixed Rate**”) on the maturity date. The Group will receive the final payment amount at maturity in base (initial) currency if the linked currency strengthens against the base currency. If the linked currency weakens against base currency, the Group will receive final payment amount in linked currency at the Fixed Rate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

The table below describes the Group's holdings in DCD:

Base currency	Linked currency	Fair value as at 31 December 2018	Guaranteed interest rate	Maturity date	Fixed rate
HK\$8,851,862	S\$1,561,175	S\$1,540,728	3.0%	7 January 2019	5.67

The fair value of the Group's DCD falls within Level 2 of the fair value hierarchy.

22. BANK BALANCES AND CASH

	2018 S\$	2017 S\$
Cash at banks	4,111,976	21,745,951
Cash on hand	1,300	1,300
Fixed deposits	11,882,024	–
Cash and cash equivalents in the statement of cash flows	15,995,300	21,747,251

Fixed deposits mature on varying dates between 21 to 28 days from the end of the financial year. The interest rates on the fixed deposits range from 2.0% to 2.2% per annum.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

23. TRADE AND OTHER PAYABLES

	2018	2017
	S\$	S\$
Non-current		
Other payables		
Deferred income (Note 7)	48,003	–
Current		
Trade payables	800,695	1,162,457
Accrued operating expenses	3,747,356	2,750,606
Other payables		
GST payables	1,463,528	1,335,691
Customer deposits received	1,104,066	1,070,717
Payables for convertible bonds (Note 18)	–	680,000
Deferred income (Note 7)	85,071	–
Deferred rent	16,267	–
Others	331,007	382,424
	7,547,990	7,381,895

The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	2018	2017
	S\$	S\$
Within 30 days	324,526	281,789
31 days to 90 days	191,089	161,967
Over 90 days	285,080	718,701
	800,695	1,162,457

The credit period on purchases from suppliers ranges from 7 to 60 days (2017: 7 to 60 days) or payable upon delivery.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

24. CONTRACT LIABILITIES

	2018 S\$	2017 S\$
Amounts received in advance of provision of dormitory and IT services	556,214	–

For customer contracts for provision of dormitory and IT services, revenue is recognised over time although billings for the services are made and payment due prior to provision of the services. A contract liability is recognised for revenue relating to the dormitory and IT services when the payment becomes due and is released over the related service period.

25. OBLIGATIONS UNDER FINANCE LEASES

	2018 S\$	2017 S\$
Analysed for reporting purposes as:		
Current liabilities	62,063	15,540
Non-current liabilities	279,416	73,372
	341,479	88,912

The average lease term is 6 years (2017: 5 years).

	Minimum lease payments		Present value of minimum lease payments	
	2018 S\$	2017 S\$	2018 S\$	2017 S\$
Amounts payable under finance leases:				
Within one year	72,024	18,264	62,063	15,540
In more than one year but no more than two years	68,682	20,256	59,169	17,203
In more than two years but no more than five years	188,800	42,033	162,400	35,411
More than five years	68,008	24,861	57,847	20,758
	397,514	105,414	341,479	88,912
Less: Future finance charges	(56,035)	(16,502)		
Present value of lease obligations	341,479	88,912		
Less: Amount due for settlement within one year (shown under current liabilities)			(62,063)	(15,540)
Amount due for settlement after one year			279,416	73,372

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

25. OBLIGATIONS UNDER FINANCE LEASES *(Continued)*

Interest rates underlying all obligations under finance leases are fixed at their respective contract dates:

	2018	2017
Interest rates	2.50% to 3.00%	2.78% to 3.00%

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets (Note 16).

26. DEFERRED TAX

The following are the major deferred tax (assets) and liabilities recognised by the Group and the movements thereon, during the current and prior reporting periods:

	Accelerated tax depreciation S\$	Unutilised tax losses/ capital allowances S\$	Total S\$
At 1 January 2017	–	–	–
Charged to profit or loss during the year (Note 12)	64,400	–	64,400
Underprovision in prior years (Note 12)	59,100	–	59,100
At 31 December 2017	123,500	–	123,500
Charged (Credited) to profit or loss during the year (Note 12)	53,100	(671,200)	(618,100)
Overprovision in prior years (Note 12)	(4,900)	–	(4,900)
At 31 December 2018	171,700	(671,200)	(499,500)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

26. DEFERRED TAX *(Continued)*

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	2018 S\$	2017 S\$
Deferred tax assets	(589,900)	–
Deferred tax liabilities	90,400	123,500
	(499,500)	123,500

Subject to the agreement by the tax authorities, at the end of the reporting period, the Group has unutilised tax losses of S\$4,684,443 (2017: S\$133,719) available for offset against future profits. A deferred tax asset has been recognised in respect of S\$3,948,023 (2017: S\$Nil) of such losses. No deferred tax asset has been recognised in respect of the remaining S\$736,420 (2017: S\$133,719) due to the unpredictability of future profit streams.

27. SHARE CAPITAL

The issued share capital as at 1 January 2017 represented the share capital of Real Value comprising of 10 shares at a par value of US\$1 each.

On 14 February 2017, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares with a par value of HK\$0.01 each, of which one share was allotted and issued in nil paid form to the initial subscriber, an independent third party and the said share was subsequently transferred to Mighty One on the same date for nil consideration.

On 21 August 2017, Mighty One, the Company and Mr. Kuah entered into a sale and purchase agreement, pursuant to which the Company acquired 10 shares in Real Value, representing its entire issued share capital and in consideration thereof, 999 shares of the Company were issued and allotted to Mighty One, all credited as fully paid.

On 26 September 2017, the authorised share capital of the Company was increased to HK\$20,000,000 divided into 2,000,000,000 shares of HK\$0.01 each, by the creation of an additional 1,962,000,000 shares ranking *pari passu* with the shares then in issue in all respects.

As part of the Share Offer, the Company allotted and issued a total of 1,029,999,000 shares (of which 107,500,000 shares are sale shares) to Mighty One, credited as fully paid at par, by way of capitalisation of the sum of HK\$10,299,990 standing to the credit of the share premium account of the Company (the "**Capitalisation Issue**").

The Company was successfully listed on the Main Board of the Stock Exchange on 17 October 2017 by way of a share offer of 307,500,000 shares (including 107,500,000 sale shares) at the price of HK\$0.52 per share (the "**Share Offer**").

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

27. SHARE CAPITAL *(Continued)*

The movement of the issued share capital of the Company from its date of incorporation to 31 December 2018 and 2017 are as follows:

	No. of shares	S\$
Issued and fully paid ordinary shares:		
– At date of incorporation	1	–
– Shares issued pursuant to the reorganisation	999	2
– Shares issued under the Capitalisation Issue	1,029,999,000	1,794,052
– Shares issued under the Share Offer	200,000,000	348,360
	<hr/>	<hr/>
As at 31 December 2018 and 2017	1,230,000,000	2,142,414

28. SHARE PREMIUM

The amounts of the Group's share premium and the movements therein during the financial years ended 31 December 2018 and 2017 are presented in the consolidated statement of changes in equity.

Share premium represents the excess of consideration for the shares issued over the aggregate par value.

29. BUSINESS COMBINATION

The acquisition of Simplex FM Services Pte. Ltd. ("**Simplex**") was completed on 2 January 2018 ("**date of acquisition**") for cash consideration of S\$145,161 of which S\$115,161 remains unpaid as at 31 December 2018. Management has assessed that the Group has obtained control of Simplex and has the power over Simplex, and is exposed to or has rights to variable returns from its involvement with Simplex and has the ability to use its power to affect its returns. Simplex was acquired so as to continue the expansion of the Group's activities on manpower outsourcing services.

Name of subsidiary	Principal activity	Date of acquisition	Proportion of voting interest acquired %	Consideration exchanged S\$
Simplex FM Services Pte. Ltd.	Provision of manpower services	2 January 2018	100	145,161

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

29. BUSINESS COMBINATION *(Continued)*

Assets acquired and liabilities assumed at the date of acquisition

	S\$
Current assets	
Trade receivables	707,271
Bank balances	114,151
	<hr/>
	821,422
	<hr/>
Current liabilities	
Trade payables – KT&T Engineers	664,651
Trade payables – third party	260
Other payables and accruals	11,350
	<hr/>
	676,261
	<hr/>
Net assets acquired and liabilities assumed	145,161
	<hr/>

Goodwill arising on acquisition

	S\$
Consideration payable	145,161
Less: fair value of identifiable net assets acquired	(145,161)
	<hr/>
Goodwill arising on acquisition	–
	<hr/>

Net cash inflow on acquisition of a subsidiary

	S\$
Consideration paid in cash	(30,000)
Bank balances acquired	114,151
	<hr/>
	84,151
	<hr/>

Impact of acquisition on the results of the Group

Included in the loss for the year is profit of S\$76,606 attributable to the additional business generated by Simplex. Revenue for the year includes S\$2,588,337 in respect of Simplex.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

30. OPERATING LEASE COMMITMENTS

The Group as lessee

	2018 S\$	2017 S\$
Minimum lease payments paid during the year under operating leases in respect of offices, staff dormitories and office equipment	5,677,507	4,973,526

Future minimum rental payable under non-cancellable leases as at the end of reporting period are as follows:

	2018 S\$	2017 S\$
Within one year	5,432,302	3,226,944
After one year but within five years	9,869,814	1,055,899
	15,302,116	4,282,843

The leases as at 31 December 2018 and 2017 have tenures ranging from three to twelve years and no contingent rent provision is included in the contracts.

The Group as lessor

	2018 S\$	2017 S\$
Minimum lease income received during the year under operating leases in respect of workers dormitory and warehouse space	5,604,680	5,695,842

31. RETIREMENT BENEFIT PLAN

As prescribed by the Central Provident Fund (“CPF”) Board of Singapore, the Group’s employees employed in Singapore who are Singapore Citizens or Permanent Residents are required to join the CPF scheme. For each of the financial periods ended 31 December 2018 and 2017, the Group contributes up to 17% of monthly salary with the cap of S\$102,000 per annum per employee.

The total costs charged to profit or loss, amounting to S\$1,169,842 and S\$909,189 for the years ended 31 December 2018 and 2017 respectively, represent contributions paid to the retirement benefits scheme by the Group.

As at 31 December 2018 and 2017, contributions of S\$235,621 and S\$71,658 were due respectively but had not been paid to the CPF. The amounts were paid subsequent to the end of the respective years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

32. CAPITAL RISK 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 obligations under finance leases, as disclosed in Note 25, net of bank balances and cash and equity attributable to owners of the Group, comprising share capital, reserves and accumulated profits.

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 by the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares and new debts.

33. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2018 S\$	2017 S\$
Financial assets		
<i>At amortised cost</i>		
– Trade receivables	7,546,044	–
– Other receivables, deposits and prepayments*	1,984,894	–
– Bank balances and cash	15,995,300	–
	25,526,238	–
<i>At fair value through profit or loss</i>		
– Equity instruments	1,425,543	–
– Derivative instruments not designated in hedge accounting relationships	1,540,728	–
	2,966,271	–
<i>Loans and receivables</i>		
– Trade receivables	–	8,030,789
– Other receivables, deposits and prepayments*	–	1,927,303
– Bank balances and cash	–	21,747,251
	–	31,705,343
Held for trading investments	–	70,000
Other financial assets at fair value through profit or loss	–	1,300,000
	28,492,509	33,075,343

* Prepayments, GST receivables and advances are excluded.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

33. FINANCIAL INSTRUMENTS (Continued)

Categories of financial instruments (Continued)

	2018 S\$	2017 S\$
Financial liabilities		
<i>Amortised cost</i>		
– Trade and other payables**	5,983,124	5,924,764
– Obligations under finance leases	341,479	88,912
	6,324,603	6,013,676

** GST payables, deferred income, deferred rent and advance receipts are excluded.

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables and deposits, financial assets at fair value through profit or loss, bank balances and cash and trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (interest rate risk, currency risk and equity price risk), credit risk and liquidity risk. The policies on how the Group mitigates 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.

(a) Market risks

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk on the variable rate of interest earned on the bank balances. The Group is also exposed to fair value interest rate risk in relation to fixed-rate finance leases.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider interest rate hedging should the need arise.

No sensitivity analysis is prepared as the Group does not expect any material effect on the Group's profit or loss arising from the effects of reasonably possible changes to internet rates on interest bearing financial instruments at the end of the reporting period.

Currency risk

The Group has certain bank balances and trade receivables denominated in US\$ and HK\$ and certain trade payable denominated in US\$ other than the functional currency of respective Group entities, which expose the Group to foreign currency risk.

The Group manages the risk by closely monitoring the movement of the foreign currency rates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

(a) Market risk *(Continued)*

Currency risk *(Continued)*

The carrying amounts of the Group's monetary assets and monetary liabilities denominated in foreign currencies against the functional currency of each respective Group entities at the end of reporting period are as below:

	2018 S\$	2017 S\$
Assets		
– denominated in US\$	414,706	1,011,355
– denominated in HK\$	14,962,609	16,412,946
Liabilities		
– denominated in US\$	–	326,363
– denominated in HK\$	18,162	33,996

If the US\$ strengthens/weakens by 10% against the functional currency of each group entity, the Group's loss (2017: profit) for the year ended 31 December 2018 would decrease/increase by S\$41,471 (2017: increase/decrease by S\$68,499).

If the HK\$ strengthens/weakens by 10% against the functional currency of each group entity, the Group's loss (2017: profit) for the year ended 31 December 2018 would decrease/increase by S\$1,494,447 (2017: increase/decrease by S\$1,637,895).

Equity price risk

The Group is exposed to equity risks arising from equity instruments designated at FVTPL. The Group diversifies its portfolio to manage its price risk arising from investments in equity securities.

If equity prices had been 10% higher/lower, the Group's loss (2017: profit) for the year ended 31 December 2018 would decrease/increase by \$142,554 (2017: increase/decrease by \$7,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2018, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's concentration of credit risk by geographical locations is mainly in Singapore, which accounted for 98.2% and 90.1% of the Group's financial assets as at 31 December 2018 and 31 December 2017 respectively.

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new customer, the Group carries out research on the credit risk of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed when necessary.

In addition, the Group reviews the recoverable amount of each individual trade debt (including trade receivables and amounts due from related parties of trade nature) at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management of the Group considers that the Group's credit risk is significantly reduced.

Approximately 17% of total trade and other receivables outstanding at 31 December 2018 (2017: 24%) were due from top 5 customers which exposed the Group to concentration of credit risk.

Those 5 largest customers are with good creditworthiness based on historical settlement record. In order to minimise the concentration of credit risk, the management has delegated staff responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure follow-up action is taken to recover overdue debts. The management also performs periodic evaluations and customer visits to ensure the Group's exposure to bad debts is not significant and adequate impairment losses are made for irrecoverable amount.

Other than concentration of credit risk on bank deposits and balances placed in 5 reputable banks in which the counterparties are financially sound and on trade receivables from top 5 customers, the Group has no other significant concentration of credit risk on other receivables, with exposure spread over a number of counterparties.

In order to minimise credit risk, the management developed and maintained credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information based on publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(b) Credit risk (Continued)

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

The table below detail the credit quality of the Group's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades.

	Internal Note	credit rating	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
31 December 2018						
Trade receivables	19	(i)	Lifetime ECL (simplified approach)	9,702,663	(2,156,619)	7,546,044
Other receivables	20	Performing	12-month ECL	1,984,894	-	1,984,894
Other receivables	20	In default	Lifetime ECL	35,114	(35,114)	-
					<u>(2,191,733)</u>	

- (i) For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 19 includes further details on the loss allowance for these assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

33. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting its financial obligations as and when they fall due. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. As at 31 December 2018, the Group had unutilised banking facilities of S\$609,816 available for cash drawdown (2017: S\$Nil).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and obligations under finance leases. The table has been drawn up based on the undiscounted cash flows (including interest payments computed using contractual rates) of these liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows, where applicable.

	Weighted average interest rate	On demand or within 3 months S\$	3 to 6 months S\$	6 to 12 months S\$	1 to 5 years S\$	Over 5 years S\$	Total undiscounted cash flows S\$	Carrying amount S\$
31 December 2018								
<i>Non-interest bearing</i>								
Trade payables	N/A	800,695	-	-	-	-	800,695	800,695
Accrued operating expenses	N/A	3,747,356	-	-	-	-	3,747,356	3,747,356
Other payables	N/A	1,435,073	-	-	-	-	1,435,073	1,435,073
<i>Interest bearing</i>								
Obligations under finance leases	4.89%	18,006	18,006	36,012	257,482	68,008	397,514	341,479
		6,001,130	18,006	36,012	257,482	68,008	6,380,638	6,324,603

	Weighted average interest rate	On demand or within 3 months S\$	3 to 6 months S\$	6 to 12 months S\$	1 to 5 years S\$	Over 5 years S\$	Total undiscounted cash flows S\$	Carrying amount S\$
31 December 2017								
<i>Non-interest bearing</i>								
Trade payables	N/A	1,162,457	-	-	-	-	1,162,457	1,162,457
Accrued operating expenses	N/A	2,750,606	-	-	-	-	2,750,606	2,750,606
Other payables	N/A	2,011,701	-	-	-	-	2,011,701	2,011,701
<i>Interest bearing</i>								
Obligations under finance leases	5-5.64%	3,072	5,064	10,128	62,289	24,861	105,414	88,912
		5,927,836	5,064	10,128	62,289	24,861	6,030,178	6,013,676

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

(d) Fair value of financial assets

The carrying amounts of bank balance and cash, and trade and other receivables approximate their respective fair value due to relatively short-term maturity of these financial instruments. For other classes of financial assets, the management considers that the carrying amounts of financial assets recorded at amortised cost in the financial statements approximate their fair value.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of derivative financial instruments are determined (in particular, the valuation techniques(s) and inputs used):

Financial assets	Fair value as at 31 December 2018 S\$	Fair value as at 31 December 2017 S\$	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)
Quoted equity shares	1,425,543	70,000	Level 1	Quoted bid prices in an active market.	n.a.
Dual currency deposits	1,540,728	–	Level 2	Discounted cash flow. Future cash flows are estimated based on observable foreign currency exchange rates at the end of the reporting period.	n.a.
Unquoted convertible bonds	–	1,300,000	Level 3	The fair value of the investment approximates the cost of investment as the convertible bonds were purchased on 13 December 2017.	n.a.

There were no significant transfers between Level 1 and Level 2 of the fair value hierarchy in the current reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

35. PARTICULARS OF SUBSIDIARIES

As at the date of this report, the Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiary	Place of incorporation/ operation and date of incorporation	Issued and fully paid capital	Equity interest attributable to the Company as at 31 December			Principal activities	Notes
			2018	2017	As at the date of this report		
<i>Directly held:</i>							
Real Value Global Limited	BVI, 24 November 2016	US\$10	100%	100%	100%	Investment holding	(a)
<i>Indirectly held:</i>							
Harbour Gold Investments Limited	BVI, 28 November 2016	US\$1	100%	100%	100%	Investment holding	(a)
Leading Elite Global Limited	BVI, 28 November 2016	US\$1	100%	100%	100%	Investment holding	(a)
Priceless Developments Limited	BVI, 13 October 2016	US\$1	100%	100%	100%	Investment holding	(a)
Promising Elite Investments Limited	BVI, 21 September 2016	US\$1	100%	100%	100%	Investment holding	(a)
Tenshi Resources International Pte. Ltd.	Singapore, 14 January 2005	S\$50,000	100%	100%	100%	Provision of manpower services	(b), (c)
Accenovate Engineering Pte. Ltd.	Singapore, 10 May 2006	S\$100,000	100%	100%	100%	Provision of manpower services	(b), (c)
Keito Engineering & Construction Pte. Ltd.	Singapore, 10 August 2005	S\$500,000	100%	100%	100%	Provision of manpower services	(b), (c)
KT&T Engineers and Constructors Pte. Ltd.	Singapore, 22 September 2005	S\$150,000	100%	100%	100%	Provision of manpower services	(b), (c)
KT&T Resources Pte. Ltd.	Singapore, 1 September 2006	S\$50,000	100%	100%	100%	Provision of manpower services	(b), (c)
Nichefield Pte. Ltd.	Singapore, 31 January 2007	S\$150,000	100%	100%	100%	Provision of dormitory services	(b), (c)
Kanon Global Pte. Ltd.	Singapore, 8 October 2013	S\$50,000	100%	100%	100%	Provision of dormitory services	(b), (c)
Accenovate Consulting (Asia) Pte. Ltd.	Singapore, 16 May 2006	S\$200,000	100%	100%	100%	Provision of IT services and construction ancillary services	(b), (c)
KT&T Global Pte. Ltd.	Singapore, 16 April 2009	S\$100,000	100%	100%	100%	Provision of IT services and construction ancillary services	(b), (c)
Simplex FM Services Pte. Ltd.	Singapore, 1 August 2017	S\$50,000	100%	–	100%	Provision of manpower services	(b), (c), (d)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

35. PARTICULARS OF SUBSIDIARIES *(Continued)*

All subsidiaries comprising the Group are limited liability companies and have adopted 31 December as their financial year end date.

None of the subsidiaries had issued any debt securities at the end of the year.

Notes:

- (a) No audited financial statements of the companies have been prepared since their respective date of incorporation as these companies are incorporated in the jurisdiction where there is no statutory audit requirement.
- (b) The statutory financial statements of these companies for the years ended 31 December 2018 and 2017 were prepared in accordance with Financial Reporting Standards in Singapore ("**FRSs**") issued by Accounting Standards Council in Singapore and were audited by Deloitte & Touche LLP, a Singapore certified public accountant registered in Singapore.
- (c) These are the principal subsidiaries of the Company during the years ended 31 December 2018 and 2017.
- (d) Simplex FM Services Pte. Ltd. was acquired on 2 January 2018 (Note 29).

36. NON-CASH TRANSACTION

During the years ended 31 December 2018 and 2017, the additions to property, plant and equipment amounting to S\$276,334 and S\$118,000 respectively were financed by new finance leases.

During the year ended 31 December 2017, the related parties, Labour Solutions Pte. Ltd. and Kenta Training & Testing Services Pte. Ltd. have assigned all their other payables owing to the group entities to a Director of the Company amounting to S\$192,115 and S\$102,000 respectively. These assignments have been settled by way of off-setting amounts owing to the Director for the same amount. The related parties, Tiara Global Pte. Ltd. and Kenta Training & Testing Services Pte. Ltd. have assigned all their trade receivables due from group entities to the Director amounting to S\$178,500 and S\$234,000 respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

37. EFFECTS OF ADOPTION OF IFRS 9 AND IFRS 15

The effects of adopting IFRS 9 and IFRS 15 under the modified retrospective approach are presented and explained below:

(A) Impact on the consolidated statement of financial position as at 1 January 2018 (date of initial application)

	Previously reported as at 31 December 2017 S\$	Adoption of IFRS 9 S\$	Note	Adoption of IFRS 15 S\$	Note	Adjusted as at 1 January 2018 S\$
Current assets						
Trade receivables	8,030,789	(923,973)	(a)	–		7,106,816
Current liabilities						
Trade and other payables	7,381,895	–		(121,400)	(b)	7,260,495
Contract liabilities	–	–		121,400	(b)	121,400
Capital and reserves						
Accumulated profits	10,900,271	(923,973)	(a)	–		9,976,298

(B) Impact on the consolidated statement of financial position as at 31 December 2018 (current reporting period)

	Under previous IFRS S\$	Adoption of IFRS 9 S\$	Note	Adoption of IFRS 15 S\$	Note	Under new IFRS S\$
Current assets						
Trade receivables	9,092,897	(1,546,853)	(a)	–		7,546,044
Current liabilities						
Trade and other payables	8,104,204	–		(556,214)	(b)	7,547,990
Contract liabilities	–	–		556,214	(b)	556,214
Capital and reserves						
Accumulated profits	7,984,199	(1,546,853)	(a)	–		6,437,346

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

37. EFFECTS OF ADOPTION OF IFRS 9 AND IFRS 15 (Continued)

(C) Impact on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 (current reporting period)

	Under previous IFRS S\$	Adoption of IFRS 9 S\$	Note	Adoption of IFRS 15 S\$	Note	Under new IFRS S\$
Other gains and losses	(547,429)	(622,880)	(a)	–		(1,170,309)
Loss before taxation	(3,233,233)	(622,880)	(a)	–		(3,856,113)
Loss after taxation, representing total comprehensive loss for the year	(2,916,072)	(622,880)	(a)	–		(3,538,952)

(D) Impact on the consolidated statement of cash flows for the year ended 31 December 2018 (current reporting period)

The adoption of IFRS 9 and IFRS 15 did not have a material impact on the Group's operating, investing and financing cash flows.

Notes to the reconciliations:

IFRS 9

- (a) The adoption of the IFRS 9 impairment requirements has resulted in additional loss allowance to be recognised.

IFRS 15

- (b) Under IFRS 15, invoices billed to customers in advance of the satisfaction of performance obligations under the contract with customer are recognised as contract liabilities. The balance was previously recognised as part of trade and other payables and so has been reclassified. There was no impact to the statement of profit or loss as a result of these reclassifications.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the statement of financial position and reserves of the Company at the end of the reporting period is as follows:

	2018	2017
	S\$	S\$
ASSETS AND LIABILITIES		
Non-current asset		
Investment in subsidiaries	14	14
Current assets		
Other receivables and prepayments	23,322	9,775
Financial assets at fair value through profit or loss	2,903,271	–
Bank balances	12,046,112	16,400,006
	14,972,705	16,409,781
Current liabilities		
Other payables	373,629	367,720
Amounts due to subsidiary	1,828,340	2,010,999
Amounts due to Controlling Shareholder	7	7
	2,201,976	2,378,726
Net current assets	12,770,729	14,031,055
Total assets less current liabilities, representing net assets	12,770,743	14,031,069
EQUITY		
Capital and reserves		
Share capital	2,142,414	2,142,414
Share premium	14,958,400	14,958,400
Reserves	(4,330,071)	(3,069,745)
Equity attributable to owners of the Company	12,770,743	14,031,069

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(Continued)

	Share capital S\$	Share premium S\$	Accumulated losses S\$	Total S\$
At 14 February 2017 (date of incorporation)	2	–	–	2
Loss and total comprehensive loss for the period	–	–	(3,069,745)	(3,069,745)
Issue of shares under the capitalisation issue (Note 27)	1,794,052	(1,794,052)	–	–
Issue of shares under the share offer (Note 27)	348,360	17,766,357	–	18,114,717
Share issue expenses	–	(1,013,905)	–	(1,013,905)
	<hr/>			
At 31 December 2017	2,142,414	14,958,400	(3,069,745)	14,031,069
Loss and total comprehensive loss for the year	–	–	(1,260,326)	(1,260,326)
	<hr/>			
At 31 December 2018	2,142,414	14,958,400	(4,330,071)	12,770,743

Four Years Financial Summary

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

HIGHLIGHTS OF CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			
	2018 S\$	2017 S\$	2016 S\$	2015 S\$
Revenue	47,457,263	44,441,142	45,050,836	46,091,354
Gross Profit	8,889,834	11,721,271	15,512,476	15,288,042
(Loss)/Profit before income tax	(3,856,113)	3,146,884	7,581,541	7,413,349
(Loss)/Profit for the year, representing total comprehensive income for the year attributable to the owners of the Company	(3,538,952)	2,277,773	6,619,789	6,323,999
(Loss)/Earnings per share – basic and diluted (S\$ cents) ⁽¹⁾	(0.29)	0.21	0.64	0.61

HIGHLIGHTS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December			
	2018 S\$	2017 S\$	2016 S\$	2015 S\$
Assets				
Non current assets	5,178,933	5,220,579	3,435,026	2,793,920
Current assets	28,626,685	32,898,848	23,112,473	19,616,639
Total assets	33,805,618	38,119,427	26,547,499	22,410,559
Liabilities				
Non current liabilities	417,819	196,872	19,813	63,782
Current liabilities	8,499,639	8,571,470	16,555,174	9,154,068
Total liabilities	8,917,458	8,768,342	16,574,987	9,217,850
Total equity	24,888,160	29,351,085	9,972,512	13,192,709
Net assets per share (S\$ cents)⁽²⁾	2.02	2.39	0.97	1.28

Four Years Financial Summary

KEY FINANCIAL RATIOS

		As at 31 December		
	2018	2017	2016	2015
Current ratio (times)	3.4	3.8	1.4	2.1
Gearing ratio (%) ⁽³⁾	1.4%	0.3%	43.2%	4.6%
Gross profit margin (%)	18.7%	26.4%	34.4%	33.2%
(Loss)/Profit for the year margin (%)	(7.5)%	5.1%	14.7%	13.7%
Return on equity (%)	(14.2)%	7.8%	66.4%	47.9%

Notes:

- (1) The calculation of basic earnings per share is based on the profit attributable to owners of the Company and the weighted average number of ordinary shares in issue. For the financial years ended 31 December 2015 and 2016, the weighted average number of ordinary shares is based on the assumption that 1,029,999,999 ordinary shares of the Company are in issue and issuable, comprising an aggregate of 999 ordinary shares in issue and 1,029,999,000 ordinary shares issuable upon capitalisation of share premium, as if the Reorganisation was effective on 1 January 2015. For the financial years ended 31 December 2017 and 2018, the weighted average number of ordinary shares is 1,071,095,890 and 1,230,000,000, respectively. Diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share as there are no potential dilutive ordinary shares during the years.
- (2) Net assets per share is calculated by dividing net assets by the number of ordinary shares in issue as at the respective year end. As at 31 December 2015 and 2016, the number of ordinary shares in issue is based on the assumption that 1,029,999,999 ordinary shares of the Company are in issue and issuable, comprising an aggregate of 999 ordinary shares in issue and 1,029,999,000 ordinary shares issuable upon capitalisation of share premium, as if the Reorganisation was effective on 1 January 2015. As at 31 December 2017 and 2018, the number of ordinary shares in issue is 1,230,000,000 ordinary shares.
- (3) Gearing ratio is calculated by dividing total borrowings (bank borrowings, finance lease obligations and amount due to a director) by total equity as at the end of the respective year.