SHS HOLDINGS LTD.

NEW CORE BUSINESSES TAKING SHAPE

ANNUAL REPORT 2017

CONTENTS

CORPORATE PROFILE

NEW CORE BUSINESSES TAKING SHAPE

As the Group nurtures its new core businesses – namely, Modular Construction and Solar Energy, which were first introduced at different stages in FY2016, their initial contributions are expected in the next 12 months as the first shoots of new growth become evident. COSA Hotel in Christchurch, New Zealand – the Group's first project using its modular construction capabilities – will be completed in the second half of FY2018 while the Group's first solar farm project to be constructed in Bangladesh is expected to be turned on by the end of the first quarter of FY2019.

CORPORATE PROFILE

ABOUT SHS HOLDINGS

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

1. ENGINEERING & CONSTRUCTION

The Group, through its subsidiary TLC Modular Construction, has strong capabilities in modular construction, also known as Pre-fabrication, Pre-finished Volumetric Construction (PPVC) which designs and builds factory-produced, pre-engineered building units that are delivered to site and assembled as large volumetric components or as substantial elements of a building.

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

CORPORATE PROFILE

2. SOLAR ENERGY

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

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

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

On 5 April 2017, the Group signed a memorandum of understanding with Vietnam's Ninh Thuan People's Committee to develop a 300MW solar farm in the province of Ninh Thuan. Currently, the project is awaiting a detailed feasibility study to be conducted, and subsequently the signing of a Power Purchase Agreement.

CORPORATE PROFILE

3. CORROSION PREVENTION

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

4. STRATEGIC INVESTMENTS

In addition to its three core businesses, the Group constantly evaluates strategic investment opportunities that generate shareholder value. It currently has an 8.8% stake in Energy Drilling Pte Ltd, a Singapore-incorporated company primarily engaged in owning and operating offshore drilling vessels, and a stake in Aenergy Holdings Company Limited, an investment holding company with subsidiaries engaged in the business of developing mini-hydropower projects in Indonesia. The Group also held a 30% stake in Heron Bay, a completed executive condominium.

HYDROELECTRIC POWER PLANT

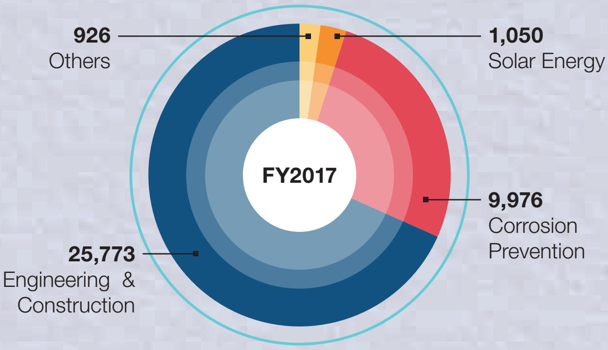
FINANCIAL HIGHLIGHTS

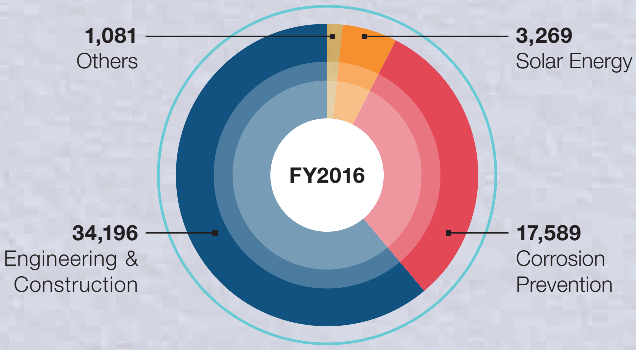
Profit & Loss Account (S$'000)	FY2017	FY2016
Revenue	37,725	56,135
Gross Profit	4,232	15,574
(Loss)/profit before income tax	(20,213)	4,064
(Loss)/profit after income tax		
– Continuing Operations	(20,201)	4,341
– Discontinued Operations	149	7,296
(Loss)/profit Attributable to Equity holders		
– Continuing Operations	(18,376)	4,494
– Discontinued Operations	149	7,296
Per Share Data (Cents)		
Earnings Per Share – Basic	(2.66)	1.78
Earnings Per Share – Basic (Continuing Operations)	(2.68)	0.68
Net Asset Backing	29.68	31.79
Dividends	0.20	0.25

Statement of Financial Position (S$'000)	FY2017	FY2016
Total Assets	253,589	248,632
Total Liabilities	47,331	28,804
Shareholders' Equity	203,320	217,777
Non-Controlling Interests	2,938	2,051
Total Equity	206,258	219,828

Revenue by Business Segments (Continuing Operations) (S$'000)	FY2017	FY2016
Corrosion Prevention	9,976	17,589
Engineering & Construction	25,773	34,196
Solar Energy	1,050	3,269
Others	926	1,081

REVENUE BY BUSINESS SEGMENT (S$'000)





MESSAGE FROM THE CHAIRMAN AND GROUP CEO

DEAR SHAREHOLDERS,

FY2017 was an extremely difficult year for the Group, with all core segments performing well below, resulting in our dismal financial results – Group revenue from continuing operations declined 33% to S$37.7 million, leading to a net loss attributable to equity holders from continuing operations of S$18.4 million, which included a one-off exceptional impairment charge of goodwill of S$9.6 million.

However, we are gratified that the worst may be over and FY2018 promises to be an exciting watershed year for our Group, as our investments in two new core businesses move out of gestation, and start to bear fruit.

FIRST FRUITS

Our modular construction business began with the acquisition of a 60% stake in TLC Modular Construction Joint Stock Company (TLC), a Vietnam-based company with extensive know-how in modular construction, in February 2017. Following the acquisition, the Group nurtured TLC to be in a better position to penetrate into the Australasia and Singapore markets. We are pleased to report that our inaugural volumetric project – the construction of the COSA Hotel in Christchurch, New Zealand, is expected to achieve practical completion by the second half of FY2018, while our first pre-fabricated bathroom project for Lendlease in Singapore is targeted to complete in the third quarter of FY2018.

Meanwhile, our solar energy business, through our subsidiary HDFC SinPower Limited, will focus on completing our first 50MW solar power plant project in Bangladesh by the first quarter of FY2019.

These two strategically significant projects will push into high gear the Group's transformation into an engineering & construction as well as solar energy company, and we expect our performance for FY2018 to be better than the previous year.

DIVIDENDS

In view of the promising prospects of the Group, the Directors are proposing a first and final dividend of 0.20 Singapore cents as a gesture of our appreciation for your support. This is subject to shareholders' approval at the forthcoming Annual General Meeting to be held on 27 April 2018. If approved, the dividend will be disbursed on 24 May 2018.

BUSINESS PROSPECTS

Moving ahead, the Group envisages that the business landscape for FY2018 is showing signs of improvement. Both of our new core businesses (modular construction and solar energy business) are gaining traction coming out from their development phases, while the two existing core businesses (corrosion prevention and structural engineering business) are gradually turning around.

Our modular construction activities are currently centred on the New Zealand market, which is experiencing growth in tourism and a severe shortage of affordable homes. We are also busy with existing contracts in Singapore and Australia. With growing market acceptance of our proven technology in modular construction, we are cautiously optimistic that more contracts will follow, particularly in New Zealand, as our new technology gains acceptance with its Government's support, and in Singapore, as our first pre-fabricated bathroom project in Singapore completes in the third quarter of FY2018. Whilst the development of our modular construction business in Australasia is progressing robustly, our structural engineering business in Singapore remains challenging as the construction sector remains weak, and the competitive environment continues to add pressure on margins for our Hetat Holdings' structural engineering business in FY2018.

On 25 July 2017, Hetat Holdings, signed a three-party joint venture agreement with Japan's leading precision staircase manufacturer, Yokomori Mfg. Co., Ltd, and global steel trader Marubeni-Itochu Steel Inc, to produce and sell steel staircases in Singapore. We are

MESSAGE FROM THE CHAIRMAN AND GROUP CEO

pleased to be able to partner with such industry giants in bringing their cutting-edge expertise to Singapore. We believe that this will add value to the standards of buildability in Singapore's constructor industry, which is undergoing transformation in productivity and technology. Together with our rising capabilities in modular construction, we believe that our newly-acquired capability in precision steel staircases will further boost our value propositions to our customers – both existing and new.

The Group's solar energy segment will not only see the Bangladesh project come to fruition by the first quarter of FY2019, we will also increase our efforts at securing new orders for roof-top solar projects and reap value from existing projects on hand. This segment is expected to be profitable for the Group.

In addition, Group's wholly-owned subsidiary, Sinenergy Holdings, signed a memorandum of understanding with Vietnam's Ninh Thuan People's Committee to develop a 300MW solar farm on agricultural land in the province of Ninh Thuan. This follows an extensive feasibility study into the potential of harnessing solar energy in Vietnam, with the conclusion that Ninh Thuan is the most suitable location for such as project. Before we proceed to sign an Implementation Agreement with the Vietnamese government, there needs to be a detailed feasibility study to be conducted, the issue of an investment licence, and the conclusion of a solar power policy and legislation to be ratified by the Vietnamese government.

We are gratified to see the gradual recovery of oil prices that are now sustaining the above psychological US$60, signaling that the worst may be over for our marine, offshore oil and gas sector, as well as our corrosion prevention business. We expect our corrosion prevention business to improve from now on, but the jury is still out as to whether these can return to profitability anytime soon. Notwithstanding, we intend to continue with our cost rationalization and productivity enhancement strategies in order to maintain an efficient cost structure while focusing on delivering value to our customers.

SUSTAINABILITY REPORT

In complying with the Singapore Exchange's requirement for all listed companies to publish sustainability reports from FY2017, we are presenting our maiden report which is publishing from pages 14 to 31 of this Annual Report. By doing so, we hope to align our long-term business strategies with the universal values of achieving positive and sustainable outcomes for all of our stakeholders.

ACKNOWLEDGEMENT

These are exciting times for SHS, and we are hoping for a bountiful harvest in the years to come. Before that happens, there is still a lot of hard work for us to do. Moving ahead, we are determined, more than ever before, to be united and focused on delivering shareholder value.

On 1 March 2018, Mr Chew Hoe Soon resigned as Non-Executive and Independent Director as well as Chairman of the Board. We wish to record our appreciation to Mr Chew for his contribution and guidance during his tenure and wish him well in his future endeavours.

In addition, Independent Director Mr Lee Gee Aik, who is also the Chairman of the Audit Committee and a member of the Remuneration Committee, has kindly consented to be appointed as our Lead Independent Director. We thank him for taking on this added responsibility and leadership.

We would also like to take this opportunity to thank our colleagues on the Board for their support and counsel, our management and staff for their commitment and diligence. We also appreciate the support of our shareholders, and look forward to a fruitful Annual General Meeting.

Have a great and rewarding year ahead!

TENG CHOON KIAT
Non-Executive,
Non-Independent Chairman

HENRY NG HAN KOK
Group Chief Executive Officer

OPERATIONS AND FINANCIAL REVIEW

For the full year ended 31 December 2017 ("FY17"), the Group achieved revenue of S$37.7 million from continuing operations, a decline of 33% from S$56.1 million in FY16, due to lower contribution from the Corrosion Prevention ("CP"), Engineering & Construction ("E&C") and Solar Energy segments. The Group's net loss attributable to equity holders from continuing operations was S$18.4 million in FY17. This included a one-off exceptional impairment charge on goodwill amounting to S$9.6 million. Profit from discontinued operations in FY16 relates to the post completion payment adjustment received from Brenntag for the disposal of the Refine Petroleum Business segment.

S$'000	FY17	FY16	Change
Revenue	37,725	56,135	(33%)
Net profit attributable to shareholders			
– Continuing Operations	(18,376)	4,494	NM
– Discontinued Operations	149	7,296	(98%)
	(18,227)	**11,790**	**NM**

Gross profit declined 73% year-on-year to S$4.2 million, due to the overall lower revenue achieved and costs over-runs incurred in a few structural steel projects under the E&C segment. As a result, gross profit margin declined from 27.7% in FY16 to 11.2% in FY17.

Other income in FY17 was 27% lower due to the absence of the unrealized exchange gain arising from the depreciation of the Mongolian currency and the appreciating USD that was recorded in FY16, lower interest income earned due to lower excess cash placed in fixed deposits and lower interest yield.

Total operating expenses increased 78% to S$25.8 million in FY17, largely driven by the impairment charge on goodwill and higher selling and distribution expenses following the inclusion of the modular construction business that was acquired in early February 2017. A S$9.6 million impairment was taken on the goodwill arising from the acquisition of the Structural Steel Engineering business in 2014, as the business had been hit by slowing orders and compressed margins.

The Group's share of associates' loss was S$0.6 million in FY17, as the final two units from the Heron Bay project was disposed of at a loss in 1Q17. This was coupled with the higher loss incurred from the mini-hydro power projects undertaken by Aenergy as the Indonesian projects are still in the development phase.

As a result, the Group achieved net loss attributable to shareholders from continuing operations of S$18.4 million in FY17, compared with a profit of S$4.5 million in FY16.

The Group's financial position remained healthy, with net assets at S$203.3 million as at 31 December 2017. This translates into net asset value per share of 29.68 Singapore cents. Its cash and cash equivalents declined from S$70.8 million as at 31 December 2016 to S$49.1 million as at 31 December 2017, mainly due to (i) cash outflow from operations to fund working capital used for the modular construction and solar projects currently in progress, and (ii) cash used in investing activities due to the redevelopment of Hetat factory and office building, the purchase of land in Bangladesh for the Solar Energy segment and the payment in relation to the acquisition of TLC Modular Construction Joint Stock Company in Vietnam, offset by the dividends received from its investment and associated companies.

SEGMENTAL RESULTS

CONTINUING OPERATIONS

S$'000	FY17	FY16	Change
Corrosion Prevention ("CP")			
– Revenue	9,976	17,589	(43%)
– Gross Profit	1,058	4,954	(79%)
Engineering & Construction ("E&C")			
– Revenue	25,773	34,196	(25%)
– Gross Profit	3,155	9,934	(68%)
Solar Energy			
– Revenue	1,050	3,269	(68%)
– Gross Profit	(238)	239	NM

OPERATIONS AND FINANCIAL REVIEW

CORROSION PREVENTION

Revenue from the CP segment declined 43% year-on-year to S$10.0 million in FY17, as the Marine, Offshore Oil and Gas sectors remained in the doldrums as oil prices remained low, only crossing the US$60 psychological barrier in January 2018. As a result, gross profit was 79% lower year-on-year to S$1.1 million. Underutilization of its factory capacity and equipment, as well as pricing pressures downed gross profit margin for FY17 to 10.6%, from 28.2% in FY16.

ENGINEERING AND CONSTRUCTION

Revenue from the E&C segment declined 25% year-on-year to S$25.8 million in FY17, mainly due to the slowdown in the construction sector in Singapore, which resulted in fewer orders coupled with delays in the start of projects on hand. This coupled with cost overruns on a few structural steel projects resulted in gross profit declining 68% to S$3.2 million with gross profit margin of 12.2% in FY17.

Contribution from the newly acquired modular construction business in FY17 was insignificant as revenue from projects on hand are only recognized upon completion, which will largely be in FY18. These projects are progressing well and on track.

SOLAR ENERGY

Revenue from the Solar Energy segment was 68% lower year-on-year at S$1.0 million, as it had completed the 3.6MW solar project for SATS in Singapore in 4Q16. The lower revenue was also due to the delay in a few projects in 4Q17 to FY18. As a result, coupled with still being in the business development phase, the segment recorded a loss of S$238,000 in FY17.

OUTLOOK

The business landscape in FY18 is showing signs of improvement. Some of the earlier initiatives taken by the Group for its modular construction business and its solar energy segment are gaining traction. With these, the Group expects FY18 performance to improve.

On the back of a weakened prospect in the construction sector in Singapore, the Group's engineering business continues to face margin pressures in an increasingly competitive industry. The Group will continue to take steps to remain efficient and nimble under the challenging operating environment.

The Group's modular construction business, through its 60% stake in TLC Modular Construction Joint Stock Company, Vietnam, has successfully entered the New Zealand market with the delivery of the first modular hotel in Christchurch expected to take place in 2H18. The Group is cautiously optimistic that more modular contracts will follow as this new technology gains acceptance.

The Solar Energy segment is expected to be profitable as the Group focuses on developing the 50MW Bangladesh project, with completion targeted for 1Q19. At the same time, the Group will continue to secure new orders for roof-top solar projects and reap value from existing projects on hand.

With gradual recovery of oil prices, the Group expects some recovery in the Marine, Offshore Oil and Gas sector, and therefore an improvement in demand for its CP services. While the Group expects contribution from the CP segment in FY18 to improve over the last year, it is uncertain of the segment's profitability. The Group will continue its cost rationalisation exercise and enhance productivity to maintain an appropriate and efficient cost structure, while focusing on delivering value from its improved orders.

BOARD OF DIRECTORS

MR TENG CHOON KIAT NON-EXECUTIVE AND NON-INDEPENDENT CHAIRMAN

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

MR NG HAN KOK, HENRY EXECUTIVE DIRECTOR & GROUP CHIEF EXECUTIVE OFFICER

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

MR LIM SIOK KWEE, THOMAS EXECUTIVE DIRECTOR AND CEO CORROSION PREVENTION SERVICES

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

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

MR GOH KOON SENG EXECUTIVE DIRECTOR & GROUP CHIEF FINANCIAL OFFICER

Mr Goh Koon Seng was appointed as Executive Director of SHS Holdings Ltd. on 12 July 2010. Effective from 31 December 2015, Mr Goh is designated Director and Group Chief Financial Officer and is responsible for all financial aspects of the Group, including financial planning and analysis, corporate finance and accounting, internal controls, financial reporting and treasury functions. Between 12 July 2010 and 30 December 2015, Mr Goh was the designated Director and Group Chief Operating Officer responsible for the management of the day-to-day business operations of the corrosion prevention business as well as supporting the Executive Chairman and Group CEO in carrying out their roles and responsibilities and on the Group's corporate and business development matters. From 2006 to 2007, Mr Goh was the Group's Chief Financial Officer and Joint Company Secretary. He rejoined the Group from Jiutian Chemical Group Limited where he was Chief Financial Officer from 2007 to 2010. Mr Goh was also previously the General Manager (Singapore, Indonesia, Philippines and Brunei) of Cerebos Pacific Ltd, where he held a number of senior finance and management positions over a span of 16 years from 1990. He holds a Bachelor of Accountancy degree (Honours) from the National University of Singapore. He is a Certified Public Accountant and a member of the Institute of Singapore Chartered Accountants.

BOARD OF DIRECTORS

MR LEE GEE AIK LEAD INDEPENDENT DIRECTOR

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

Mr Lee is a Fellow of the Association of Chartered Certified Accountants (UK) and the Institute of Singapore Chartered Accountants. He also obtained a Master in Business Administration from The Henley Management College, United Kingdom. He has been re-appointed by the Ministry of Health to serve as Lay Person member of the Complaints Panel of the Singapore Pharmacy Council from 1 May 2014 to 30 April 2017. He is also independent director of Anchun International Holdings Limited, Astaka Holdings Limited and Uni-Asia Group Limited.

MR OH ENG BIN, KENNETH INDEPENDENT DIRECTOR

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

DR LEE KUO CHUEN DAVID INDEPENDENT DIRECTOR

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

GROUP MANAGEMENT AND PERSONNEL

SHS GROUP

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

MR. GOH KOON SENG Executive Director & Group Chief Financial Officer

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

ENGINEERING & CONSTRUCTION

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

MR. GOH KOON SENG Executive Director & Group Chief Financial Officer

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

MR. WANG FENG JUNG, WILLIE Contracts & Commercial Director

MR. CARMELO RAMOS GACAYAN Senior Technical Manager

MS. SEE BEE LIAN Procurement Manager

MR. YANNAM SWARNY REDDY Production Manager

MS. TEO SOO FANG, TRACY Group Finance Manager

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

MR. MAHALINGAM KALIMUTHU KUMAR EHS Manager

CORROSION PREVENTION

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

MR. GOH KOON SENG Executive Director & Group Chief Financial Officer

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

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

MR. LIM PENG CHENG Production Manager (Plant Operations)

MR. GOH SIA TECK Commercial Manager (Site)

MS. TEO SOO FANG, TRACY Group Finance Manager

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

MR. MAHALINGAM KALIMUTHU KUMAR EHS Manager

SOLAR ENERGY

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

MR. GOH KOON SENG Executive Director & Group Chief Financial Officer

MR. LEE YIN YEE, PHILIP Chief Operating Officer

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

MR. RICHANAND MISHRA General Manager

MS. KEE AI LING , IRENE Assistant Finance Manager

CORPORATE INFORMATION

BOARD OF DIRECTORS

Teng Choon Kiat Non-Independent and Non-Executive Chairman

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

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

Goh Koon Seng Executive Director & Group Chief Financial Officer

Lee Gee Aik Lead Independent Director

Lee Kuo Chuen, David Independent Director

Oh Eng Bin, Kenneth Independent Director

AUDIT COMMITTEE

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

NOMINATING COMMITTEE

Lee Kuo Chuen, David (Chairman)
Oh Eng Bin, Kenneth
Ng Han Kok, Henry

REMUNERATION COMMITTEE

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

COMPANY SECRETARIES

Lai Kuan Loong, Victor

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

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SUSTAINABILITY REPORT

SUSTAINABILITY REPORT

BOARD STATEMENT 102-14

We are pleased to present the first Sustainability Report (the "Report") of SHS Holdings Ltd. ("SHS" or the "Group"). This Report aims to inform stakeholders of SHS about our sustainability performance in a transparent and accountable manner. The Report covers the Group's strategies, initiatives and performance in relation to economic, environmental, social and governance issues.

Our Report draws on the internationally recognized framework Global Reporting Initiative's ("GRI") Sustainability Reporting Standards. In 2016, the Singapore Exchange ("SGX") introduced sustainability reporting on a "comply or explain" basis for financial years ("FY") ending on or after 31 December 2017.

At SHS, we recognize that sustainability forms an integral part of our operations and strategies, and we strive to drive our operations in the direction in which we can contribute positively to all our stakeholders. We have identified 12 indicators that matter most to our business, and to both internal and external stakeholders. These material issues are taken into account through our five sustainability strategies – environmental sustainability, human capital, health & safety, quality and business integrity.

ENVIRONMENTAL SUSTAINABILITY

We recognize that there is a need to combat climate change today and SHS is committed to minimize our environmental impact by focusing on reducing the energy footprint of our most significant energy consumption – electricity, while concurrently balancing our commercial needs.

During the year, we adopted the following efforts to save electricity:

- Replacing office lighting to LED lights.
- Programming all air-conditioning units to switch-off half-an hour after the official close of business time.
- Building a culture of environmental consciousness among staff. This includes reminding staff to switch-off air-conditioning units and lights when not in use.

Our Sustainability Strategies

SUSTAINABILITY REPORT

HUMAN CAPITAL

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

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

HEALTH AND SAFETY

The safety of our employees is our first and foremost priority. We are committed to provide a safe and healthy workplace for our employees.

The Group has processes in place to identify, mitigate and report risks, as well as communicate best practices. We have implemented initiatives such as conducting daily toolbox meetings to discuss hazards and risks involved in the daily production activities, as well as preventive measures to be taken while performing daily operations. Monthly Health, Safety & Fire and Environment ("HSE") inspections are conducted to identify potential health and safety hazards. Subsequently, results of the inspections will be discussed during monthly HSE meetings held.

The Accident Frequency Rate and Accident Severity Rate in 2017 is the lowest in 5 years, reflecting the effectiveness of the health and safety processes established by the Group.

QUALITY

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

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

BUSINESS INTEGRITY

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

LOOKING AHEAD

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

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

MR. TENG CHOON KIAT
Chairman, Board of Directors

SUSTAINABILITY REPORT

OUR APPROACH TO SUSTAINABILITY

GRI GUIDELINES

This Report is prepared based on the GRI Sustainability Reporting Standards 2016, in accordance with the Core option. The GRI content index and relevant references are provided on pages 29 – 31. We have not sought external assurance for this reporting period. 102-54 102-56

REPORTING PERIOD

SHS's Sustainability Report is published on an annual basis. This is the first year SHS is preparing the Report, which covers the Financial Year ("FY") 2017 for the period 1 January 2017 to 31 December 2017. 102-49 102-50 102-51 102-52

REPORTING SCOPE

The data, statistics and improvement targets in the Report relate to SHS's Corrosion Prevention and Structural Steel and Facade operations in Singapore, unless stated otherwise. Two other businesses, Modular Construction and Solar Energy, are still in the development phase in FY17. These two businesses will be incorporated into the Report from FY18. 102-45

There are no restatements of information in this report. 102-48

FEEDBACK

Our stakeholders' views are important to us and we welcome feedback on this Report and any aspect of our sustainability performance. You may provide feedback to the Executive Sustainability Committee Chairman (Ng Han Kok, Henry), at henry@shsholdings.com.sg. 102-53

OUR SUSTAINABILITY STRUCTURE

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

OUR SUSTAINABILITY STRATEGY

SUSTAINABILITY REPORT

SHS's sustainability strategy – environmental sustainability, human capital, health and safety, quality and business integrity, was formalized by the Executive Sustainability Committee in 2017. SHS places sustainability at the core of our strategy and operations to create sustainable value for all our stakeholders.

STAKEHOLDER ENGAGEMENT

Collaboration with our stakeholders supports us in addressing sustainability challenges and opportunities. We engage with our stakeholders regularly and incorporate relevant and appropriate feedback into our planning and actions. 102-40 102-42 102-43 102-44

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

SUSTAINABILITY REPORT

MATERIALITY REVIEW PROCESS

The materiality principle is applied to define the content of the Report. As part of SHS's process to determine materiality, an internal strategy review and sustainability workshop moderated by an external consultant were organized during the year. During these sessions, the Group reviewed its vision, mission and core values, strategic direction, sustainability impacts and material topics.

We reflected on significant economic, environmental and social impacts to determine aspects that are material to the organization. As a result, indicators of the GRI's Sustainability Reporting Standards 2016 were assessed and we identified the following 12 indicators during the assessment conducted. The materiality assessment was subsequently endorsed by the Board of Directors. 102-46 102-47

Environment		
Energy	302-1	Energy Consumption within the Organization
	302-4	Reduction of Energy Consumption
Effluents & Waste	306-2	Waste by Type and Disposal method
Compliance	307-1	Non-compliance with environmental laws and regulations

Economic		
Economic Performance	201-1	Direct Economic Value Generated and Distributed

Social		
Anti-Corruption	205-2	Communication and Training on Anti-Corruption policies and procedures
	205-3	Confirmed Incidents of Corruption and Actions taken
Employment	401-1	New employee hires and employee turnover
Occupational Health & Safety	403-2	Type of Injury and Rates of Injury, Occupational diseases, Lost days, and Absenteeism, and number of Work-Related Fatalities
Non-discrimination	406-1	Incidents of discrimination and corrective actions taken
Customer Health & Safety	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services
Compliance	419-1	Non-compliance with laws and regulations in the social and economic area

SUSTAINABILITY REPORT

Strategies	GRI Indicators		
Environmental Sustainability	**Environment**		
	Energy	302-1	Energy Consumption within the Organization
		302-4	Reduction of Energy Consumption
	Effluents & Waste	306-2	Waste by Type and Disposal method
	Compliance	307-1	Non-compliance with environmental laws and regulations
Human Capital	**Social**		
	Employment	401-1	New employee hires and employee turnover
	Non-discrimination	406-1	Incidents of discrimination and corrective actions taken
	Compliance	419-1	Non-compliance with laws and regulations in the social and economic area
Health & Safety	**Social**		
	Occupational Health & Safety	403-2	Type of Injury and Rates of Injury, Occupational diseases, Lost days, and Absenteeism, and number of Work-Related Fatalities
Quality	**Social**		
	Customer Health & Safety	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services
Business Integrity	**Social**		
	Anti-Corruption	205-2	Communication and Training on Anti-Corruption policies and procedures
		205-3	Confirmed Incidents of Corruption and Actions taken

BUSINESS INTEGRITY

COMMUNICATION ON ANTI-CORRUPTION

Corporate governance, transparency and business ethics are the core of SHS.

The Group's zero tolerance position towards corruption and fraud is reflected in the "Whistle Blowing Policy" and "Code of Conduct" policies. The policies establish the business conduct expected of all employees, processes and actions to be taken in the event of any reportable conduct, as well as the Group's stance to avoid conflicts of interests with stakeholders. 205-2

No incidence of corruption involving our employees or business partners was reported in 2017. 205-3

SUSTAINABILITY REPORT

CARING FOR THE ENVIRONMENT

ENVIRONMENTAL SUSTAINABILITY

What we did in 2017

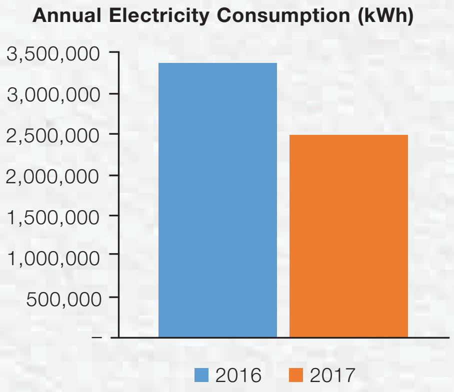
- Switched to the use of LED lights in our new office.
- Programming all air-conditioning units to switch-off half-an hour after the official close of business time.
- Recycling of left-over steel from production.
- Initiatives to raise awareness on saving water were implemented, such as putting up "Save Water" notices at constructions sites.
- Actively encouraged staff to participate in the HSE campaign.

What we plan to do

- Plans are underway to replace lighting units for remaining offices to LED.
- To achieve full employee participation in SHS's environmental initiatives through the HSE campaign.
- For Engineering & Construction and Solar Energy business units, achieve savings in electricity consumption by using solar energy in the second half of FY2018 during day time.

ENERGY CONSUMPTION 302-1

SHS's primary source of energy demand is electricity. Electricity is used to power the machines and is purchased from the national energy grid. Electricity consumption is monitored across the various business units, and in line with the Group's business activities.



In FY2017, SHS consumed 2,489,227 kWh of electricity as compared to 3,368,505 kWh in FY2016. This decrease is in line with the decline in business activities of FY2017.

We plan to further improve our electricity-saving efforts through continuously educating our employees on the importance of environmental sustainability.

SUSTAINABILITY REPORT

REDUCTION OF ENERGY CONSUMPTION 302-4

The Group recognizes the importance of reducing energy consumption and has introduced the following initiatives in 2017 in an effort to save electricity:

- Replacing office lighting to LED lights.
- Programming all air-conditioning units to switch-off half-an hour after the official close of business time.
- Building a culture of environmental consciousness among staff, which includes reminding staff to switch-off air-conditioning units and lights when not in use.

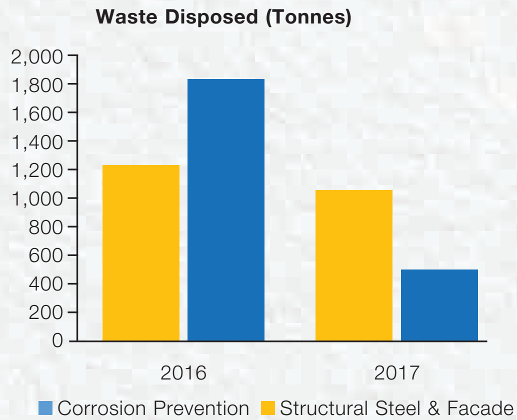
In addition, SHS is installing solar panels at its current building as a clean alternative energy source in 2018.

WASTE 306-2

Waste generated by SHS include scrap, copper, slag, grit, paint and office consumables.

Non-hazardous wastes such as scrap, copper and slag are recycled, while hazardous wastes such as grit and paint are incinerated. SHS only works with licensed waste collection vendors to ensure that disposal of hazardous wastes are compliant with government regulations.

A total of 1,538 tonnes of waste was disposed in 2017 as compared to 2,955 tonnes in 2016.



COMPLIANCE 307-1

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

SUSTAINABILITY REPORT

OUR EMPLOYEES

HUMAN CAPITAL

What we did in 2017

- Orientation programs for all new employees addressing health and safety, relevant knowledge and skills, have been introduced.
- Periodic trainings, both internal and external, are provided to employees with the aim of enhancing their knowledge, skills and capabilities.

What we plan to do

- Ensure that continuous trainings are provided to all employees.
- Continue to focus on building a rewarding culture in the Company.

WORKFORCE

SHS employed 390 people as at December 2017.

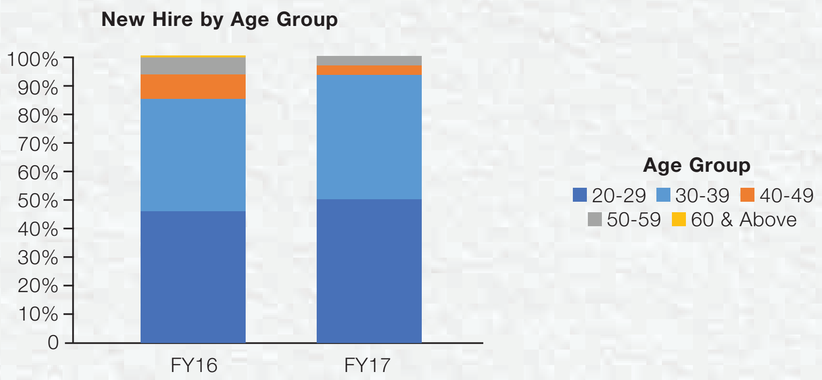
Our employee profile is skewed towards males in the 20-39 age group due to the nature of the engineering and construction industry and corrosion prevention industry. However, for other corporate functions, the male to female ratio is more balanced, at 47% to 53% respectively.

We firmly believe in equal employment opportunities to all regardless of nationality, gender or age, and discrimination of any kind is not tolerated. While there is no employee union established, our hiring policies ensure that recruitment is based on qualifications, skills and competency of individuals. 102-8 102-41 401-1

COMPLIANCE

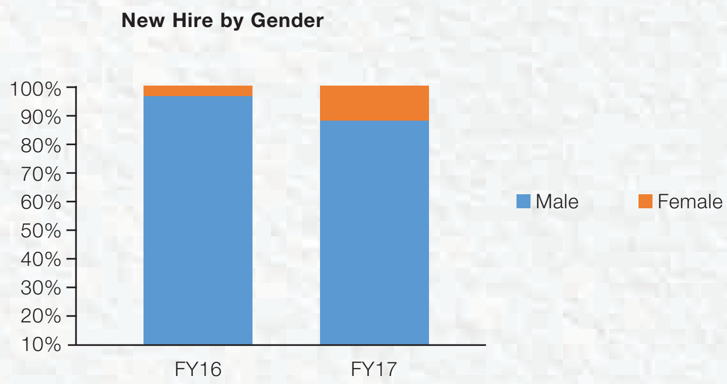
There was no incidence of discrimination raised by our employees in 2017; and SHS is not aware of any violations of laws and regulations relating to the economic and social areas in 2017. 406-1 419-1

NEW EMPLOYEE HIRES 401-1

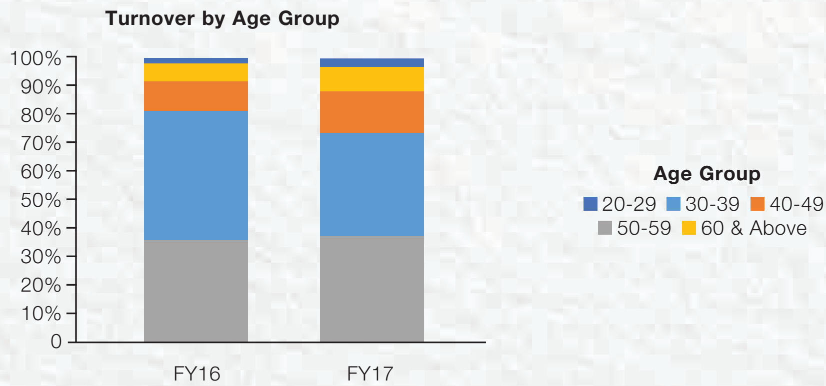


	Age Group						
Year	20-29	30-39	40-49	50-59	60 & Above	Total New Hires during the year	Total No. of Employees
FY16	70	60	13	9	1	153	531
FY17	15	13	1	1	–	30	390

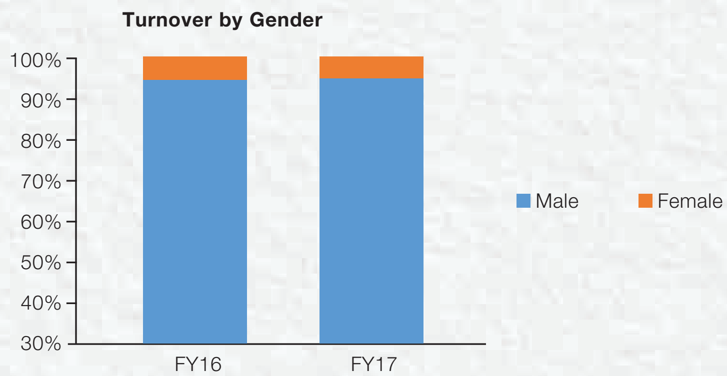
SUSTAINABILITY REPORT



	Gender			
Year	Male	Female	Total New Hires during the year	Total No. of Employees
FY16	147	6	153	531
FY17	26	4	30	390



	Age Group						
Year	20-29	30-39	40-49	50-59	60 & Above	Total Turnover	Total No. of Employees
FY16	52	66	15	9	3	145	531
FY17	64	62	25	15	5	171	390



	Gender			
Year	Male	Female	Total Turnover	Total No. of Employees
FY16	133	12	145	531
FY17	158	13	171	390

SUSTAINABILITY REPORT

SAFETY AT SHS

HEALTH & SAFETY

What we did in 2017

- An orientation programme on workplace health and safety for all new employees was implemented.
- Regular sharing sessions on industrial accident case studies have been conducted to build awareness on potential safety hazards.
- Weekly & monthly HSE meetings and inspections have been performed.
- Refresher trainings on workplace health and safety have been conducted by both in-house and externally engaged trainers.
- Re-certification audits for Occupational Health and Safety Assessment Series 18001 have been conducted.

What we plan to do

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

SHS is committed to ensuring the health and safety of our employees.

The Group recognises the potential health and safety risks that may arise from business operations, and has established the HSE Committee to oversee workplace health and safety matters. The HSE Committee is responsible for identifying and addressing potential operational risks, investigating accidents, as well as providing safety briefings to employees.

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

To further improve the safety of our employees' work environment, we have implemented the following initiatives:

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

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

- Monthly HSE inspections are conducted to identify potential health and safety hazards. Results of the inspection will be discussed during the monthly HSE meetings.

- Annual HSE campaign, which includes refresher trainings for forklift and crane operators, safety poster and slogan competitions, were conducted.

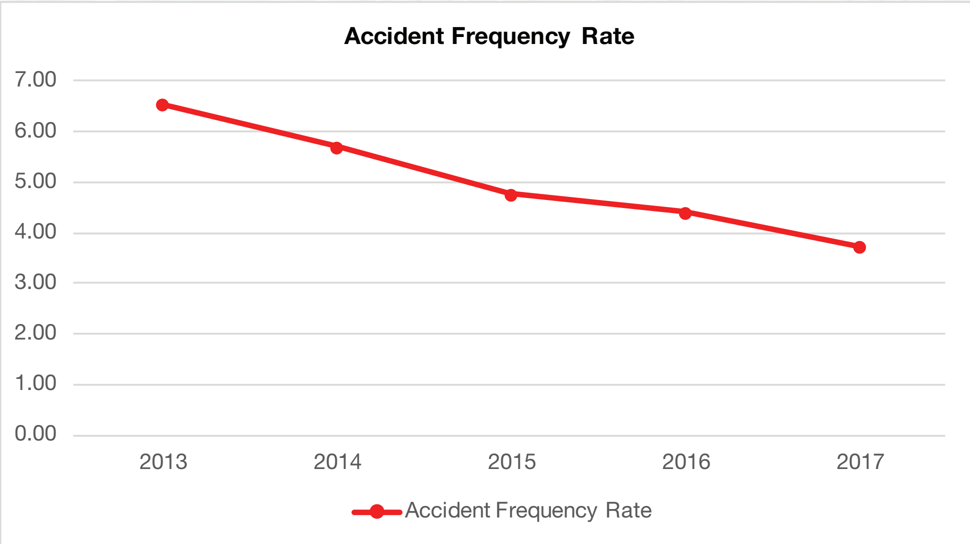
- A firefighting training session and two fire drills have been conducted for employees.

SUSTAINABILITY REPORT

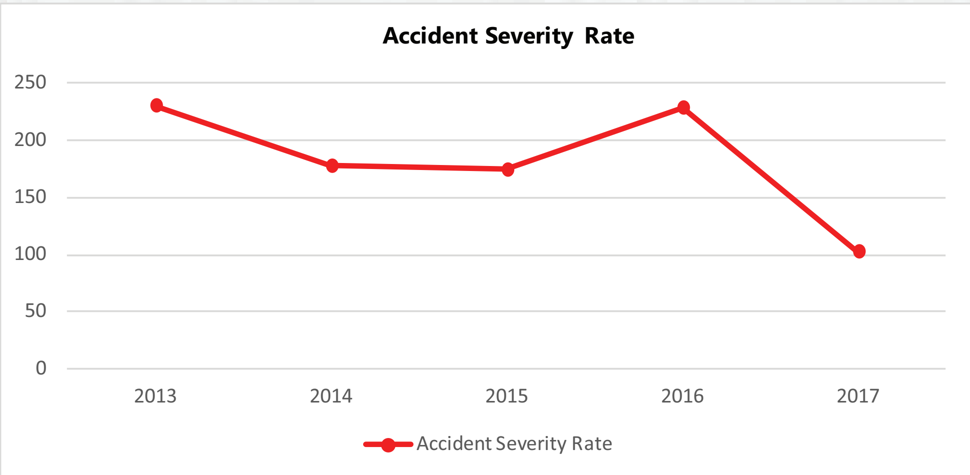
ACCIDENT FREQUENCY RATE & ACCIDENT SEVERITY RATE 403-2

There were no fatalities recorded in 2017, and there is a generally declining trend in the average Accident Frequency Rate# ("AFR") and Accident Severity Rate* ("ASR") between 2013 and 2017.

The improvement in AFS and ASR rates suggest that the initiatives by the Group are effective. However, we do acknowledge the importance of employee safety and will continuously work on improving workplace safety and strive to ensure zero accident occurrence.



Year	2013	2014	2015	2016	2017
Accident Frequency Rate	6.56	5.71	4.78	4.42	3.75



Year	2013	2014	2015	2016	2017
Accident Severity Rate	231	178	175	229	103

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

ENSURING QUALITY PRODUCTS

QUALITY

What we did in 2017	What we plan to do
• Ensure that all our products comply with the required regulatory requirements.	• Continue to execute our projects well, and ensure timely delivery. • Ensure that there are no violations of laws and regulations pertaining to the provision and use of our products.

Due diligence measures and internal controls are in place to ensure that our products fulfil standards of quality.

SUPPLY CHAIN 102-9

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

Engineering & Construction business segment

- For the structural steel and facade business, we design, engineer and construct structures of steel, aluminum and glass. Our suppliers provide us with materials including steel, aluminum, glass, roofing material, fuel and engine oil.

- The modular construction business is a niche method of construction which uses factory produced pre-engineered building units that are delivered to site and assembled as large volumetric components of a building. Materials procured for this business segment consist of structural steel, plumbing accessories, sanitary ware, paints and electrical components.

Corrosion Prevention business segment

- Our corrosion prevention business lengthens the lifespan of metal structures by coating the surface of metal structures with anti-corrosive materials. We procure materials such as paint, steel and copper grit, diesel, garnets, blasting hose, blasting consumables (such as masking tapes, cloth tapes, brushes and gloves) and protective equipment from our suppliers.

Solar Energy business segment

- For the solar energy business, SHS offers the engineering, procurement and construction of solar power projects, project development, energy efficient lighting systems and air conditioning and mechanical ventilation systems. Materials purchased include solar modules, solar inverters, data loggers, solar mounting system and electrical cables.

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

Generally, suppliers have to be qualified prior to procuring from them. New suppliers are screened and qualified in accordance with our purchasing policy. Suppliers' industry reputation, track records, pricing and relevant certifications are evaluated prior to being qualified as a supplier fit for procurement. In addition, annual reviews of suppliers are also conducted to evaluate the suppliers' performance to ensure continuous quality materials procured.

SUSTAINABILITY REPORT

COMMITMENT TO QUALITY

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

As an indication of our commitment to quality, all delivered products are fully compliant with relevant standards such as the International Organisation for Standardisation ("ISO"), Swedish Standards Institute, British Standards, American Steel Structures Painting Council Standards and the American National Association Corrosion Engineers Standards.

Engineering & Construction business segment

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

- ISO 9001:2008.
- ISO 14001:2004.
- Occupational Health and Safety Assessment Series 18001:2001.
- Accredited Structural Steel fabricator under S1 category, the highest grading awarded by Singapore Structural Steel Society.
- bizSAFE Star level award.
- Best Contractor award from Project Marina for 2013-2015.
- Structural Steel Excellent Merit award for 2014 from Singapore Structural Steel Society for the Singapore Sports Hub, pedestrian overhead bridge.

Corrosion Prevention business segment

Our total quality approach for the corrosion prevention focuses on three key areas – process, equipment, and people. To ensure our services fulfil the stringent technical requirements of our customers, we have a comprehensive quality management system that covers the entire blasting and painting process.

Quality inspections are carried out after each stage of the surface preparation process and painting process. This ensures conformity to the specifications of established international industry standards such as the Swedish SIS 05 59 00 1967 blasting standards, ISO 8501-1:1988 standards, British BS4232 standards, American Steel Structures Painting Council standards and the American National Association Corrosion Engineers standards.

Solar Energy business segment

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

The Group is not aware of any violations of laws and regulations to the provision, use, health and safety of our products and services in 2017.416-2

SUSTAINABILITY REPORT

GRI INDEX: CORE OPTION 102-55

GRI Indicator	Disclosure	Report Sections	Page Reference
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Organisational Profile			
GRI 102-1	Name of the organisation	Corporate Profile	1-4
GRI 102-2	Activities, brands, products, and services		
GRI 102-3	Location of headquarters	Corporate Information	13
GRI 102-4	Location of operations		
GRI 102-5	Ownership and legal form		
GRI 102-6	Markets served	Corporate Profile	1-4
GRI 102-7	Scale of the organisation	Financial Highlights	5
GRI 102-8	Information on employees and other workers	Our Employees	23-24
GRI 102-9	Supply chain	Ensuring Quality Products	27-28
GRI 102-10	Significant changes to the organisation and its supply chain		
GRI 102-11	Precautionary Principle or approach	Our Approach to Sustainability	17-20
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GRI 102-13	Membership of associations	Not Applicable	–
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GRI 102-14	Statement from senior decision-maker	Board Statement	15-16
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GRI 102-16	Values, principles, standards, and norms of behavior	Corporate Governance Report	33-48
Governance			
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SUSTAINABILITY REPORT

GRI Indicator	Disclosure	Report Sections	Page Reference
Stakeholder Engagement			
GRI 102-40	List of stakeholder groups	Our Approach to Sustainability	18
GRI 102-41	Collective bargaining agreements	Our Employees	23
GRI 102-42	Identifying and selecting stakeholders	Our Approach to Sustainability	18-20
GRI 102-43	Approach to stakeholder engagement		
GRI 102-44	Key topics and concerns raised		
Reporting Practice			
GRI 102-45	Entities included in the Consolidated Financial Statements	Our Approach to Sustainability	17-18
GRI 102-46	Defining report content and topic Boundaries		
GRI 102-47	List of material topics		
GRI 102-48	Restatements of information		
GRI 102-49	Changes in reporting		
GRI 102-50	Reporting period		
GRI 102-51	Date of most recent report		
GRI 102-52	Reporting cycle		
GRI 102-53	Contact point for questions regarding the report		
GRI 102-54	Claims of reporting in accordance with the GRI Standards		
GRI 102-55	GRI content index	GRI Index	29-31
GRI 102-56	External assurance	Our Approach to Sustainability	17
GRI 103: MANAGEMENT APPROACH			
GRI 103-1	Explanation of the material topic and its Boundary	Our Approach to Sustainability	17-20
GRI 103-2	The management approach and its components		
GRI 103-3	Evaluation of the management approach		

SUSTAINABILITY REPORT

GRI Indicator	Disclosure	Report Sections	Page Reference
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Economic			
GRI 201-1	Direct Economic Value Generated and Distributed	Financial Highlights	5
Environment			
GRI 302-1	Energy Consumption within the Organization	Caring for the Environment	21-22
GRI 302-4	Reduction of Energy Consumption		
GRI 306-2	Waste by Type and Disposal method		
GRI 307-1	Non-compliance with environmental laws and regulations		
SPECIFIC STANDARD DISCLOSURES			
Social			
GRI 205-2	Communication and Training on Anti-Corruption policies and procedures	Business Integrity	20
GRI 205-3	Confirmed Incidents of Corruption and Actions taken		
GRI 401-1	New employee hires and employee turnover	Our Employees	23-24
GRI 403-2	Type of Injury and Rates of Injury, Occupational diseases, Lost days, and Absenteeism, and number of Work-Related Fatalities	Safety at SHS	25-26
GRI 406-1	Incidents of discrimination and corrective actions taken	Our Employees	23
GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Ensuring Quality Products	28
GRI 419-1	Non-compliance with laws and regulations in the social and economic area	Our Employees	23

FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

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

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

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

A. BOARD MATTERS

Principle 1: Board's Conduct of Affairs

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

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

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

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

All Directors receive appropriate training to develop their individual skills, knowledge and competence necessary to be effective in their roles. It is our policy to provide new Directors with a detailed and thorough induction to familiarize them with the business, operations and financial performance; meeting with key management personnel and an overview of their responsibility; briefed on governance practices, including board processes, policies on disclosure of interests in securities, prohibitions on dealings in the Company's securities and restrictions on disclosure of price-sensitive information. Where necessary, first-time Directors will attend training in areas such as accounting, legal and industry-specific knowledge.

A formal letter of appointment which sets out the Director's duties and obligations, is provided to new Director(s) upon appointment. A formal letter has been issued to the newly appointed director, Mr Teng Choon Kiat, upon his appointment on 14 February 2018.

The Company also provides ongoing updates and briefings particularly, on relevant new laws, regulations and changing commercial risks, from time to time, to enable Director to make well-informed decisions. Directors are also encouraged to attend at the Group's expense, relevant industry conferences, seminars or any training programme in connection with their duties as Directors. During the financial year ended 31 December 2017 ("FY2017"), the Management informed the Directors of relevant training programme, seminars and workshops organised by various professional bodies and organisations.

CORPORATE GOVERNANCE REPORT

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

The number of Board and Board committee meetings held in FY2017 and the attendance of each Director are as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
No. of meetings held	4	4	1	1
Directors	No. of meetings attended			
Chew Hoe Soon[1]	4	–	–	–
Teng Choon Kiat[2]	–	–	–	–
Ng Han Kok, Henry	4	–	1	–
Goh Koon Seng	4	–	–	–
Lim Siok Kwee,Thomas	4	–	–	–
Lee Kuo Chuen, David	3	3	1	1
Oh Eng Bin, Kenneth	4	4	1	1
Lee Gee Aik[3]	4	4	–	1

1 Mr Chew Hoe Soon resigned as Non-Executive and Independent Director on 1 March 2018.
2 Mr Teng Choon Kiat was appointed as Non-Exectuive and Non-Independent Director on 14 February 2018 and re-designated to Non-Executive and Non-Independent Chairman on 1 March 2018.
3 Mr Lee Gee Aik was appointed as Lead Independent Director on 1 March 2018.

Principle 2: Board Composition and Guidance

During FY2017, Independent Directors make up more than half of the Board which comprises seven Directors, four of whom are Non-Executive and Independent Directors.

Under the 2012 Code, an Independent Director is one who has no relationship with the Company, its related companies, its 10% shareholders or its officers that can interfere, or be reasonably perceived to interfere with the exercise of the Director's independent business judgement to the best interests of the Company. Mr Teng Choon Kiat, a substantial shareholder of the Company, was appointed as a Director of the Company on 14 February 2018. In line with the 2012 Code, the Board and Nominating Committee ("NC") has considered Mr Teng Choon Kiat as not independent. Subsequent to Mr Chew Hoe Soon's resignation as a Non-Executive and Independent Director on 1 March 2018, Mr Teng Choon Kiat was re-designated as Non-Executive and Non-Independent Chairman.

Following the abovementioned changes, the Board currently comprises seven Directors, three of whom are Non-Executive and Independent Directors as shown in the table below. Under the 2012 Code, where the Chairman is non-independent, half of the Board should be independent and a lead independent director has to be appointed. In view of the aforementioned, Mr Lee Gee Aik, the Audit Committee Chairman, was appointed as the Lead Independent Director with effect from 1 March 2018. The Board together with the NC will address its composition of having half board independently the first half of 2018. As at the date of this report, there are no alternate Directors on the Board.

CORPORATE GOVERNANCE REPORT

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

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

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

Name	Board of Committee as chairman or member	Directorship: Date of first appointment	Directorship: Date of last re-election	Board Appointment whether executive or non-executive/ independent	Due for re-election/ re-appointment at forthcoming Annual General Meeting
Teng Choon Kiat	–	14 February 2018	–	Non-Executive and Non-Independent Chairman	27 April 2018
Ng Han Kok, Henry	Member of NC	3 January 2014	27 April 2017	Executive Director	–
Goh Koon Seng	–	12 July 2010	28 April 2016	Executive Director	–
Lim Siok Kwee, Thomas	–	30 December 2015	–	Executive Director	27 April 2018
Lee Gee Aik	Chairman of AC and member of RC	24 July 2015	28 April 2016	Lead Independent Director	–
Lee Kuo Chuen, David	Chairman of NC and member of AC and RC	1 October 2013	28 April 2016	Independent Director	27 April 2018
Oh Eng Bin, Kenneth	Chairman of RC and member of NC and AC	14 January 2014	27 April 2017	Independent Director	–

Key information of the Directors are set out on pages 10 and 11 of the Annual Report.

CORPORATE GOVERNANCE REPORT

A. BOARD MATTERS

Principle 3: Chairman and Chief Executive Officer

The Chairman and the Group CEO are separate individuals and are not related. Mr Chew Hoe Soon was the Non-Executive and Independent Chairman during FY2017 and had resigned on 1 March 2018. Following his resignation, Mr Teng Choon Kiat was unanimously appointed by the Board as Non-Executive and Non-Independent Chairman. Mr Ng Han Kok, Henry is the Group CEO. The respective roles of the Chairman and the Group CEO are kept separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

The Chairman plays a pivot role in providing strong leadership and vision. The Chairman is responsible for the workings of the Board, ensuring the integrity and effectiveness of its governance process. He works closely with the Board to implement the policies set by the Board to realize the Group's vision. He also promotes a culture of openness and debate at the Board and encourages constructive relations within the Board and between the Board and Management.

The Group CEO, Mr Ng Han Kok, Henry is responsible for making strategic proposals to the Board and implementing the Group's strategies and policies as well as the Board's decisions. The Group CEO assumes the executive responsibility for the day-to-day management of the Group, with the support of Executive Directors, Mr Lim Siok Kwee, Thomas and Mr Goh Koon Seng. He leads the development of the Group's future strategy including identifying and assessing risks and opportunity of growth of existing business and reviewing the performance of its existing businesses.

Principle 4: Board Membership

The Nominating Committee (the "NC") comprises three members, majority of whom including the Chairman, are Independent Directors:

- Lee Kuo Chuen, David (Chairman)
- Oh Eng Bin, Kenneth
- Ng Han Kok, Henry

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

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

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

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

iv. Determines the independence of each Director;

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

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

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

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

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

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

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

The NC has recommended the nomination of (i) Mr Lee Kuo Chuen, David, Mr Lim Siok Kwee, Thomas under Article 90; and (ii) Mr Teng Choon Kiat under Article 96 of Company's Constitution, for re-election at the forthcoming AGM. They had duly abstained from making recommendations on their own nominations. The Board has accepted the recommendations.

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

The NC has guidelines addressing competing time commitments faced when Directors serve on multiple listed company boards or have other principal commitments. Each Director is required to disclose to the NC his board representation whenever there are changes to his directorship. In this respect, the Company's current policy stipulates that if a Director is a full-time employee of another listed company or a major corporation; he should not hold more than five other directorships on unrelated listed companies and/or major corporations. For FY2017, the NC has reviewed and is satisfied that Directors have been able to devote sufficient time and attention to the affairs of the Company to adequately discharge his duties as director of the Company.

The search and nomination process for new Directors, if any, are through contacts and recommendations. In the search, nomination and selection process for new directors, the NC identifies the key attributes that an incoming director should have, based on existing Board's requirement before making recommendation to the Board for consideration and approval. The potential candidate may be proposed by existing directors, substantial shareholder, the management or third-party referrals. The Board is to ensure that the selected candidate is aware of the expectations and the level of commitment required. No new Director was appointed to the Board in FY2017. Subsequent to FY2017, Mr Teng Choon Kiat was appointed as Non-Executive and Non-Independent Director on 14 February 2018 and thereafter Chairman of the Board on 1 March 2018.

CORPORATE GOVERNANCE REPORT

Principle 5: Board Performance

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

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

The NC has conducted a Board performance evaluation to assess the effectiveness of the Board in FY2017. To ensure confidentiality, the evaluation returns completed by all Directors were submitted to the Company Secretary for collation. The results of the performance evaluation were presented first to the NC for review and discussion and then to the Board. The Board is satisfied that sufficient time and attention have been given by the Directors to the affairs of the Group.

Principle 6: Access to Information

Directors are updated regularly on the latest corporate governance, changes in listing rules and regulations, performance, business conditions and outlook of the Group. Directors have separate and independent access to the senior management, the Company Secretary and internal and external auditors of the Group at all times and are encouraged to speak to other employees to seek additional information if they so require. The Board should have a procedures for Directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Company's expense.

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

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

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

B. REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level and Mix of Remuneration

Principle 9: Disclosure on Remuneration

The Remuneration Committee (the “RC”) comprises entirely of Independent Directors:

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

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

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

- to review the remuneration of key management personnel; and

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

The RC from time to time and where necessary seeks advice from external remuneration consultants in framing the remuneration policy and determining the level and mix of remuneration for Executive Directors and key management personnel. In FY2017, the RC did not require the services of an external remuneration consultant.

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

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

CORPORATE GOVERNANCE REPORT

The remuneration of Directors and the top 5 key management personnel of the Company for FY2017 are set out below:

Remuneration band and name	Fees	Salary	Bonus	Others[1]	Total
Directors – From S$500,000 to S$749,999					
Ng Han Kok, Henry	–	95%	–	5%	100%
Directors – From S$250,000 to S$499,999					
Lim Siok Kwee, Thomas	–	97%	–	3%	100%
Goh Koon Seng	–	95%	–	5%	100%
Directors – Below S$250,000					
Lee Kuo Chuen, David	100%	–	–	–	100%
Oh Eng Bin, Kenneth	100%	–	–	–	100%
Chew Hoe Soon[2]	100%	–	–	–	100%
Lee Gee Aik	100%	–	–	–	100%
Top 5 Management Personnel – Below S$250,000					
Alistair William Raglan Sawer	–	100%	–	–	100%
Carmelo Ramos Gacayan	–	81%	3%	16%	100%
Chua Kok Keong, Joseph	–	92%	–	8%	100%
Lee Yin Yee, Philip	–	85%	7%	8%	100%
Weng Feng Jung, Willie	–	84%	3%	13%	100%

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

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

Remuneration paid to Non-Executive Directors comprised solely director's fees paid quarterly in arrears. These director's fees were approved by the shareholders in the AGM held on 27 April 2017.

The annual aggregate remuneration paid to Directors and top 5 key management personnel of the Company for FY2017 is disclosed under Note 38 of the Notes to Financial Statements.

CORPORATE GOVERNANCE REPORT

There were two employees who are immediate family members of a Director of the Company and whose remuneration exceeds S$50,000 for FY2017. The details of these two employees and their remunerations are as follows:-

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

Shareholders' approval will be sought at the forthcoming Annual General Meeting on 27 April 2018 for the payment of the proposed fees to Non-Executive Directors for the financial year ending 2018 quarterly in arrears.

Shareholders' approval was previously obtained for the implementation of the SHS Employees' Share Option Scheme (the "Scheme"). Details of the Scheme are set out in the Directors' Statement. The Scheme will expire in October 2018.

C. ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

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

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

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

Principle 11: Risk Management and Internal Controls

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

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

CORPORATE GOVERNANCE REPORT

Both the Company's internal auditors, Crowe Horwath First Trust Risk Advisory Pte Ltd, and external auditors, Moore Stephens LLP (to the extent as required by them to form an audit opinion on the statutory financial statements) have conducted an annual review of the adequacy and effectiveness of the Group's key internal controls, including financial, operational and compliance controls and risk management. Any areas of review where the existing control can be enhanced to enable the process to operate more effectively and efficiently, together with recommendation for improvement are reported to the AC. A copy of the report is also issued to the relevant department for its follow-up action. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored.

In FY2017, the Group's external and internal auditors had conducted an annual review of the adequacy and effectiveness of the Group's internal controls that address financial, operational, information technology and risks. One significant weakness was noted and followed up on to ensure proper implementation and progress is reported to senior management and the Audit Committee periodically.

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

(a) the financial records of the Group have been properly maintained and the financial statements for FY2017 give a true and fair view of the Group's operations and finances; and

(b) the systems of internal controls and risk management in place were adequate and effective as at 31 December 2017, to address financial, operational, information technology and compliance risks of which considered relevant and material to its operations.

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

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

Principle 12: Audit Committee (the "AC")

The AC comprises of three Independent Directors:

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

The Board is of the view that the AC has sufficient financial management related expertise and experience to discharge the AC's function. Two members of the AC, namely Mr Lee Gee Aik and Mr Lee Kuo Chuen, David have recent and relevant accounting or related financial management expertise and experience.

CORPORATE GOVERNANCE REPORT

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

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

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

In FY2017, the AC met with the Group's external auditors and the internal auditors to review the audit plans and the reports of the external auditors and internal auditors. The Group's external auditors are Moore Stephens LLP and Group's internal auditors are Crowe Horwath First Trust Risk Advisory Pte Ltd. The AC has also evaluated the adequacy of the internal controls of the Company with the auditors and discussed their findings with the Management. The AC reviewed the quarterly, half year and full-year results announcements before their submission to the Board for approval.

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

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

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

The AC members met four times during FY2017. The CEO, CFO, Company Secretary, external and internal auditors were invited to attend these meetings. None of the members nor the Chairman of the Audit Committee are former partners or directors of the Group's auditing firm.

In the review of the financial statements for FY2017, the AC has discussed with Management on the accounting principles that were applied and their judgment of items that might affect the integrity of the financial statements and considered the clarity of key disclosure in the financial statements. The AC reviewed, amongst other matters, the significant matters identified by external auditor and have been included in the Independent Auditor's Report to the Shareholders of the Company under "Key Audit Matters". Following the review, the AC satisfied that those matters have been properly addressed and recommended the Board to approve the audited financial statements of the Group for FY2017. The Board has on 2 April 2018 approved the FY2017 financial statements.

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

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

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

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

Principle 13: Internal Audit ("IA")

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

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

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

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

CORPORATE GOVERNANCE REPORT

Whistle-Blowing Policy

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

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

D. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

Principle 15: Communication with Shareholders

Principle 16: Conduct of Shareholders Meetings

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

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

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

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

General meetings have been and are still the principal forum for dialogue with shareholders. Information on general meetings is disseminated through notices in the annual report or circulars sent to all shareholders. The notices are also released via SGXNET and published in local newspapers.

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

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

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

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

All shareholders receive the Annual Report and the notice of AGM. The notice of AGM is also released via SGXNet, published in local newspaper and uploaded on the corporate website. Shareholders have the opportunity to participate effectively in and to vote at all general meetings. The Board adopt poll voting during the year which procedures are clearly explained by the scrutineers at such general meetings. An independent scrutineer firm is present to validate the votes at each general meeting. The detail results by showing the number of votes cast for and against each resolution are also announced via SGXNET after the said meeting. The minutes of general meetings, which include substantial comments or queries raised by shareholders and answers given by the Board and Management will be prepared by the Company and are available to shareholders upon written request.

Dividend Policy

The Group has a policy which governs how much to pay out to shareholders in dividends. The Group usually declares annual dividend at the rate of approximately 25-40% of the net profit after tax in accordance with the consolidated financial statements. This is provided that the amount dividend declared does not exceed the Group's retained earnings and available cash resources. However, for FY2017, notwithstanding that the Group incurred a loss for the year, in view of the promising prospects of the Group as noted in the Chairman and CEO message on page 6, a 0.20 Singapore cent per share dividend was proposed as gesture.

SECURITIES TRANSACTIONS

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

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

CORPORATE GOVERNANCE REPORT

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

The Group has complied with the Securities Transactions Code.

INTERESTED PERSON TRANSACTIONS

Interested person transactions entered into by the Group for the financial year ended 31 December 2017 are as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transaction conducted under Shareholders' Mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under Shareholders' Mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
Director and substantial shareholder of the Company: Mr Teng Choon Kiat		
Sales of goods to Company associated to the director of the Company	S$374,000	–
Purchase of goods/services from Company associated to the director of the Company	S$16,000	–
	S$390,000	–

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

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

The Company did not have a shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual during the financial year ended 31 December 2017.

MATERIAL CONTRACTS

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

USE OF PROCEEDS

The Company refers to the announcements dated 10 September 2014, 3 November 2014, 25 November 2014, 27 November 2014, 11 December 2014, 18 December 2014, 26 August 2016 and 7 February 2017 in relation to bonus warrants issue and wishes to provide an update on the net proceeds from the exercise of warrants.

As at the date of this report, 85,059,534 warrants have been duly converted into shares and the net proceeds from the exercise of warrants have been fully utilized in the manner as follows:

	S$ '000
Net Proceeds – Exercise of Warrants	17,012
Less:	
Proceeds for the Group's projects in Solar and Modular Construction	(8,210)
Proceeds for use in share buyback	(1,778)
Proceeds use for Group redevelopment of factory for its structural steel business	(2,000)
Working capital including but not limited to the repayment of professional fees	(234)
Acquisition of shares in TLC Modular Construction Joint Stock Company, Vietnam	(4,790)
	–

DIRECTORS' STATEMENT

The directors of the Company present their statement to the members together with the audited consolidated financial statements of SHS Holdings Ltd. (the "Company") and its subsidiary companies (collectively the "Group") for the financial year ended 31 December 2017 and the statement of financial position of the Company as at 31 December 2017.

In the opinion of the directors:

(a) the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date; and

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

1 Directors

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

Teng Choon Kiat	*Non-Executive and Non-Independent Chairman* (Appointed on 14 February 2018)
Ng Han Kok, Henry	*Executive Director and Group Chief Executive Officer*
Goh Koon Seng	*Executive Director and Group Chief Financial Officer*
Lim Siok Kwee, Thomas	*Executive Director*
Lee Gee Aik	*Lead Independent Director*
Lee Kuo Chuen, David	*Independent Director*
Oh Eng Bin, Kenneth	*Independent Director*

2 Arrangements to Enable Directors to Acquire Shares or Debentures

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

3 Directors' Interests in Shares or Debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and warrants of the Company and related corporations as stated below.

	Holdings registered in the name of director			Holdings in which a director is deemed to have an interest		
	As at beginning of the year	As at end of the year	As at 21/1/2018	As at beginning of the year	As at end of the year	As at 21/1/2018
The Company						
No. of ordinary shares						
Chew Hoe Soon*	1,040,000	1,040,000	1,040,000	1,300,000	1,300,000	1,300,000
Ng Han Kok, Henry	–	–	–	119,446,053	119,446,053	119,446,053
Goh Koon Seng	130,000	130,000	130,000	–	–	–
Lim Siok Kwee, Thomas	–	–	–	6,020,575	6,020,575	6,020,575
Warrants						
Chew Hoe Soon*	7,322,000	7,322,000	7,322,000	490,000	490,000	490,000
Ng Han Kok, Henry	37,151,026	37,151,026	37,151,026	26,292,500	26,292,500	26,292,500
Goh Koon Seng	65,000	65,000	65,000	–	–	–
Lim Siok Kwee, Thomas	–	–	–	2,410,287	2,410,287	2,410,287

* Resigned on 1 March 2018.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment, if later, or at the end of the financial year.

4 Share Options

The SHS Employee Share Option Scheme

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

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

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

DIRECTORS' STATEMENT

4 Share Options (Continued)

The SHS Employee Share Option Scheme (Continued)

The Remuneration Committee comprises the following members:

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

The principal terms of the Scheme are:

(i) Scheme Size and Duration

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

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

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

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

(ii) Eligibility to participate in the Scheme

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

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

4 **Share Options** (Continued)

The SHS Employee Share Option Scheme (Continued)

(iii) Grant of Options

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

(iv) Exercise Period

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

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

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

(v) Exercise Price

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

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

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

DIRECTORS' STATEMENT

4 **Share Options** (Continued)

The SHS Employee Share Option Scheme (Continued)

(vi) Termination of Options

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

(vii) Acceptance of Options

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

No employee share options have been granted under the Scheme since the Scheme was approved and adopted by the members of the Company on 8 October 2008.

Options Granted

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted.

Options Exercised

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

Options Outstanding

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

5 Warrants

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

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

Date of issue	Warrants outstanding at 1/1/2017	Warrants exercised	Warrants expired	Warrants outstanding at 31/12/2017	Date of expiry
18/12/2014	218,584,603	(2,551)	–	218,582,052	Note 1

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

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

6 Audit Committee

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

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

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

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

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

DIRECTORS' STATEMENT

6 **Audit Committee** (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

DIRECTORS' STATEMENT

7 Independent Auditors

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

On behalf of the Board of Directors,

NG HAN KOK, HENRY	GOH KOON SENG
Director	Director

Singapore
2 April 2018

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of SHS Holdings Ltd. (the "Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards of Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the key audit matter
Revenue from construction contracts Contract revenue arising from construction contracts is significant to the Group's results for the year as revenue from construction contracts represents approximately 68% of the Group's total revenue. The Group has construction contracts work in progress of S$7,929,000 as at 31 December 2017 as disclosed in Note 25 to the financial statements. Contract revenue is recognised by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome of a project can be estimated reliably. The determination of the percentage of completion involves the use of significant management judgements and estimates to measure the proportion of contract costs incurred for work performed to date to the estimated total contract costs, which in turn may have a material impact on the amount of contract work in progress, contract revenues and contract costs recognised during the year. For these reasons, we have determined this to be a key audit matter. The Group's accounting policies on construction contracts and the critical accounting estimates and judgements thereon are disclosed in Note 2(l) and Note 3(vi) to the financial statements, respectively.	We have performed the audit procedures in relation to revenue from construction contracts, amongst others, as follows: • obtained an understanding of the key controls and processes that management has in place in respect of budgeting and revenue recognition from construction contracts. • obtained an understanding of the significant projects under construction through discussion with management, and examined related documentation (including contracts, correspondences with customers on delays and extension of time). • assessed the reasonableness of the total budgeted costs for individual significant projects prepared by management. Reviewed the appropriateness of inputs, amongst others, contractors or sub-contractors costs, materials, labour costs, variation works, and other construction costs used by management in their estimation of the total cost to complete and obtained supporting documentation on the major inputs. • assessed the robustness of the budgets from our understanding of the projects and comparing the budgeted profit margins to the actual profit margins achieved for completed projects during the financial year and subsequent to year end.

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the key audit matter
	• verified the costs incurred during the financial year against underlying documents, such as quotations or contracts entered. • in relation to total contract revenue for construction projects, we verified total contract sum to contracts entered with the customers and additional claims and variation orders recognised to supporting documents. • re-computed the arithmetic accuracy of the revenue, cost and profit recognised based on the percentage of completion for significant projects. • reviewed the contracts for any penalty and liquidated damages clauses and discussed with management on the progress of significant projects to determine if there are any changes such as delays, penalties, overruns where it is probable that total contract costs will exceed total contract revenue and require the recognition of foreseeable losses on such projects. We also assessed the adequacy and appropriateness of the Group's disclosure on construction contracts work in progress in Note 25 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the key audit matter
Impairment of goodwill The Group has goodwill that arose from various acquisitions with an aggregate carrying amount of S$20,501,000 as at 31 December 2017. The goodwill has been allocated to the respective cash generating unit ("CGU") under the relevant operating segments as disclosed in Note 15 to the financial statements. As part of its annual impairment testing, management prepares value in use calculations ("VIU") to arrive at the recoverable amount of each CGU. These VIUs are based on cash flow forecasts of the CGUs, the preparation of which requires management to use assumptions and estimates relating to budgeted gross margin, revenue growth rate, perpetual growth rate and discount rate of each CGU which are inherently subjective. For the current financial year, the Group has impaired goodwill of S$9,600,000. For these reasons, we have determined this to be a key audit matter. The Group's accounting policies on impairment of goodwill is disclosed in Note 2(j) to the financial statements. The critical accounting estimates and judgements made in arriving at the assumptions used in the preparation of the cash flow forecasts by management are stated in Note 3(iv) to the financial statements.	Our audit procedures included, amongst others, evaluating management's assumptions applied in the cash flow forecasts taking into consideration our knowledge of the CGUs' operations, performance and industry benchmarks. We also obtained an understanding of management's planned strategies on revenue growth and cost initiatives for these CGUs. We tested the robustness of management's forecasts by comparing previous forecasts to actual results. In addition, we also validated key inputs used in the discounted cash flow forecasts, such as growth rates and discount rates, to historical data and external market data to assess the reasonableness of management's forecasts. We tested management's sensitivity analysis of the recoverable amounts of the CGUs based on changes to the key assumptions used in the cash flow forecasts. We also checked the mathematical accuracy of the underlying calculations. We also assessed the adequacy and appropriateness of the Group's disclosure on the impairment testing of goodwill in Note 15 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
2 April 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 S$'000	Group 2016 S$'000
Continuing operations			
Revenue	4	**37,725**	56,135
Cost of sales and services		**(33,493)**	(40,561)
Gross profit		**4,232**	15,574
Other income		**2,096**	2,853
Selling and distribution expenses		**(770)**	(689)
Administrative expenses		**(8,688)**	(8,610)
Other operating expenses		**(16,368)**	(5,182)
Finance costs		**(246)**	(135)
Share of (losses)/profits of associates, net of tax		**(571)**	257
Share of profits/(losses) of joint ventures, net of tax		**102**	(4)
(Loss)/Profit before income tax		**(20,213)**	4,064
Income tax	5	**12**	277
(Loss)/Profit for the year from continuing operations	6	**(20,201)**	4,341
Discontinued operation			
Profit for the year from discontinued operation	7	**149**	7,296
Total (loss)/profit for the year		**(20,052)**	11,637
Other comprehensive income/(loss), net of tax:			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of property, plant and equipment		**5,708**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation		**(268)**	(503)
Other comprehensive income/(loss) for the year		**5,440**	(503)
Total comprehensive (loss)/income for the year		**(14,612)**	11,134
Total (loss)/profit for the year attributable to:			
Equity holders of the Company		**(18,227)**	11,790
Non-controlling interests		**(1,825)**	(153)
		(20,052)	11,637
Total comprehensive (loss)/income for the year attributable to:			
Equity holders of the Company		**(12,745)**	11,287
Non-controlling interests		**(1,867)**	(153)
		(14,612)	11,134

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Group	
	Note	2017	2016
		S$	S$
(Loss)/Earnings per share from continuing and discontinued operations attributable to equity holders of the Company:			
– Basic (cents per share)	8	**(2.66)**	1.78
– Diluted (cents per share)	8	**(2.58)**	1.71
(Loss)/Earnings per share from continuing operations attributable to equity holders of the Company:			
– Basic (cents per share)	8	**(2.68)**	0.68
– Diluted (cents per share)	8	**(2.61)**	0.65
Earnings per share from discontinued operation attributable to equity holders of the Company:			
– Basic (cents per share)	8	**0.02**	1.10
– Diluted (cents per share)	8	**0.02**	1.06

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group 2017 S$'000	Group 2016 S$'000	Company 2017 S$'000	Company 2016 S$'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	9	**75,408**	42,793	**199**	8,399
Investment property	10	**–**	–	**14,400**	–
Investment in subsidiaries	11	**–**	–	**54,347**	54,347
Investment in associates	12	**9,330**	22,291	**7,004**	7,004
Investment in joint ventures	13	**102**	6	**–**	–
Financial assets, available-for-sale	14	**19,711**	19,711	**17,135**	17,135
Goodwill	15	**20,501**	26,450	**–**	–
Intangible assets	16	**–**	52	**–**	–
Prepaid land leases	17	**3,752**	–	**–**	–
Other receivables and prepayments	21	**16,541**	1,355	**–**	–
Total Non-Current Assets		**145,345**	112,658	**93,085**	86,885
Current Assets					
Inventories and construction in progress	18	**20,483**	9,941	**–**	429
Trade receivables	19	**14,716**	21,147	**433**	201
Prepaid land leases	17	**189**	–	**–**	–
Other receivables and prepayments	21	**21,473**	30,533	**7,980**	17,727
Amount due from subsidiaries	20	**–**	–	**72,432**	39,517
Amount due from a joint venture	23	**–**	328	**–**	–
Loan receivable from an associate	22	**–**	600	**–**	–
Loan receivables from joint ventures	23	**2,276**	2,633	**–**	–
Cash and bank balances	24	**49,107**	70,792	**37,670**	54,787
Total Current Assets		**108,244**	135,974	**118,515**	112,661
Total Assets		**253,589**	248,632	**211,600**	199,546
LIABILITIES AND EQUITY					
Current Liabilities					
Trade payables and accruals	26	**11,928**	12,311	**982**	1,722
Other payables	27	**10,005**	4,397	**310**	263
Amount due to subsidiaries	20	**–**	–	**83**	4,980
Amount due to associates	28	**1,029**	–	**–**	–
Term loans	29	**13,050**	18	**–**	–
Other amounts due to bankers	30	**2,927**	5,314	**–**	–
Finance leases	31	**79**	103	**–**	–
Provision for income tax		**811**	528	**–**	–
Total Current Liabilities		**39,829**	22,671	**1,375**	6,965
Non-Current Liabilities					
Term loans	29	**3,776**	3,840	**–**	–
Finance leases	31	**128**	278	**–**	–
Deferred tax liabilities	32	**3,598**	2,015	**1,802**	633
Total Non-Current Liabilities		**7,502**	6,133	**1,802**	633
Total Liabilities		**47,331**	28,804	**3,177**	7,598
Capital, Reserves and Non-Controlling Interests					
Share capital	33	**160,637**	160,636	**160,637**	160,636
Treasury shares	34	**(5,003)**	(5,003)	**(5,003)**	(5,003)
Asset revaluation reserve	35	**7,456**	1,748	**8,582**	2,874
Foreign currency translation reserve	35	**671**	897	**–**	–
Other reserve	35	**–**	–	**3,297**	3,297
Retained earnings	35	**39,559**	59,499	**40,910**	30,144
		203,320	217,777	**208,423**	191,948
Non-controlling interests	11	**2,938**	2,051	**–**	–
Total Equity		**206,258**	219,828	**208,423**	191,948
Total Liabilities and Equity		**253,589**	248,632	**211,600**	199,546

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Attributable to equity holders of the Company								
	Share Capital S$'000	Treasury Shares S$'000	Asset Revaluation Reserve S$'000	Foreign Currency Translation Reserve S$'000	Other Reserve S$'000	Retained Earnings S$'000	Total S$'000	Non-Controlling Interests S$'000	Total Equity S$'000
Group									
Balance at 1 January 2017	**160,636**	**(5,003)**	**1,748**	**897**	**–**	**59,499**	**217,777**	**2,051**	**219,828**
(Loss) for the year	**–**	**–**	**–**	**–**	**–**	**(18,227)**	**(18,227)**	**(1,825)**	**(20,052)**
Other comprehensive income/(loss) for the year, net of tax:									
– Revaluation of property, plant and equipment	**–**	**–**	**5,708**	**–**	**–**	**–**	**5,708**	**–**	**5,708**
– Exchange differences on translation	**–**	**–**	**–**	**(226)**	**–**	**–**	**(226)**	**(42)**	**(268)**
Total comprehensive income/(loss) for the year	**–**	**–**	**5,708**	**(226)**	**–**	**(18,227)**	**(12,745)**	**(1,867)**	**(14,612)**
Issue of ordinary shares (Note 33)	**1**	**–**	**–**	**–**	**–**	**–**	**1**	**–**	**1**
Dividends (Note 39)	**–**	**–**	**–**	**–**	**–**	**(1,713)**	**(1,713)**	**–**	**(1,713)**
Acquisition of a subsidiary (Note 11)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,558**	**1,558**
Acquisition of non-controlling interests (Note 11)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(173)**	**(173)**
Capital contribution by non-controlling interests (Note 11)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,369**	**1,369**
Balance at 31 December 2017	**160,637**	**(5,003)**	**7,456**	**671**	**–**	**39,559**	**203,320**	**2,938**	**206,258**
Group									
Balance at 1 January 2016	143,730	(3,226)	1,748	1,400	–	75,450	219,102	849	219,951
Profit/(Loss) for the year	–	–	–	–	–	11,790	11,790	(153)	11,637
Other comprehensive (loss) for the year, net of tax:									
– Exchange differences on translation	–	–	–	(503)	–	–	(503)	–	(503)
Total comprehensive income/(loss) for the year	–	–	–	(503)	–	11,790	11,287	(153)	11,134
Issue of ordinary shares (Note 33)	16,906	–	–	–	–	–	16,906	–	16,906
Dividends (Note 39)	–	–	–	–	–	(27,741)	(27,741)	–	(27,741)
Shares buy-back (Note 34)	–	(1,777)	–	–	–	–	(1,777)	–	(1,777)
Capital contribution by non-controlling interests (Note 11)	–	–	–	–	–	–	–	1,355	1,355
Balance at 31 December 2016	160,636	(5,003)	1,748	897	–	59,499	217,777	2,051	219,828

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 S$'000	Group 2016 S$'000
Cash Flows from Operating Activities			
(Loss)/Profit for the year		**(20,052)**	11,637
Adjustments for:			
Income tax expense recognised in profit or loss		**(12)**	(277)
Amortisation of intangible assets		**48**	58
Amortisation of prepaid land leases		**34**	–
Depreciation of property, plant and equipment		**3,529**	2,972
Bad debts written-off (trade)		**–**	4
Inventory (write back)/written-off		**(12)**	192
Property, plant and equipment written-off		**34**	546
Gain on disposal of property, plant and equipment		**(59)**	(2)
Gain on disposal of subsidiaries		**–**	(7,725)
Share of losses/(profits) of associates, net of tax		**571**	(257)
Share of (profits)/losses of joint ventures, net of tax		**(102)**	4
Loss on disposal of a joint venture		**22**	–
Impairment of goodwill	15	**9,600**	–
Impairment of financial assets, available-for-sale		**–**	1
Allowance for impairment of trade receivables		**791**	278
Reversal of impairment of trade receivables		**–**	(26)
Allowance for stock obsolescence		**3**	444
Reversal of allowance for stock obsolescence		**(154)**	(27)
Provision for cost of demolition		**473**	–
Dividend income		**(175)**	(411)
Interest expense		**246**	135
Interest income		**(1,045)**	(897)
Unrealised foreign exchange gain – net		**(202)**	(513)
Operating cash flows before working capital changes		**(6,462)**	6,136
Changes in working capital:			
Inventories		**(6,803)**	(6,328)
Receivables and prepayments		**9,882**	(272)
Payables		**(6,521)**	(1,888)
Cash used in operations		**(9,904)**	(2,352)
Interest paid		**(231)**	(135)
Interest received		**1,045**	897
Income tax refund/(paid)		**26**	(240)
Net cash used in operating activities		**(9,064)**	(1,830)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 S$'000	Group 2016 S$'000
Cash Flows from Investing Activities			
Dividend received from financial assets, available-for-sale		**175**	411
Dividend received from an associate		**13,500**	–
Payment for prepaid land leases		**(2,890)**	–
Payment for purchase of property, plant and equipment		**(25,072)**	(19,546)
Proceed from disposal of intangible assets		**4**	–
Increase in prepaid development costs	21(f)	**(17,088)**	(4,381)
Proceeds from disposal of property, plant and equipment		**94**	240
Investment in joint ventures		**–**	(7)
Proceeds from disposal of a joint venture		**396**	–
Loans to joint ventures		**(55)**	(2,633)
Investment in an associate		**(1,110)**	(2,039)
Repayment from an associate		**600**	–
Loans to investee companies		**–**	(4,521)
Net cash inflow on disposal of TAT Group	7	**–**	7,725
Net cash outflow on acquisition of a subsidiary	11	**(2,217)**	–
Acquisition of non-controlling interests		**(173)**	–
Deposit paid for acquisition of land		**(550)**	–
Receipt of deposit held in escrow	21(a)	**10,000**	–
Net cash used in investing activities		**(24,386)**	(24,751)
Cash Flows from Financing Activities			
Proceeds from issue of ordinary shares		**1**	16,906
Purchase of treasury shares		**–**	(1,777)
Dividends paid on ordinary shares		**(1,713)**	(27,741)
Increase in amount due to associates		**1,029**	–
Repayment of finance leases		**(174)**	(215)
Proceeds from term loans		**12,820**	3,858
Repayment of term loans		**–**	(150)
Drawdown of trust receipts		**2,912**	–
Repayment of trust receipts		**(5,314)**	(915)
Decrease in fixed deposits pledged to banks		**–**	1,200
Capital contribution by non-controlling interests		**1,369**	1,355
Increase in amount due from non-controlling interests		**(3,055)**	–
Increase in amount due to non-controlling interests		**3,949**	2,172
Net cash generated from/(used in) financing activities		**11,824**	(5,307)
Net decrease in cash and cash equivalents		**(21,626)**	(31,888)
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(59)**	125
Cash and cash equivalents at the beginning of the year		**70,792**	102,555
Cash and cash equivalents at the end of the year	24	**49,107**	70,792

The accompanying notes form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

1 GENERAL

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

The principal activities of the Company are investment holding and those of grit blasting and painting. The principal activities of the subsidiaries are set out in Note 11.

The financial statements for the financial year ended 31 December 2017 were approved and authorised for issue by the Board of Directors of the Company in accordance with a resolution of the directors on the date of the Directors' Statement.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The consolidated financial statements of the Group and the statement of financial position of the Company have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared on an historical cost basis, except as disclosed in the summary of accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the reporting date, and the reported amounts of revenues and expenses during the relevant reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgment or complexity, are disclosed in Note 3.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) New/Revised FRS

Application of New/Revised FRS that are effective

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new/revised standards mandatorily effective for the said year and relevant to the Group:

Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*

The amendments require new disclosure about changes in liabilities arising from financing activities in respect of:

a) changes from financing cash flows;

b) changes arising from obtaining or losing control of subsidiaries or other businesses;

c) the effect of changes in foreign exchange rates;

d) changes in fair values; and

e) other changes.

The above disclosure also applies to changes in financial assets if cash flows from those financial assets are included in cash flows from financing activities. Comparatives are not required in the first year of adoption.

As this is a disclosure requirement, the application of the amendments has had no impact on the financial performance or financial position of the Group and the Company. The above required information where material has been set out in Note 29.

Amendments to FRS 12 *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments clarify that unrealised losses on debt instruments measured at fair value in the financial statements but at cost for tax purposes can give rise to deductible temporary differences.

The amendments also clarify that the carrying amount of an asset does not limit the estimation of probable future taxable profits, and that when comparing deductible temporary differences with future taxable profits, the future taxable profits excludes tax deductions resulting from the reversal of those deductible temporary differences.

The application of the amendments has had no impact on the financial performance or financial position of the Group and the Company.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) New/Revised FRS (Continued)

New/Revised FRS in issue but not yet effective

At the date of these financial statements, the following new/revised standards that are relevant to the Group have been issued but are not yet effective:

		Effective for annual periods beginning on or after
FRS 109	*Financial Instruments*	1 January 2018
FRS 115	*Revenue from Contracts with Customers*	1 January 2018
Amendments to FRS 40	*Transfer of Investment Property*	1 January 2018
Improvements to FRSs (December 2016)		
– Amendments to FRS 28	*Investment in Associates and Joint Ventures*	1 January 2018
Amendments to FRS 28	*Long-term interests in Associates and Joint Ventures*	1 January 2019
Amendments to FRS 110 and FRS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined but is available for adoption
FRS 116	*Leases*	1 January 2019
Improvements to FRSs (March 2018)		
– Amendments to FRS 103	*Business Combinations*	1 January 2019
– Amendments to FRS 12	*Income Taxes*	1 January 2019
– Amendments to FRS 23	*Borrowing Costs*	1 January 2019

Consequential amendments were also made to various standards as a result of these new/revised standards.

Except for FRS 109, FRS 115 and FRS 116 described below, the Group does not expect the adoption/application of the other new/revised standards above in future periods to have a significant impact on the financial statements in the period of their initial application.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) New/Revised FRS (Continued)

New/Revised FRS in issue but not yet effective (Continued)

FRS 109 *Financial Instruments*

FRS 109 was introduced to replace FRS 39 *Financial Instruments: Recognition and Measurement*. FRS 109 changes the classification and measurement requirements for financial assets and liabilities, and also introduces a three-stage impairment model that will impair financial assets based on expected losses regardless of whether objective indicators of impairment have occurred. FRS 109 also provides a simplified hedge accounting model that will align more closely with companies' risk management strategies. FRS 109 is effective for annual periods beginning on or after 1 January 2018. Retrospective application is generally required, except that hedge accounting requirements are, with limited exemptions, applied prospectively. Comparative information need not be restated.

Based on the Group's initial assessment, the Group does not expect the adoption of FRS 109 to have a significant impact on the financial statements, except for (i) the Group's unlisted equity investments classified as financial assets, available-for-sale as disclosed in Note 14 can no longer be carried at cost but to be measured at fair value under FRS 109 using the framework within FRS 113 *Fair Value Measurement;* and (ii) the application of the expected credit loss model of FRS 109 may increase the amount of loss allowance recognised, but the Group does not expect any addition credit losses to be significant. The assessment performed by the Group is only preliminary and therefore may be subject to changes arising from a more detailed ongoing analysis on adoption of FRS 109.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 sets out the requirements for recognising revenue that apply to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments). FRS 115 replaces the previous revenue standards, FRS 18 *Revenue* and FRS 11 *Construction Contracts*, and the related interpretations on revenue recognition, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers*, and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied. Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) New/Revised FRS (Continued)

New/Revised FRS in issue but not yet effective (Continued)

FRS 115 *Revenue from Contracts with Customers (Continued)*

Based on the Group's initial assessment of its main source of revenue, the Group does not expect the adoption of FRS 115 to have a significant impact on the revenue recognition from construction contracts. The Group has specifically considered FRS 115's guidance on contract combinations, contract modifications arising from variation orders, variation consideration, and the assessment of whether there is a significant financing component in the contracts. The Group has assessed that revenue from these construction contracts should be recognised over time as the customer control the projects during the course of construction by the Group. Furthermore, the Group considers the input method currently used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under FRS 115. The assessment performed by the Group is only preliminary and therefore may be subject to changes arising from a more detailed ongoing analysis on adoption of FRS 115.

FRS 116 *Leases*

FRS 116 sets out a revised framework for the recognition, measurement, presentation and disclosure of leases, and replaces FRS 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*; and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. FRS 116 requires lessees to recognise right-of-use assets and lease liabilities for all leases with a term of more than twelve months, except where the underlying asset is of low value. The right-of-use asset is depreciated and interest expense is recognised on the lease liability. The accounting requirements for lessors have not been changed substantially, and continue to be based on classification as operating and finance leases. Disclosure requirements have been enhanced for both lessors and lessees.

FRS 116 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted for companies but only if it also apply FRS 115 *Revenue from Contracts with Customers* at or before the date of initial application of FRS 116.

The Group has entered into non-cancellable operating lease agreements, which may be required to be recognised as ROU (right-of-use) assets with corresponding lease liabilities in respect of some of those commitments under the new standard. The Group plans to adopt FRS 116 when it becomes effective in 2019 and will perform a more in-depth analysis of the quantitative effects prior to the adoption.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) New/Revised FRS (Continued)

Convergence with International Financial Reporting Standards (IFRS)

Singapore-incorporated companies listed on the Singapore Exchange (SGX) are required to apply a new financial reporting framework identical to the International Financial Reporting Standards (referred to as SFRS(I) in these financial statements) for the financial year ending 31 December 2018 onwards.

The Group has performed a preliminary assessment of the impact of SFRS(I) *First-time adoption of International Financial Reporting Standards* for the transition to the new reporting framework. Based on the Group's preliminary assessment, the Group expects that the impact on adoption of SFRS(I) 9 *Financial Instruments*, SFRS(I) 15 *Revenue from Contracts with Customers* and SFRS(I) 16 *Leases* will be similar to adopting FRS equivalents as described above.

Other than the adoption of the new/revised standards, the Group does not expect to change its existing accounting policies on adoption of the new framework. The Group is currently conducting a detailed analysis of the available accounting policy choices, transitional optional exemptions and transitional mandatory exceptions under SFRS(I) and the preliminary assessment may be subject to changes arising from the detailed analysis.

(c) Group Accounting

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Group Accounting (Continued)

Subsidiaries (Continued)

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Group Accounting (Continued)

Subsidiaries (Continued)

When the Group loses control of a subsidiary, it:

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

Associates and joint ventures

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Group Accounting (Continued)

Associates and joint ventures (Continued)

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

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

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

(d) Investments in Subsidiaries and Associates

Investments in subsidiaries and associates are carried at cost less accumulated impairment losses in the statement of financial position of the Company. On disposal of investments in subsidiaries and associates, the difference between net disposal proceeds and the carrying amount of the investments are recognised in the profit or loss.

(e) Discontinued Operations

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Revenue Recognition

Revenue for the Group comprises the fair value of the consideration received or receivable for the sale of goods and services rendered in the ordinary course of business, net of goods and services/value-added tax, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

Sale of goods

Revenue on the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer. Revenue is not recognised to the extent there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Rendering of services

Service income, management and consultancy fees are recognised in the period in which the services are rendered.

Leasing income

Leasing income from operating lease (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term as set out in the specific lease agreement.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Revenue from construction contracts

Revenue from construction contracts is recognised based on the percentage of completion method as further described in the Group's accounting policy on construction contracts (see Note 2(l) below).

Revenue from development properties contracts

Revenue from development properties projects for the construction of real estate under contract is recognised based on the completion of contract method as further described in the Group's accounting policy on development properties (see Note 2(s) below).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, Plant and Equipment

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

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

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

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

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

Subsequent expenditure related to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are recognised in profit or loss when incurred.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, Plant and Equipment (Continued)

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

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

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

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

(h) Investment Properties

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Investment Properties (Continued)

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or loss. When the property is sold, the related amount in the revaluation reserve is transferred to retained earnings.

(i) Prepaid Land Leases

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

(j) Goodwill

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Other Intangible Assets

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

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

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

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

The Group's finite intangible assets comprise:

i. *Capitalised developments*

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

ii. *Customer contractual backlog*

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

(l) Construction Contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date ("percentage of completion or POC method").

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Construction Contracts (Continued)

The outcome of a construction contract can be estimated reliably when:

- total contract revenue can be measured reliably;
- it is probable that the economic benefits associated with the contract will flow to the enterprise;
- both the contract cost to complete the contract and the stage of contract completion at the reporting date can be measured reliably; and
- the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a construction contract cannot be estimated reliably, revenue should be recognised only to the extent of contract costs incurred that it is probable will be recoverable, and contract costs should be recognised as an expense in the period in which they are incurred.

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

Contract revenue comprises the initial amount of revenue agreed in the contract, variations in the contract work, and claims that can be measured reliably. A variation or a claim is recognised as contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

The stage of completion is measured by reference to the proportion of contract costs incurred to date to the estimated total costs for the contract. Costs incurred during the year in connection with future activities on a contract are excluded from costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work in progress on the statement of financial position unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

At the reporting date, the aggregated costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as due from customers on construction contracts within "trade receivables". Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on construction contracts within "trade payables".

Progress billings not yet paid by customers and retentions are included within "trade and other receivables". Advances received are included within "trade and other payables".

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of Non-Financial Assets Excluding Goodwill

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

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

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

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

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also credited to profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial Assets

Classification

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

i. Loans and receivables

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

ii. Financial assets, available-for-sale

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

Recognition and derecognition

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial Assets (Continued)

Initial and subsequent measurements

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

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

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

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

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

i. Loans and receivables

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial Assets (Continued)

Initial and subsequent measurements (Continued)

i. Loans and receivables (Continued)

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

ii. Financial assets, available-for-sale

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

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

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

(o) Financial Liabilities

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Financial Liabilities (Continued)

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

(p) Offsetting Financial Assets and Financial Liabilities

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

(q) Provisions

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

(r) Financial Guarantees

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

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

a. the amount of the obligation under the contract, as determined in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Development Properties

Development properties projects in the process of development are accounted under the completion of contract (COC) method. Development properties projects are for the construction of real estate under contracts in which revenue is recognised when the control and the significant risks and rewards of ownership of the development property have been transferred, which generally coincides with the time the construction has been completed or substantially completed and the development property delivered to the customer. Development costs consist of costs that relate directly to the specific project, costs that are attributable to project activity in general and can be allocated to the project and such other costs as are specifically chargeable to the project. These are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(t) Inventories

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

(u) Cash and Cash Equivalents

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

(v) Derivative Financial Instruments

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than twelve months and it is not expected to be realised or settled within twelve months.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Share Capital and Treasury Shares

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

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

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

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

(x) Dividends to Company's Shareholders

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

(y) Government Grants

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Borrowing Costs

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

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

(aa) Leases

Finance lease (when the Group is a lessee)

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

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

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

Operating lease (when the Group is a lessor)

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

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

Operating lease (when the Group is a lessee)

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(bb) Employee Benefits

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

Defined contribution plan

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

Employee leave entitlement

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

Share-based compensation

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(cc) Income Tax

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

Current tax

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

Deferred tax

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(cc) Income Tax (Continued)

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

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

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

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

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

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

Current and deferred tax for the year

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(dd) Foreign Currencies

Functional and presentation currency

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

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

Transactions and balances

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

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

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

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

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(dd) Foreign Currencies (Continued)

Translation of Group entities' financial statements

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

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

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

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

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

(ee) Segment Reporting

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ff) Related Parties

A related party is defined as follows:

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

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

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

   ii. has significant influence over the reporting entity; or

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

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

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

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

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

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

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

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

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

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

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are set out in Note 2 above, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

In the process of applying the Group's accounting policies, the application of judgements that are expected to have a significant effect on the amounts recognised in the financial statements are discussed below:

i. Impairment of trade receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that trade receivables are impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in. Where there is an objective evidence of impairment, the recoverable amount is estimated based on historical loss experience for assets with similar credit risk characteristics.

The Group's allowance for impairment loss of trade receivables and the carrying amount of the Group's trade receivables as at 31 December 2017 are disclosed in Note 19.

Key sources of estimation uncertainty

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

ii. Useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line method over their estimated useful lives. Management estimates the useful lives of the leasehold buildings to be within 12 to 29 years and 2 to 10 years for other assets. Changes in the expected level of usage and technological development could impact the economic useful life of these assets, therefore future depreciation charges could be revised.

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

Key sources of estimation uncertainty (Continued)

ii. *Useful lives of property, plant and equipment (Continued)*

A 10% difference in the expected useful lives of the property, plant and equipment from management's estimates would result in an approximately 1.8% (2016: 2.6%) variance to the Group's (loss)/profit for the year.

iii. *Impairment of property, plant and equipment*

Property, plant and equipment are reviewed for impairment whenever there is any indication that the assets are impaired. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less cost to sell and value in use. Value in use is determined based on management's forecast of future cash flows discounted to present value using the pre-tax discount rate. Significant estimates and assumptions are made on revenue growth rates and in determining discount rates. Changes in these estimates and assumptions may result in impairment losses on these assets.

No allowance for impairment loss of property, plant and equipment was recognised in the profit or loss of the Group for the current financial year (2016: Nil). The carrying amount of the Group's property, plant and equipment as at 31 December 2017 is disclosed in Note 9.

iv. *Impairment of goodwill*

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. The recoverable amount of the cash-generating unit (CGU) to which goodwill has been allocated is based on value in use (VIU) calculation. VIU is based on cash flow forecast, the preparation of which requires management to use assumptions and estimates relating budgeted growth margin, revenue growth rate, perpetual growth rate and discount rate of each CGU. Changes to the assumptions and estimates used could result in changes in the carrying amount of the goodwill.

Impairment of goodwill amounted to S$9,600,000 (2016: Nil) was recognised in the profit or loss of the Group for the current financial year. The carrying amount of the goodwill as at 31 December 2017 and further details on the impairment testing of goodwill including management's sensitivity analysis are disclosed in Note 15.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

Key sources of estimation uncertainty (Continued)

v. Impairment of investment in subsidiaries and associates

Investment in subsidiaries and associates are reviewed at the end of each reporting period to determine whether there is any indication that those investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less cost to sell and value in use. Value in use is determined based on management's forecast of future cash flows discounted to present value using the pre-tax discount rate. Significant estimates and assumptions are made on revenue growth rates and in determining discount rates. Changes in these estimates and assumptions may result in impairment losses on those investments.

The carrying amounts of the investment in subsidiaries and associates as at 31 December 2017 and its related allowances for impairment losses are disclosed in Notes 11 and 12, respectively.

vi. Revenue from construction contracts

As described in Note 2(l), the Group uses the stage of completion method to account for its contract revenue and contract costs arising from construction contracts. The stage of completion is measured by reference to the estimated total costs incurred to date as compared to the total budgeted costs of the construction contract as approved by management. Significant management judgements are required to estimate the total budgeted contract costs which include estimation for variation works and any other claims from contractors or sub-contractors. Any changes to the total budgeted contract costs will impact the percentage of completion, resulting in an impact to the revenue recognised. Revenue arising from additional claims and variation orders, whether billed or unbilled, is recognised when negotiations have reached an advanced stage such that it is probable that the customer will accept the claims or approve the variation orders, and the amount that it is probable will be accepted by the customer can be measured reliably.

The aggregate amount of costs incurred plus attributable profits less recognised losses to date, progress billings, retention sums on construction contracts and due from/to customers are disclosed in Note 25. If the estimated total contracted cost had been 2% higher than management estimate, it would have an approximately 9.2% (2016: 6.9%) variance to the carrying amount of construction contract work in progress as at year end.

4 REVENUE

	Group	
	2017	**2016**
	S$'000	**S$'000**
Construction contracts	**25,773**	36,759
Services rendered	**6,468**	12,881
Sale of goods	**4,558**	5,415
Storage and leasing income	**926**	1,080
	37,725	56,135

5 INCOME TAX

	Group 2017 S$'000	Group 2016 S$'000
Income tax		
– Current year	**46**	79
– Under/(Over)provision in prior years	**30**	(169)
	76	(90)
Deferred tax		
– Current year	**(70)**	(187)
– Overprovision in prior years	**(18)**	-
	(12)	(277)

The corporate income tax applicable to the Company and other Singapore incorporated entities of the Group is 17% (2016: 17%). The entities of the Group in Bangladesh and Vietnam are subject to corporate income tax rate of 25% (2016: 25%) and 20% (2016: 20%), respectively. The remaining entities of the Group operating in other jurisdictions are considered not material.

The income tax on the (loss)/profit before income tax varies from the amount of income tax determined by applying the Singapore statutory income tax rate of 17% (2016: 17%) due to the following:

	Group 2017 S$'000	Group 2016 S$'000
(Loss)/Profit before income tax	**(20,213)**	4,064
Tax at statutory tax rate	**(3,436)**	691
Non-deductible expenses*	**2,352**	234
Non-taxable items	**(72)**	(149)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**33**	(14)
Share of (losses)/profits of associates and joint ventures, net of tax	**80**	(43)
Tax allowances and incentives	**(134)**	(455)
Singapore statutory tax exemption	**(46)**	(121)
Corporate income tax rebate	**–**	(62)
Utilisation of deferred tax assets previously not recognised	**–**	(319)
Deferred tax assets not recognised**	**1,199**	130
Under/(Over)provision of current income tax in prior years	**30**	(169)
Overprovision of deferred tax in prior years	**(18)**	–
	(12)	(277)

* Non-deductible expenses relates mainly to the impairment of goodwill in the current financial year.

** Deferred tax assets not recognised relates mainly to the unutilised tax losses and capital allowances carried forward as disclosed in Note 32.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

6 PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

	Group	
	2017	**2016**
	S$'000	**S$'000**
Except as disclosed elsewhere in the notes to the financial statements, (loss)/profit before income tax is arrived at after crediting/(charging) the following:		
Included in cost of sales		
Cost of inventories	**(5,284)**	(6,119)
Sub-contract fees	**(5,109)**	(7,308)
Depreciation of property, plant and equipment	**(2,506)**	(2,112)
Staff costs		
– Salaries	**(6,084)**	(7,225)
– Defined contribution plans	**(159)**	(223)
– Foreign workers levy	**(1,329)**	(2,015)
Included in other income		
Interest income	**1,045**	897
Government grants	**224**	202
Dividend income from financial assets, available-for-sale	**175**	411
Gain on disposal of property, plant and equipment	**59**	2
Scrap sales and service income	**229**	302
Foreign exchange gain	**–**	708
Included in selling and distribution expenses		
Delivery and lighterage charges	**(108)**	(216)
Sales commission	**(29)**	(43)
Travelling	**(360)**	(201)
Included in administrative expenses		
Directors' fees	**(284)**	(545)
Directors' remuneration		
– Salaries and bonus	**(947)**	(1,157)
– Defined contribution plans	**(35)**	(24)
Staff costs		
– Salaries	**(5,783)**	(4,688)
– Defined contribution plans	**(441)**	(454)
– Staff welfare	**(122)**	(314)
– Workman and staff insurance	**(107)**	(132)
Commercial car expenses	**(165)**	(150)

6 PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS (CONTINUED)

	Group	
	2017	**2016**
	S$'000	**S$'000**
Except as disclosed elsewhere in the notes to the financial statements, (loss)/profit before income tax is arrived at after crediting/(charging) the following: (Continued)		
Included in other operating expenses		
Audit fees paid/payable to:		
– Auditors of the Company	**(204)**	(188)
– Auditors of the subsidiaries	**(20)**	(14)
Non-audit fees paid/payable to:		
– Auditors of the Company*	**–**	(80)
Utilities	**(575)**	(699)
Allowance for inventory obsolescence	**(3)**	(444)
Reversal of allowance for inventory obsolescence	**5**	27
Inventory written back/(written off)	**12**	(192)
Impairment of goodwill	**(9,600)**	–
Property, plant and equipment written off	**(34)**	(546)
Depreciation of property, plant and equipment	**(1,023)**	(860)
Amortisation of intangible assets	**(48)**	(58)
Amortisation of prepaid land leases	**(34)**	–
Loss on disposal of joint venture	**(22)**	–
Professional fees	**(466)**	(140)
Property tax	**(225)**	(247)
Provision for cost of demolition	**(473)**	–
Repairs and maintenance	**(170)**	(605)
Allowance for impairment of trade receivables	**(791)**	(278)
Bad debts written off (trade)	**–**	(4)
Reversal of allowance for impairment of trade receivables	**–**	26
Impairment of financial assets, available-for-sale	**–**	(1)
Rental expense – operating leases	**(513)**	(436)
Foreign exchange loss – net	**(914)**	(17)
Included in finance costs		
Finance leases	**(13)**	(15)
Term loans	**(121)**	(1)
Trust receipts	**(108)**	(115)

* In the previous financial year, non-audit fees were related to the financial due diligence services rendered in connection with the proposed acquisition of companies by the Group.

7 DISCONTINUED OPERATION

In 2015, the Group had entered into a conditional sale and purchase agreement with Brenntag (Holding) B.V. (the "Buyer") on 18 September 2015, for the sale of its entire shareholding interests in TAT Petroleum Pte Ltd, Axxmo International Pte Ltd and PT TAT Petroleum Indonesia (the "RP segment" or "TAT Group"). The initial consideration was approximately S$100.3 million and the sale transaction was completed on 31 December 2015, the date on which the control of the TAT Group was passed to the Buyer. The overall consideration for the disposal of the TAT Group is subject to any adjustments to be made in relation to the net debt and working capital post completion. On 20 May 2016, the Group and the Buyer had agreed to a post completion adjustment that the final consideration was adjusted to S$108.1 million and the net difference between the final consideration and the initial consideration, being an amount equal to approximately S$7.8 million. This additional gain on disposal had been recognised in the profit or loss of the Group during the previous financial year ended 31 December 2016 as disclosed below:

Profit for the year from discontinued operation

The results of the discontinued operation arising from the disposal of the TAT Group above included in the consolidated statement of comprehensive income for the financial years ended 31 December 2017 and 2016 are set out below:

	Group	
	2017	**2016**
	S$'000	**S$'000**
Revenue	**–**	–
Cost of sales	**–**	–
Gross profit	**–**	–
Other income	**–**	–
Distribution costs	**–**	–
Administrative expenses	**–**	–
Other operating expenses*	**149**	(429)
Finance costs	**–**	–
Profit/(Loss) before income tax	**149**	(429)
Income tax	**–**	–
Profit/(Loss) for the year	**149**	(429)
Gain on disposal of operation	**–**	7,725
Profit for the year from discontinued operation	**149**	7,296
Attributable to:		
Equity holders of the Company	**149**	7,296
Non-controlling interest	**–**	–
	149	7,296
Cash flows from discontinued operation		
Cash flow generated from/(used in) operating activities	**149**	(429)
Cash flow generated from investing activities	**–**	7,725
Cash flow used in financing activities	**–**	–
Net cash inflow from discontinued operation	**149**	7,296

* Being reversal of allowance for stock obsolescence for refined petroleum products as disclosed in Note 18(a).

7 DISCONTINUED OPERATION (CONTINUED)

Gain on disposal of TAT Group recognised during the financial year ended 31 December 2016

	2016 S$'000
Additional cash consideration	7,823
Less: Directly attributable costs	(98)
Additional gain on disposal of TAT Group	7,725

The aggregate cash inflow arising from the disposal of TAT Group during the financial year ended 31 December 2016

	2016 S$'000
Additional consideration received in cash	7,725

8 (LOSS)/EARNINGS PER SHARE, BASIC AND DILUTED

Basic (loss)/earnings per share is calculated by dividing the net (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. The (loss)/earnings and weighted number of ordinary shares used in the calculation of basic (loss)/earnings per share are as follows:

	Group	
	2017 S$'000	2016 S$'000
(Loss)/Profit for the year attributable to equity holders of the Company	**(18,227)**	11,790
(Loss)/Earnings used in the calculation of basic (loss)/earnings per share	**(18,227)**	11,790
Profit for the year from discontinued operation used in the calculation of basic earnings per share from discontinued operation	**149**	7,296
(Loss)/Earnings used in the calculation of basic (loss)/earnings per share from continuing operations	**(18,376)**	4,494

NOTES TO THE FINANCIAL STATEMENTS

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8 (LOSS)/EARNINGS PER SHARE, BASIC AND DILUTED (CONTINUED)

For the purpose of calculating diluted (loss)/earnings per share, (loss)/profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of dilutive potential ordinary shares that could have been issued upon the exercise of all dilutive warrants. The average market value of the Company's shares for the purposes of calculating the dilutive effect of warrants was based on quoted market prices for the period during which the warrants were outstanding.

The (loss)/earnings used in the calculation of diluted (loss)/earnings per share are as follows:

	Group	
	2017	**2016**
	S$'000	**S$'000**
(Loss)/Earnings used in the calculation of diluted (loss)/earnings per share	**(18,227)**	11,790
Profit for the year from discontinued operation used in the calculation of diluted earnings per share from discontinued operation	**149**	7,296
(Loss)/Earnings used in the calculation of diluted (loss)/earnings per share from continuing operations	**(18,376)**	4,494

The weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic (loss)/earnings per share as follows:

	Group	
	2017	**2016**
Weighted average number of ordinary shares used in the calculation of basic (loss)/earnings per share	**685,127,863**	662,109,747
Effects of dilutive potential ordinary shares:		
Warrants	**20,246,312**	27,952,226
	705,374,175	690,061,973

9 PROPERTY, PLANT AND EQUIPMENT

	Land & leasehold buildings S$'000	Renovation/ leasehold improvements S$'000	Furniture & fittings S$'000	Machinery & yard equipment S$'000	Motor vehicles S$'000	Office & computer equipment S$'000	Construction in progress S$'000	Total S$'000
Group								
2017								
Cost or Valuation								
At 1 January	**36,447**	**719**	**1,804**	**14,077**	**2,274**	**770**	**13,615**	**69,706**
Acquisition through business combination (Note 10)	**2,856**	**–**	**84**	**1,342**	**412**	**–**	**131**	**4,825**
Additions	**10,851**	**25**	**546**	**3,174**	**109**	**152**	**10,215**	**25,072**
Revaluation	**6,877**	**–**	**–**	**–**	**–**	**–**	**–**	**6,877**
Disposals/Written off	**–**	**–**	**(16)**	**(960)**	**(99)**	**(66)**	**–**	**(1,141)**
Reclassification	**20,385**	**115**	**249**	**2,588**	**–**	**26**	**(23,363)**	**–**
Currency alignment	**6**	**–**	**(4)**	**(24)**	**(8)**	**–**	**2**	**(28)**
At 31 December	**77,422**	**859**	**2,663**	**20,197**	**2,688**	**882**	**600**	**105,311**
Cost	**16,346**	**859**	**2,663**	**20,197**	**2,688**	**838**	**600**	**44,235**
Valuation	**61,076**	**–**	**–**	**–**	**–**	**–**	**–**	**61,076**
Total	**77,422**	**859**	**2,663**	**20,197**	**2,688**	**838**	**600**	**105,311**
Accumulated depreciation and impairment losses								
At 1 January	**11,401**	**578**	**1,553**	**11,577**	**1,115**	**689**	**–**	**26,913**
Depreciation charge	**1,653**	**52**	**274**	**1,582**	**448**	**57**	**–**	**4,066**
Disposals/Written off	**–**	**–**	**(16)**	**(930)**	**(61)**	**(64)**	**–**	**(1,072)**
Currency alignment	**(1)**	**–**	**(1)**	**(2)**	**–**	**–**	**–**	**(4)**
At 31 December	**13,053**	**630**	**1,810**	**12,227**	**1,502**	**681**	**–**	**29,903**
Net book value								
At 31 December	**64,369**	**229**	**853**	**7,970**	**1,186**	**201**	**600**	**75,408**
2016								
Cost or Valuation								
At 1 January	30,376	1,955	1,681	14,608	2,110	850	–	51,580
Additions	6,071	56	160	696	171	69	12,323	19,546
Disposals/Written off	–	–	(34)	(1,232)	–	(149)	–	(1,415)
Reclassification	–	(1,292)	–	–	–	–	1,292	–
Currency alignment	–	–	(3)	5	(7)	–	–	(5)
At 31 December	36,447	719	1,804	14,077	2,274	770	13,615	69,706
Cost	6,071	719	1,804	14,077	2,274	770	13,615	39,330
Valuation	30,376	–	–	–	–	–	–	30,376
Total	36,447	719	1,804	14,077	2,274	770	13,615	69,706
Accumulated depreciation and impairment losses								
At 1 January	9,666	513	1,414	11,337	731	781	–	24,442
Depreciation charge	1,199	65	175	1,230	385	47	–	3,101
Disposals/Written off	–	–	(34)	(990)	–	(147)	–	(1,171)
Written down recognised in profit and loss (b)	536	–	–	–	–	8	–	544
Currency alignment	–	–	(2)	–	(1)	–	–	(3)
At 31 December	11,401	578	1,553	11,577	1,115	689	–	26,913
Net book value								
At 31 December	25,046	141	251	2,500	1,159	81	13,615	42,793

NOTES TO THE FINANCIAL STATEMENTS

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9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold buildings S$'000	Renovation/ leasehold improvements S$'000	Furniture & fittings S$'000	Motor vehicles S$'000	Office & computer equipment S$'000	Total S$'000
Company						
2017						
Cost or Valuation						
At 1 January	**14,729**	**404**	**1,024**	**356**	**507**	**17,020**
Additions	**–**	**–**	**–**	**–**	**2**	**2**
Disposals/Written off	**–**	**–**	**–**	**–**	**(22)**	**(22)**
Revaluation	**6,877**	**–**	**–**	**–**	**–**	**6,877**
Reclassified to investment property (Note 11)	**(21,606)**	**–**	**–**	**–**	**–**	**(21,606)**
At 31 December	**–**	**404**	**1,024**	**356**	**487**	**2,271**
Accumulated depreciation and impairment losses						
At 1 January	**6,593**	**315**	**1,021**	**198**	**494**	**8,621**
Depreciation charge	**613**	**26**	**1**	**35**	**4**	**679**
Disposals/Written off	**–**	**–**	**–**	**–**	**(22)**	**(22)**
Reclassified to investment property (Note 10)	**(7,206)**	**–**	**–**	**–**	**–**	**(7,206)**
At 31 December	**–**	**341**	**1,022**	**233**	**476**	**2,072**
Net book value						
At 31 December	**–**	**63**	**2**	**123**	**11**	**199**
2016						
Cost or Valuation						
At 1 January	14,729	353	1,024	356	653	17,115
Additions	–	51	–	–	–	51
Disposals/Written off	–	–	–	–	(146)	(146)
At 31 December	14,729	404	1,024	356	507	17,020
Cost	–	404	1,024	356	507	2,291
Valuation	14,729	–	–	–	–	14,729
Total	14,729	404	1,024	356	507	17,020
Accumulated depreciation and impairment losses						
At 1 January	6,022	295	1,018	162	623	8,120
Depreciation charge	571	20	3	36	17	647
Disposals/Written off	–	–	–	–	(146)	(146)
At 31 December	6,593	315	1,021	198	494	8,621
Net book value						
At 31 December	8,136	89	3	158	13	8,399

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Details of the leasehold buildings of the Group are as follows:

Property Address	Description	Tenure
81 Tuas South Street 5, Singapore 637651[1]	Single storey detached factory with ancillary 2-storey warehouse, and a 3-storey annexe office block	30 years leasehold from 1999 with an option to renew for an additional 1 year
1 Penjuru Lane, Singapore 609217	A single-storey detached factory building with a mezzanine office and side/rear extension	10 years leasehold from 2007 and further extended to September 2018
19 Tuas Avenue 20, Singapore 638830	Single-storey factory block with mezzanine office and a 3-storey ancillary office block	20 years leasehold from 2015
Ward 10, Vung Tau City, Ba Ria-Vung Tau Province, Vietnam	A single-storey detached factory building with side/rear extension	42 years leasehold from 2004

(1) The leasehold building of the Company located at 81 Tuas South Street 5 has been leased to certain subsidiaries of the Group to earn leasing revenue. Accordingly, the property has been reclassified from leasehold buildings (owner-occupied) to investment properties carried at fair value as disclosed in Note 10.

(b) Leasehold buildings carried at revaluation amount

The Group's leasehold buildings at 81 Tuas South Street 5 and 1 Penjuru Lane were professionally valued by an independent valuer based on open market value in 2012. The valuer had used the direct comparison method by referring to market evidence of recent transactions for similar properties.

The leasehold building of the Group located at 1 Penjuru Lane has been fully written down to Nil as at 31 December 2017 as the property is to be demolished upon the expiry of the land lease within the next twelve months from the reporting date. A provision of S$473,000 has been included in other payables for the estimated cost for demolition.

The Group's leasehold building at Ward 10, Vung Tau City was professionally valued by an independent valuer based on cost approach in 2016, prior to the acquisition of TLC (see Note 11) by the Group.

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9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Leasehold buildings carried at revaluation amount (Continued)

Had the leasehold buildings stated at valuation been included in the financial statements at cost less accumulated depreciation and accumulated impairment losses, their net book value at the reporting date would have been as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Leasehold buildings	**10,335**	10,513	**7,503**	7,550

(c) Freehold lands

Included in land and leasehold buildings of the Group are freehold lands, which are located in Malaysia and Bangladesh, with carrying amounts totalling S$16,346,000 (2016: S$6,071,000) as at 31 December 2017.

(d) As at 31 December 2017, land and leasehold buildings of the Group and the Company with carrying amounts of S$52,892,000 (2016: S$23,531,000) and Nil (2016: S$8,136,000), respectively, are mortgaged to secure the credit facilities of the Group (Note 29).

(e) Net book value of machinery and yard equipment, and motor vehicles of the Group acquired under finance leases amounted to S$484,000 (2016: S$664,000) as at 31 December 2017.

(f) Depreciation charge for the current financial year is recognised in the consolidated financial statements of the Group as follows:

	Group	
	2017	**2016**
	S$'000	**S$'000**
Continuing operations	**3,529**	2,972
Inventories and construction in progress	**537**	129
	4,066	3,101

10 INVESTMENT PROPERTIES

	Company	
	2017	**2016**
	S$'000	**S$'000**
Investment property, at fair value		
At 1 January	**–**	–
Reclassified from leasehold buildings (Note 9)	**14,400**	–
At 31 December	**14,400**	–

The leasehold property of the Company located at 81 Tuas South Street 5 has been leased to certain subsidiaries of the Group to earn leasing income. Due to the change of use, the property was accordingly remeasured to fair value at the date of change of use and reclassified from leasehold buildings (owner-occupied) to investment properties. The gain from the fair value adjustment amounted to S$6,877,000 was recognised in the revaluation reserve (Note 35).

The fair value was determined based on directors' valuation which relied on a recent valuation by an independent professional valuer, based on open market value. The valuer used the direct comparison method by referring to market evidence of recent transactions for similar properties. With the valuation report as a reference, management has exercised their judgement to assess the fair value that reflects the highest and best use of the asset. The fair value of the investment property is measured under Level 3 of the Fair Value Hierarchy (see Note 42).

Leasing income recognised for the financial year ended 31 December 2017 amounted to S$1,218,000 (2016: Nil). Direct operating expenses arising from the investment property that generated the leasing income during the financial year were considered not material.

As at 31 December 2017, the investment property of the Company is mortgaged to secure the credit facilities of the Group (Note 29).

11 INVESTMENT IN SUBSIDIARIES

	Company	
	2017	2016
	S$'000	S$'000
Unquoted equity shares, at cost		
Eastern Tankstore (S) Pte. Ltd.	**4,080**	4,080
Hetat Holdings Pte. Ltd.	**45,300**	45,300
See Hup Seng CP Pte. Ltd.	**8,047**	8,047
Sinenergy Holdings Pte. Ltd.	**1,000**	1,000
SHS Trading Pte. Ltd.	**–***	–*
SHS Capital Pte. Ltd.	**–***	–*
	58,427	58,427
Less: Allowance for impairment loss	**(4,080)**	(4,080)
	54,347	54,347

* Amount is less than S$1,000

Details of the subsidiaries of the Group are as follows:

	Name of Company (Country of incorporation and place of business)	Principal activities	Effective equity interest held by the Group 2017 %	2016 %
	Held by the Company:			
**	Hetat Holdings Pte. Ltd. Singapore	Investment holding	**100**	100
**	See Hup Seng CP Pte. Ltd. Singapore	Provision of corrosion prevention services	**100**	100
**	SHS Capital Pte. Ltd. Singapore	Investment holding	**100**	100
**	Eastern Tankstore (S) Pte. Ltd. Singapore	Warehousing and storage handling services	**51**	51
****	SHS Trading Pte. Ltd. Singapore	Dormant	**100**	100
**	Sinenergy Holdings Pte. Ltd. Singapore	Investment holding	**100**	100

11 INVESTMENT IN SUBSIDIARIES (CONTINUED)

	Name of Company (Country of incorporation and place of business)	Principal activities	Effective equity interest held by the Group 2017 %	2016 %
	Held by subsidiary companies:			
	See Hup Seng CP Pte. Ltd.			
**	SHS Special Coating Pte Ltd Singapore	Grit blasting and painting	**100**	100
**	SHS System Pte Ltd Singapore	Tank coating, grit blasting and painting	**100**	100
**	SHS Offshore Pte Ltd Singapore	Grit blasting and painting	**100**	100
**	Gardella Singapore Coating Pte Ltd Singapore	Dormant	**100**	100
**	Lesoon Equipment Pte. Ltd. Singapore	Trading and manufacturing of blasting and painting equipment	**94.5**	94.5
**	Speedo Corrosion Control Pte Ltd Singapore	Tank coating, grit blasting and painting	**100**	100
	Lesoon Equipment Pte. Ltd.			
***	Speedlock Equipment Sdn. Bhd. Malaysia	Trading and manufacturing of blasting and painting equipment	**94.5**	94.5
	Gardella Singapore Coating Pte Ltd			
***	Gardella Coating Philippines, Inc. Philippines	Dormant	**99.9**	99.9
	Hetat Holdings Pte. Ltd.			
**	Hetat Pte. Ltd. Singapore	Engineering and project management for steel, glass and aluminum contracts	**100**	100
**	Hetat Construction Pte. Ltd. Singapore	Dormant	**100**	100
***	Xiang Tong (Shanghai) International Trading Co., Ltd The People's Republic of China	Import and export of construction materials	**100**	100

11 INVESTMENT IN SUBSIDIARIES (CONTINUED)

	Name of Company (Country of incorporation and place of business)	Principal activities	Effective equity interest held by the Group 2017 %	2016 %
	Held by subsidiary companies:			
	Hetat Holdings Pte. Ltd.			
**	TLC Modular Pte. Ltd. Singapore	Modular construction, manufacturing, engineering and project management for steel, glass and aluminium contracts	**60**	60
***	TLC Modular Sdn. Bhd. Malaysia	Modular construction, manufacturing, engineering and project management for steel, glass and aluminium contracts	**60**	60
***	TLC Modular Construction Joint Stock Company[2] Vietnam	Modular construction, manufacturing, engineering and project management for steel, glass and aluminium contracts	**60**	–
	TLC Modular Pte. Ltd.			
***	TLC Modular Manufacturing (Vietnam) Co Ltd.[1] Vietnam	Modular construction, manufacturing, engineering and project management for steel, glass and aluminium contracts	**60**	–
****	TLC Modular & Construction (NZ) Pty Limited[1] New Zealand	Modular construction, manufacturing, engineering and project management for steel, glass and aluminium contracts	**60**	–
	Hetat Pte. Ltd.			
*	Hetat Global Mongolia LLC[4] Mongolia	Engineering and project management for steel, glass and aluminum contracts	**–**	100
***	Hetat Engineering & Construction Sdn. Bhd. Malaysia	Engineering and project management for steel, glass and aluminium contracts	**100**	100

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11 INVESTMENT IN SUBSIDIARIES (CONTINUED)

	Name of Company (Country of incorporation and place of business)	Principal activities	Effective equity interest held by the Group 2017 %	2016 %
	Held by subsidiary companies:			
	Sinenergy Holdings Pte. Ltd.			
**	Sinenergy Pte. Ltd.[(3)] Singapore	Engineering and project management for electrical works	**85**	60
**	Sinenergy Engineering Pte. Ltd. Singapore	Air-conditioning and mechanical ventilation	**60**	60
***	HDFC SinPower Ltd. Bangladesh	Built, develop, install, setup, and operate Power Plants in Bangladesh	**65**	65
**	Hua Sheng Energy Pte. Ltd.[(1)]	Trading of electrical and wiring accessories	**100**	–
***	Sinenergy TL Energy Joint Stock Company (Vietnam)[(1)]	Develop and install solar power projects	**65**	–
	SHS Capital Pte. Ltd.			
****	SHS Ferny Pty Ltd[(1)]	Investment holdings	**100**	–

* Audited by Reliance Securities Auditing LLC
** Audited by Moore Stephens LLP, Singapore
*** Audited by member firms of Moore Stephens International Limited
**** Exempted from audit under the laws of the country of incorporation. Reviewed by Moore Stephens LLP for group consolidation
(1) Subsidiaries incorporated during the year
(2) Subsidiary acquired during the year
(3) Step acquisition during the year
(4) Liquidated during the year

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11 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Incorporation of subsidiaries

On 3 February 2017, the Company's wholly owned subsidiary, Sinenergy Holdings Pte. Ltd., incorporated a wholly owned subsidiary, Hua Sheng Energy Pte. Ltd. in Singapore with an issued and paid-up share capital of S$100,000 comprising 100,000 ordinary shares.

On 30 March 2017, the Company's wholly owned subsidiary, Sinenergy Holdings Pte. Ltd., invested in 65% equity interest in Sinenergy TL Energy Joint Stock Company, a newly incorporated company in Vietnam. The issued and paid-up capital of Sinenergy TL Energy Joint Stock Company is VND5,000,000,000 (equivalent to S$334,000) which Sinenergy Holdings Pte. Ltd.'s 65% equity interest contribution amounted to S$217,000.

On 4 August 2017, the Company's wholly owned subsidiary, SHS Capital Pte. Ltd., incorporated a wholly owned subsidiary, SHS Ferny Pty Ltd in Australia with an initial paid up capital of AUD10, comprising of 10 ordinary shares.

On 13 September 2017, the Group's 60% owned subsidiary, TLC Modular Pte. Ltd., incorporated a wholly owned subsidiary, TLC Modular and Construction (NZ) Pty Limited in New Zealand with an issued and paid-up share capital of NZD10, comprising 10 ordinary shares.

On 19 September 2017, the Group's 60% owned subsidiary, TLC Modular Pte. Ltd., incorporated a wholly owned subsidiary, TLC Modular Manufacturing (Vietnam) Co. Ltd. in Vietnam with a paid up share capital of VND51,218,418,782 (equivalent to S$3,075,000).

Addition investment in a subsidiary

On 4 July 2017, the Company's wholly owned subsidiary, Sinenergy Holdings Pte. Ltd. increased the registered share capital of its 65% owned subsidiary, HDFC SinPower Ltd., from BDT197,377,000 (equivalent to S$3,568,000) to BDT395,002,000 (equivalent to S$7,144,000). The Group's effective equity interest remains at 65% of the enlarged share capital.

Liquidation of a subsidiary

During the current financial year, the Group's wholly owned subsidiary, Hetat Pte. Ltd. liquidated its wholly owned subsidiary, Hetat Global Mongolia LLC, which has been dormant. There is no material gain or loss recognised in the profit or loss of the Group.

11 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Acquisition of a subsidiary

In 2016, the Group through its wholly owned subsidiary, Hetat Holdings Pte. Ltd., entered into a conditional sale and purchase agreement with Ms Duong Thi Thuy Mai (the "Vendor") for the proposed acquisition of the 60% issued and paid-up share capital of TLC Modular Construction Joint Stock Company ("TLC") (the "Acquisition"), a company incorporated in Vietnam and engaged in the business of, among others, providing design, construction and manufacturing services in modular construction projects, for a total consideration of US$4.215 million (equivalent to S$5,988,000) (the "Consideration").

The Acquisition was completed on 6 February 2017 and accordingly TLC became a subsidiary of the Group. On completion of the Acquisition, US$3.375 million (equivalent to S$4,795,000) was paid in cash to the Vendor and the balance of the Consideration of US$0.84 million (equivalent to S$1,193,000) shall be paid subject to the achievement of certain profit targets (the "Contingent Consideration") (see Note 27) over a two-year period till 31 December 2018.

The fair values of the identifiable assets and liabilities of the acquired subsidiary as at the date of acquisition were:

	2017 S$'000
Non-current assets	
Property, plant and equipment (Note 9)	4,825
Prepaid land lease (Note 17)	1,085
Current assets	
Cash and bank balances	150
Inventories and construction in progress	3,031
Trade and other receivables	1,721
Other current assets	55
Current liabilities	
Trade and other payables	(6,442)
Non-current liabilities	
Deferred tax liabilities	(530)
Total identifiable net assets acquired at fair value	3,895
Purchase consideration	
Consideration paid in cash	4,795
Contingent Consideration	1,193
Total consideration transferred for the business combination	5,988
Plus: Non-controlling interest*	1,558
Less: Fair value of identifiable net assets acquired	(3,895)
Goodwill arising on acquisition (Note 15)	3,651
Effect on cash flows of the Group	
Consideration paid in cash	4,795
Less: Cash and cash equivalents in acquired subsidiary	(150)
Less: Loan to an investee company (Note 21)	(2,428)
Net cash outflow on acquisition	2,217

* The Group has elected to measure the non-controlling interest at the non-controlling interest's proportionate share of the acquired subsidiary's identifiable net assets.

11 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Acquisition of a subsidiary (Continued)

Acquisition-related costs which are not material have been excluded from the consideration transferred and recognised as an expense in the profit or loss of the Group.

Goodwill arose in the acquisition of TLC because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue stream growth and future market development in the modular construction business. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. The goodwill arising on this acquisition is not expected to be deductible for tax purposes.

The acquired business contributed revenue of approximately S$1.7 million and net loss of approximately S$2.8 million to the Group from the date of acquisition to 31 December 2017.

Had the business combination been affected at 1 January 2017, the revenue of the Group from continuing operations would have been approximately S$37.8 million, and the loss for the year from continuing operations would have been approximately S$20.2 million. The management considers these 'pro-forma' numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

Step acquisition of a subsidiary

During the current financial year, the Group through its wholly owned subsidiary, Sinenergy Holdings Pte. Ltd., acquired an additional 25% equity interest in Sinenergy Pte. Ltd. from its non-controlling interests for a total cash consideration of approximately S$173,000. The effect of the change in the Group's effective equity interest in Sinenergy Pte. Ltd. from 60% to 85% on the equity attributable to equity holders of the Company is summarised below:

	2017 S$'000
Consideration paid for acquisition of non-controlling interests	**173**
Decrease in equity attributable to non-controlling interests	**(173)**
Increase in equity attributable to equity holders of the Company	**–**

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11 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Non-controlling interests

	2017 S$'000	2016 S$'000
Balance at 1 January	**2,051**	849
Share of results of subsidiaries	**(1,825)**	(153)
Share of currency translation reserve	**(42)**	–
Capital contribution by non-controlling interests[(a), (b)]	**1,369**	1,355
Acquisition of a subsidiary	**1,558**	–
Acquisition of additional interest in subsidiary from non-controlling interests	**(173)**	–
Balance at 31 December	**2,938**	2,051

(a) During the current financial year, the non-controlling interests of HDFC SinPower Ltd. ("HDFC") and Sinenergy TL Energy Joint Stock Company ("Sinenergy TL") have made its capital contribution of approximately BDT70.6 million (equivalent to S$1,252,000) and VND1.75 billion (equivalent to S$117,000) to the issued and paid-up capital of HDFC and Sinenergy TL, respectively.

(b) During the previous financial year, the non-controlling interests of HDFC, Sinenergy Engineering Pte Ltd and TLC Modular Sdn Bhd, had made its capital contribution of approximately BDT69.08 million (equivalent to S$1,248,000), S$40,000 and S$67,000 to the issued and paid-up capital of HDFC, Sinenergy Engineering Pte Ltd and TLC Modular Sdn Bhd, respectively.

The Group has the following subsidiaries that have material non-controlling interests:

Name of subsidiary (Place of incorporation and principal place of business)	Proportion of ownership interests and voting rights held by non-controlling interests		(Loss)/Profit allocated to non-controlling interests		Accumulated non-controlling interests	
	2017	2016	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
HDFC SinPower Ltd. Bangladesh	**35%**	35%	**(22)**	(8)	**2,379**	1,240
TLC Modular Construction Joint Stock Company Vietnam	**40%**	–	**(1,050)**	–	**484**	–
Individually immaterial subsidiaries with non-controlling interests					**75**	811
					2,938	2,051

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11 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Non-controlling interests (Continued)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interest is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2017 S$'000	2016 S$'000
HDFC SinPower Ltd.		
Current assets	**2,929**	1,516
Non-current assets	**11,522**	4,318
Current liabilities	**(7,536)**	(2,178)
Non-current liabilities	**–**	–
Equity attributable to equity holders of the Company	**4,536**	2,416
Non-controlling interests	**2,379**	1,240
Revenue	**–**	–
Cost of sales and expenses	**(317)**	(24)
Loss for the year	**(317)**	(24)
Loss attributable to owners of the Company	**(206)**	(16)
Loss attributable to the non-controlling interests	**(111)**	(8)
Loss for the year	**(317)**	(24)
Total comprehensive loss attributable to equity holders of the Company	**(206)**	(16)
Total comprehensive loss attributable to the non-controlling interests	**(111)**	(8)
Total comprehensive loss for the year	**(317)**	(24)
Net cash flows used in operating activities	**(82)**	(761)
Net cash flows used in investing activities	**(8,012)**	(1,515)
Net cash flows generated from financing activities	**8,552**	3,568
Net cash inflow	**458**	1,292
Dividends paid to non-controlling interests	**–**	–

11 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Non-controlling interests (Continued)

	2017 S$'000	2016 S$'000
TLC Modular Construction Joint Stock Company		
Current assets	**3,103**	–
Non-current assets	**6,750**	–
Current liabilities	**(8,151)**	–
Non-current liabilities	**(493)**	–
Equity attributable to owners of the Company	**725**	–
Non-controlling interests	**484**	–
Revenue	**7,196**	–
Cost of sales and expenses	**(9,821)**	–
Loss for the year	**(2,625)**	–
Loss attributable to equity holders of the Company	**(1,575)**	–
Loss attributable to the non-controlling interests	**(1,050)**	–
Loss for the year	**(2,625)**	–
Total comprehensive loss attributable to equity holders of the Company	**(1,575)**	–
Total comprehensive loss attributable to the non-controlling interests	**(1,050)**	–
Total comprehensive loss for the year	**(2,625)**	–
Net cash flows generated from operating activities	**326**	–
Net cash flows used in investing activities	**(1,191)**	–
Net cash flows generated from financing activities	**–**	–
Net cash outflow	**(865)**	–
Dividends paid to non-controlling interests	**–**	–

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12 INVESTMENT IN ASSOCIATES

	Group		Company	
	2017	2016	2017	2016
	S$'000	S$'000	S$'000	S$'000
Unquoted equity shares, at cost				
At 1 January	**9,353**	7,314	**7,853**	5,814
Additions	**1,110**	2,039	**–**	2,039
At 31 December	**10,463**	9,353	**7,853**	7,853
Less: Allowance for impairment loss	**–**	–	**(849)**	(849)
Dividend received	**(13,500)**	–	**–**	–
Share of net post acquisition reserves	**12,484**	13,055	**–**	–
Share of translation differences	**(117)**	(117)	**–**	–
At 31 December	**9,330**	22,291	**7,004**	7,004

Details of the Group's associates are as follows:

	Name of Company (Country of incorporation and place of business)	Principal activities	Group Cost 2017 S$'000	Group Cost 2016 S$'000	Effective equity interest held by the Group 2017 %	Effective equity interest held by the Group 2016 %
	Held by the Company:					
*	Guangzhou City South Special Coating Company Limited The People's Republic of China	Grit blasting, tank cleaning and painting	**849**	849	**47**	47
**	Aenergy Holdings Company Limited [(2)] Hong Kong	Investment holding company and its subsidiaries are engaged in constructing, operating and maintaining hydropower plants and the production of electric power	**7,004**	7,004	**20**	25
			7,853	7,853		
	Held by Hetat Holdings Pte. Ltd.					
****	Yokomori Singapore Pte Ltd [(1)] Singapore	Manufacturing of steel structural component	**1,110**	–	**30**	–
	Held by SHS Capital Pte. Ltd.					
***	Serangoon EC Pte. Ltd. Singapore	Real estate development	**1,500**	1,500	**30**	30
			10,463	9,353		

* Audited by ShineWing Certified Public Accountants
** Audited by Tandem (HK) CDA Limited
*** Audited by Philip Liew & Co
**** Audited by Moore Stephens LLP, Singapore
(1) Associate incorporated during the year
(2) Dilution of effective equity interest during the year

12 INVESTMENT IN ASSOCIATES (CONTINUED)

Incorporation of an associate

On 11 July 2017, the Company's wholly owned subsidiary, Hetat Holdings Pte. Ltd., invested in 30% equity interest in Yokomori Singapore Pte Ltd, a newly incorporated company in Singapore. The issued and paid-up capital of Yokomori Singapore Pte Ltd is S$3,700,000, which Hetat Holdings Pte. Ltd.'s 30% equity interest contribution amounted to S$1,110,000.

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with FRSs adjusted by the Group for equity accounting purposes.

	2017 S$'000	2016 S$'000
Serangoon EC Pte. Ltd.		
Current assets	**12,848**	69,548
Non-current assets	**–**	–
Current liabilities	**(6,574)**	(6,117)
Non-current liabilities	**–**	(11,212)
Revenue	**3,074**	15,666
(Loss)/Profit for the year	**(946)**	1,079
Total comprehensive (loss)/income for the year	**(946)**	1,079
Dividends received from the associate	**13,500**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in Serangoon EC Pte. Ltd. recognised in the consolidated financial statements:

	2017 S$'000	2016 S$'000
Net assets of the associate	**6,274**	52,219
Proportion of the Group's ownership in Serangoon EC Pte. Ltd.	**30%**	30%
Carrying amount of the Group's interest in Serangoon EC Pte. Ltd.	**1,882**	15,666

12 INVESTMENT IN ASSOCIATES (CONTINUED)

	2017 S$'000	2016 S$'000
Aenergy Holdings Company Limited		
Current assets	**20,037**	13,424
Non-current assets	**12,825**	9,632
Current liabilities	**(1,025)**	(4,431)
Non-current liabilities	**–**	–
Non-controlling interests	**(171)**	(283)
Revenue	**–**	–
Loss for the year	**(1,227)**	(266)
Total comprehensive loss for the year	**(1,227)**	(266)
Dividends received from the associate	**–**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in Aenergy Holdings Company Limited ("Aenergy") recognised in the consolidated financial statements:

	2017 S$'000	2016 S$'000
Net assets of the associate	**31,666**	18,342
Proportion of the Group's ownership in Aenergy	**20%**	25%
	6,375	4,586
Add: Capital contribution capitalised by Aenergy after 31 December 2016	**–**	2,039
Carrying amount of the Group's interest in Aenergy	**6,375**	6,625

Change in the Group's effective equity interest in an associate:

During the previous financial year, Aenergy had made a first capital call to its shareholders to contribute a total of US$6,000,000. The Group had contributed US$1,500,000, equivalent to approximately S$2,039,000, proportional to the Group's effective equity interest of 25% in Aenergy. The first capital call was completed by all the shareholders of Aenergy during the current financial year.

During the current financial year, Aenergy made a second capital call to its shareholders to contribute a total of US$5,000,000. The Group decided not to participate in the second capital call and consequently, the Group's effective equity interest in Aenergy was diluted from 25% to 20%, after the completion of the second capital call by the other shareholders of Aenergy. The effect of the change in the Group's effective equity interest in Aenergy has not been accounted by the Group as the impact is considered not material.

<u>Aggregate information of associates that are not individually material</u>

	2017 S$'000	2016 S$'000
The Group's share of loss for the year	**(124)**	–
The Group's share of total comprehensive loss	**(124)**	–
Aggregate carrying amount of the Group's interest in these associates	**1,073**	–

13 INVESTMENT IN JOINT VENTURES

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Unquoted equity shares, at cost				
At 1 January	**7**	–	**–**	–
Additions	**–**	7	**–**	–
Disposals	**(7)**	–	**–**	–
At 31 December	**–**	7	**–**	–
Share of net post acquisition reserves	**102**	(4)	**–**	–
Share of loss transfer to reduce against loan receivable from a joint venture (Note 23)	**–**	3	**–**	–
At 31 December	**102**	6	**–**	–

Details of the Group's joint ventures are as follows:

	Name of Company (Country of incorporation and place of business)	Principal activities	Group Cost 2017 S$'000	Group Cost 2016 S$'000	Effective equity interest held by the Group 2017 %	Effective equity interest held by the Group 2016 %
*	Pacific Land Development Co., Ltd.[(1)] Myanmar	Provide services related to technical consultancy for construction, mechanical or electrical installation and other services related to construction.	**–**	7	**–**	50
**	Changi Mega Solar Pte. Ltd. Singapore ("Changi Mega")	Generation of electricity by other sources, transmission, distribution and sale of electricity.	*****	***	**51**	51

* Audited by Zin & Friends Audit Firm
** Audited by Moore Stephens LLP
*** Amount is less than S$1,000
(1) Disposed of during the year

The above joint ventures are accounted for using the equity method in these consolidated financial statements.

13 INVESTMENT IN JOINT VENTURES (CONTINUED)

Aggregate information of joint ventures that are not individually material

	2017 S$'000	2016 S$'000
The Group's share of profit/(loss)	**102**	(4)
The Group's share of total comprehensive income/(loss)	**102**	(4)
Aggregate carrying amount of the Group's interest in these joint ventures	**102**	6

For the previous financial year, the Group had not recognised the share of loss of Changi Mega amounted to S$3,000 because the Group's cumulative share of losses had exceeded its interest in Changi Mega and the Group has no obligation in respect of those losses. However, such share of loss and the unrealised profits from inter-co transactions with Changi Mega totalling a net amount of S$460,000 had been accounted for by reducing against the loan receivable from Changi Mega as disclosed in Note 23(b).

Disposal of a joint venture

During the current financial year, the Group disposed of the investment in Pacific Land Development Co., Ltd., and the effect of the disposal is summarised below.

	2017 S$'000
Proceeds from disposal	**396**
Carrying amount of investment in joint venture	**(6)**
Loan receivable from joint venture (Note 23(c))	**(412)**
Loss on disposal of joint venture	**(22)**

14 FINANCIAL ASSETS, AVAILABLE-FOR-SALE

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Unquoted equity shares, at cost				
At 1 January	**19,711**	19,712	**17,135**	17,136
Additions	**–**	–	**–**	–
Impairment loss	**–**	(1)	**–**	(1)
At 31 December	**19,711**	19,711	**17,135**	17,135
Unlisted investments:				
– Equity securities – Singapore	**19,711**	19,711	**17,135**	17,135

14 FINANCIAL ASSETS, AVAILABLE-FOR-SALE (CONTINUED)

The investments in unquoted equity shares represent investments in companies which are engaged in the developing, building and operating self-erecting tender rigs, investment holding and real estate. The Group does not intend to dispose of these investments in the foreseeable future.

At the reporting date, the fair value of the unlisted equity investments cannot be measured reliably because the range of possible fair value estimates is wide and the probabilities of the various estimates within the range cannot be reasonably assessed. Accordingly, these financial assets, available-for-sale if not impaired, are stated at cost.

15 GOODWILL

	Group	
	2017	**2016**
	S$'000	**S$'000**
At 1 January	**26,450**	26,450
Goodwill arising from acquisition during the year (Note 11)	**3,651**	–
Impairment loss recognised in the year (Note 6)	**(9,600)**	–
At 31 December	**20,501**	26,450

Impairment testing for goodwill

For the purpose of impairment testing, goodwill has been allocated to the respective cash generating unit (CGU) under the relevant operating segments as follows:

	Group	
	2017	**2016**
	S$'000	**S$'000**
Corrosion Prevention		
– Speedo Corrosion Control Pte Ltd ("Speedo")	**1,008**	1,008
Engineering & Construction		
– Hetat Holdings Pte. Ltd. ("Hetat")	**15,842**	25,442
– TLC Modular Construction Joint Stock Company ("TLC")	**3,651**	–
	20,501	26,450

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15 GOODWILL (CONTINUED)

Impairment testing for goodwill (Continued)

The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections, budgeted gross margins, forecasted growth rates and the perpetual growth rates used to extrapolate cash flow projections beyond the five-year period are as follows:

	Speedo		Hetat		TLC	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Gross margin						
Year 1	**20.00%**	22.00%	**15.36%**	19.00%	**20.00%**	–
Year 2	**20.00%**	22.00%	**17.29%**	19.00%	**25.00%**	–
Year 3	**20.00%**	22.00%	**18.98%**	19.00%	**25.00%**	–
Year 4 – 5	**20.00%**	22.00%	**19.79%**	19.00%	**25.00%**	–
Growth rate						
Year 1	**56.90%**	(7.00%)	**(1.30%)**	17.00%	**177.92%**	–
Year 2	**3.20%**	5.00%	**25.00%**	0.00%	**30.00%**	–
Year 3	**0.00%**	5.00%	**20.00%**	0.00%	**0.00%**	–
Year 4	**0.00%**	5.00%	**0.00%**	0.00%	**0.00%**	–
Year 5	**0.00%**	0.00%	**0.00%**	0.00%	**0.00%**	–
Perpetual growth rate	**0.00%**	0.00%	**0.00%**	0.00%	**0.00%**	–
Discount rate	**8.59%**	8.00%	**9.25%**	5.00%	**12.71%**	–

The calculations of the value in use for the CGUs are most sensitive to the following assumptions:

(a) Gross margins – the gross margins used are based on the average historical gross margins and expectation of market development of each CGU.

(b) Growth rates – the growth rates used are based on past experience and with reference to the estimated contracts entered or revenue to be earned for each CGU.

(c) Pre-tax discount rate – the discounted rate represents the current market assessment of the risks specific to each CGU industry.

Impairment loss recognised in the year

For the financial year ended 31 December 2017, the Group recognised an impairment loss of S$9,600,000 (2016: Nil) in relation to goodwill attributable to the CGU of Hetat as the recoverable amount of the CGU determined based on the value in use calculation disclosed above was lower than its carrying amount. The impairment of the CGU of Hetat arose mainly from the slowdown in the construction sector in Singapore in the last few years, resulting in fewer orders completed and delays in the start of projects on hand. Notwithstanding this, management believes the construction sector in Singapore are showing signs of recovery and should gradually turn around in the next two years. No write-down of the carrying amounts of other assets in the CGU of Hetat was necessary. The impairment loss has been included under “other operating expenses” line item in the profit or loss of the Group.

15 GOODWILL (CONTINUED)

Impairment loss recognised in the year (Continued)

For the value in use calculations performed by management in relation to the CGUs of Speedo and TLC, the recoverable amounts of the respective CGUs were determined to be in excess of their carrying amounts. Management is of the view that reasonable possible changes in the key assumptions will not cause the recoverable amounts of these CGUs to be insignificantly lower than their carrying amounts.

Sensitivity analysis

If the management's estimated pre-tax discount rate applied and the first year estimated growth rate used in the value in use calculation for the CGU of Hetat is increased and decreased by 2% and 5%, respectively, goodwill impairment charge will be increased by approximately S$8,700,000.

If the management's estimated pre-tax discount rate applied and the first year estimated growth rate used in the value in use calculation for the CGUs of Speedo and TLC is increased and decreased by 2% and 5%, respectively, the recoverable amounts of the respective CGUs are still in excess of their carrying amounts.

16 INTANGIBLE ASSETS

	Capitalised development costs S$'000	**Customer contractual backlog S$'000**	**Total S$'000**
Group			
2017			
Cost			
At 1 January	**286**	**2,353**	**2,639**
Disposals	**(286)**	**–**	**(286)**
At 31 December	**–**	**2,353**	**2,353**
Accumulated amortisation			
At 1 January	**(234)**	**(2,353)**	**(2,587)**
Amortisation expense	**(48)**	**–**	**(48)**
Disposals	**282**	**–**	**282**
At 31 December	**–**	**(2,353)**	**(2,353)**
Net book value			
At 31 December	**–**	**–**	**–**
2016			
Cost			
At 1 January and 31 December	286	2,353	2,639
Accumulated amortisation			
At 1 January	(176)	(2,353)	(2,529)
Amortisation expense	(58)	–	(58)
At 31 December	(234)	(2,353)	(2,587)
Net book value			
At 31 December	52	–	52

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17 PREPAID LAND LEASES

	Group	
	2017	**2016**
	S$'000	**S$'000**
Cost		
At 1 January	**–**	–
Acquisition of a subsidiary (Note 11)	**1,085**	–
Additions	**2,890**	–
At 31 December	**3,975**	–
Accumulated amortisation		
At 1 January	**–**	–
Amortisation expense	**34**	–
At 31 December	**34**	–
Net book value		
At 31 December	**3,941**	–
Presented as:		
Current	**189**	–
Non-Current	**3,752**	–
	3,941	–

Prepaid land leases, which represent land use rights, relates to 2 parcels of state-owned land located in Vietnam, where the manufacturing facilities of TLC Modular Construction Joint Stock Company reside.

18 INVENTORIES AND CONSTRUCTION IN PROGRESS

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Inventories, at cost				
Raw materials	**2,705**	–	**–**	–
Finished goods	**3,309**	3,476	**–**	–
Work in progress	**1,926**	–	**–**	–
Refined petroleum products[(a)]	**280**	858	**280**	858
Supplies and spare parts	**312**	46	**–**	–
	8,532	4,380	**280**	858
Less: Allowance for stock obsolescence				
At 1 January	**(532)**	(116)	**(429)**	–
Allowance during the year	**(3)**	(444)	**–**	(429)
Reversal of allowance[(b)]	**154**	27	**149**	–
Write off during the year	**–**	1	**–**	–
At 31 December	**(381)**	(532)	**(280)**	(429)
Total inventories stated at cost and net realisable value	**8,151**	3,848	**–**	429
Contracts work in progress, at cost[(c)]	**5,616**	6,093	**–**	–
Development properties projects, at cost[(d)]	**6,716**	–	**–**	–
Total construction in progress	**12,332**	6,093	**–**	–
	20,483	9,941	**–**	429

(a) In December 2016, the Company had agreed to bear the loss of certain unsold stocks of TAT Group in the event those stocks are not sold by TAT Group by 31 December 2017. The risks and rewards of those stocks had been transferred to the Company on 31 December 2016 and TAT Group will onward sell those stocks to customers till 31 December 2017. Accordingly, the Company had recognised the carrying amount of the unsold refined petroleum products of S$858,000 as inventories and provided an allowance, being 50% of the carrying amount of those stocks, for stock obsolescence included in discontinued operation (Note 7) as at 31 December 2016. During the current financial year, certain of those stocks were sold to customers by TAT Group and a reversal of allowance for stock obsolescence of S$149,000 was recognised and included in discontinued operation (Note 7).

(b) Reversal of allowance for stock obsolescence was due to those previously impaired inventories were sold above their carrying amounts during the current financial year.

(c) Contract work in progress relates to construction contract costs recognised that relate to future activity and/or have not been used in contract performance at the reporting date.

(d) Development properties projects

	Group	
	2017 S$'000	2016 S$'000
Property under construction	**6,716**	–

The above relates to a Group's contract for the construction of real estate in New Zealand that was entered into with the customer. Pursuant to the terms and conditions of the contract, the Group only delivers the development property to the customer upon receipt of the Certificate of Right to Occupy. Accordingly, revenue from this property under construction is recognised under the completion of contract method in accordance with the Group's accounting policy as disclosed in Note 2(s).

At the reporting date, the property is still under construction and accordingly no revenue from this development property project has been recognised in the profit or loss of the Group for the current financial year. Deposits received/Progress billings amounted to S$1,012,000 (Note 26) on this contract are included within "trade payables and accruals".

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19 TRADE RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	S$'000	S$'000	S$'000	S$'000
Trade receivables				
– third parties	**5,927**	10,838	**682**	418
– related party	**809**	687	**–**	–
– progress billing due from customers	**6,150**	4,907	**–**	–
	12,886	16,432	**682**	418
Unbilled receivables	**1,134**	2,609	**81**	113
Amounts due from customers under construction contracts (Note 25)	**2,137**	2,121	**–**	–
Retention sums on construction contracts (Note 25)	**2,592**	3,227	**–**	–
	18,749	24,389	**763**	531
Less: Allowance for impairment loss of trade receivables				
At 1 January	**(3,242)**	(3,214)	**(330)**	(457)
Allowance during the year	**(791)**	(278)	**–**	(4)
Reversal of allowance	**–**	26	**–**	27
Write off during the year	**–**	223	**–**	104
Currency alignment	**–**	1	**–**	–
At 31 December	**(4,033)**	(3,242)	**(330)**	(330)
	14,716	21,147	**433**	201

The credit period for trade receivables ranges from 30 to 90 days (2016: 30 to 90 days). No interest is charged on the outstanding balances of trade receivables.

20 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company	
	2017	**2016**
	S$'000	**S$'000**
Amounts due from subsidiaries		
– non-trade	**81,844**	49,008
Less: Allowance for impairment loss	**(9,412)**	(9,491)
Current amounts due from subsidiaries	**72,432**	39,517
Amounts due (to) subsidiaries		
– trade	**(83)**	(623)
– non-trade	**–**	(4,357)
Current amounts due (to) subsidiaries	**(83)**	(4,980)

The non-trade balances due from/(to) subsidiaries are unsecured and repayable on demand and in cash. The credit period for trade payables ranges from 30 to 90 days (2016: 30 to 90 days). These outstanding trade and non-trade balances are interest-free except for certain amounts due from subsidiaries totalling S$6.8 million (2016: S$10.3 million), which incurs interest of 2% (2016: 2% to 5%) per annum.

The Group regularly purchases materials and pays expenses on behalf of related companies within the Group. The Group have an inter-company balances arrangement to settle the net amount due to or from each other on a quarterly term basis. The following inter-company balances are subject to offsetting arrangements:

	Gross carrying amounts (net impairment) S$'000	**Gross amounts offset in the statement of financial position S$'000**	**Net amounts in the statement of financial position S$'000**
2017			
Amounts due from subsidiaries			
– non-trade	**79,995**	**(7,563)**	**72,432**
Amounts due to subsidiaries			
– trade	**(1,098)**	**1,015**	**(83)**
– non-trade	**(4,757)**	**4,757**	**–**
	(5,855)	**5,772**	**(83)**
2016			
Amounts due from subsidiaries			
– non-trade	42,537	(3,020)	39,517
Amounts due to subsidiaries			
– trade	(691)	68	(623)
– non-trade	(6,628)	2,271	(4,357)
	(7,319)	2,339	(4,980)

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21 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Other receivables:				
– Interest receivable	**50**	1,832	**50**	76
– Sundry debtors[a], [b]	**2,772**	12,195	**64**	10,000
– Loans to an investee company I[c]	**7,843**	7,556	**7,843**	7,556
– Loan to an investee company II[d]	**–**	2,428	**–**	–
– Amount due from non-controlling interests[e]	**5,054**	1,999	**–**	–
– Retention monies	**15**	224	**–**	–
– Deposits for acquisition of land (Note 36(b)(vi))	**550**	–	**–**	–
– Deposits (others)	**914**	3,634	**3**	7
	17,198	29,868	**7,960**	17,639
Advances to sub-contractors	**910**	232	**(1)**	(1)
Prepayments	**402**	182	**21**	89
Prepaid development costs[f]	**18,443**	1,355	**–**	–
GST recoverable	**1,061**	251	**–**	–
	38,014	31,888	**7,980**	17,727
Presented as:				
Current	**21,473**	30,533	**7,980**	17,727
Non-Current	**16,541**	1,355	**–**	–
	38,014	31,888	**7,980**	17,727

(a) In the previous financial year, included in sundry debtors was an amount held in escrow of S$10 million in relation to the disposal of TAT Group (Note 7). The Company has fully received the amount during the current financial year.

(b) At the reporting date, included in sundry debtors is an amount of AUD2 million (equivalent to S$2.09 million) (2016: S$2.09 million) in relation to the Group's advance for equity participation and share issue in a company, incorporated in Australia, involved in a development property project in Australia. At the date of these financial statements, the Group is in the process of having a first registered mortgage above the land for the development property project.

(c) The loans were extended by the Company to an investee company, incorporated in Singapore, for the investee company's investment in certain unlisted equity securities in Singapore. The loans are unsecured, interest-free and repayable on demand.

(d) In the previous financial year, the loan was extended to an investee company, TLC Modular Construction Joint Stock Company ("TLC"), for their working capital purposes. The loan is unsecured, interest-free and repayable on demand. The Group completed its acquisition of TLC as a subsidiary of the Group during the current financial year.

(e) Loans extended to non-controlling interests is non-trade in nature, unsecured, interest-free and repayable on demand. These loans mainly relate to non-controlling interests' share of shareholder loans, invested on behalf by the Group, to the respective investee company.

(f) Prepaid development costs relate to the solar projects in Bangladesh and Vietnam, which amounted to S$16,541,000 and S$1,902,000 (2016: S$1,355,000 and Nil), respectively as at 31 December 2017. At the reporting date, both solar projects have not commenced construction.

22 LOAN RECEIVABLE FROM AN ASSOCIATE

The loan receivable from an associate, Serangoon EC Pte. Ltd., was in relation to an agreement entered into among the associate's shareholders. The loan was unsecured and has been fully repaid during the current financial year. Interest was chargeable at 6.5% (2016: 6.5%) per annum.

23 AMOUNT DUE FROM/LOAN RECEIVABLES FROM JOINT VENTURES

	Group	
	2017	**2016**
	S$'000	**S$'000**
Amount due from a joint venture – trade[(a)]	**–**	328
Loan receivables from joint ventures:		
– Loan receivable I[(b)]		
Original amount as per loan agreement	**2,681**	2,681
Share of loss transfer from investment in joint ventures (Note 13)	**(3)**	(3)
Elimination of unrealised profits for inter-co transactions	**(402)**	(457)
	2,276	2,221
– Loan receivable II[(c)]	**–**	412
	2,276	2,633

(a) The amount due from a joint venture was unsecured, interest-free and has been fully repaid during the current financial year. The credit period was 30 days.

(b) Loan receivable I was granted to Changi Mega Solar Pte. Ltd. ("Changi Mega"), pursuant to the shareholders' loan agreement entered into between the two joint venture's shareholders to finance the construction of the solar power plant of Changi Mega. The loan is unsecured, interest-free and is repayable within one year. The loan may renew thereafter at the shareholders' sole discretion on terms and conditions as the shareholders may deem fit.

As at 31 December 2017, the carrying amount of the loan receivable is S$2,276,000 (2016: S$2,221,000) after the reduction for the transfer of share of loss and the unrealised profits from inter-co transactions with Changi Mega.

(c) Loan receivable II was granted to Pacific Land Development Co., Ltd. ("PLDC"), pursuant to an agreement entered into among the joint venture's shareholders. The loan of US$306,970 (equivalent to S$412,000) was unsecured, interest-free and has been fully repaid on disposal of the Group's investment in PLDC during the current financial year.

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24 CASH AND BANK BALANCES

	Group		Company	
	2017	2016	2017	2016
	S$'000	S$'000	S$'000	S$'000
Cash at bank and on hand	**14,107**	19,792	**2,670**	3,787
Short-term bank deposits	**35,000**	51,000	**35,000**	51,000
Cash and cash equivalents per consolidated statement of cash flows	**49,107**	70,792	**37,670**	54,787

Short-term bank deposits of the Company bear an average effective interest rates of 0.90% to 1.15% (2016: 0.19% to 1.68%) per annum and have a tenure of approximately 32 to 96 days (2016: 30 days to 92 days).

25 CONSTRUCTION CONTRACTS WORK IN PROGRESS

	Group	
	2017	2016
	S$'000	S$'000
Construction contracts work in progress:		
Aggregate amounts of costs incurred	**32,116**	32,262
Add: Attributable profits less recognised losses	**2,366**	6,441
	34,482	38,703
Less: Progress billings	**(26,729)**	(30,489)
	7,753	8,214
Presented as:		
Amount due from customers under construction contracts (Note 19)	**2,137**	2,121
Contracts work in progress (Note 18)	**5,616**	6,093
	7,753	8,214
Retention sums on construction contracts included in trade receivables (Note 19)	**2,592**	3,227

26 TRADE PAYABLES AND ACCRUALS

	Group		Company	
	2017	2016	2017	2016
	S$'000	S$'000	S$'000	S$'000
Trade payables	**7,117**	8,182	**604**	772
Deposits/Progress billings				
– Development properties projects (Note 18(d))	**1,012**	–	**–**	–
Accrued operating expenses	**3,326**	4,129	**378**	950
	11,455	12,311	**982**	1,722
Provision for cost of demolition (Note 9(b))	**473**	–	**–**	–
	11,928	12,311	**982**	1,722

The credit period for trade payables ranges from 30 to 90 days (2016: 30 to 90 days). No interest is charged on the outstanding balances of trade payables.

27 OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	S$'000	S$'000	S$'000	S$'000
Other payables:				
– Deposits from customers	**153**	145	**–**	–
– Retention sums payable	**1,327**	1,098	**–**	–
– Amount due to non-controlling interests[(a)]	**6,121**	2,172	**–**	–
– Contingent Consideration[(b)]	**1,193**	–	**–**	–
– Sundry payables	**1,195**	638	**214**	222
	9,989	4,053	**214**	222
Foreign workers' tax withheld	**80**	90	**80**	90
GST clearing account	**(64)**	254	**16**	(49)
	10,005	4,397	**310**	263

(a) Shareholder loans from non-controlling interests to the respective investee company is unsecured, interest-free and repayable on demand.

(b) The Contingent Consideration relates to the acquisition of TLC as disclosed in Note 11. At the reporting date, management has assessed that the payment of the contingent consideration is still probable, subject to the achievement of certain profit targets by TLC over a two-year period, the condition of which shall lapse by 31 December 2018.

28 AMOUNT DUE TO ASSOCIATES

The amounts due to associates are non-trade in nature, unsecured, interest-free and repayable on demand and in cash.

29 TERM LOANS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Current:				
Term loan I	**12,828**	–	**–**	–
Term loan II	**222**	18	**–**	–
	13,050	18	**–**	–
Non-Current:				
Term loan II	**3,776**	3,840	**–**	–

(a) Term loan I with a principal sum of S$8,820,000 and S$4,000,000 was drawn down during the current financial year for building construction and working capital needs. The loan bears interest of 2.48% – 2.82% per annum and is repayable within the next twelve months after the reporting date.

(b) Term loan II with a principal amount of S$3,998,625 was drawn down in November 2016 and is repayable in 42 months at a monthly installment of S$28,077 (comprise principal and interest) for 1st to 41st and the remaining balance is to be fully settled together with all interest thereon. The installment will commence 13 months from the date of draw down i.e. in December 2017. The loan bears interest of 3.00% (2016: 2.86%) per annum and is payable on a monthly basis from the date of draw down. The term loan is to finance the purchase of the freehold land in Malaysia by a subsidiary of the Group.

29 TERM LOANS (CONTINUED)

(c) The credit facilities of the Group and the Company are secured by the following:

- First legal mortgage over 81 Tuas South Street 5, Singapore 637651;
- First legal mortgage over 19 Tuas Avenue 20, Singapore 638830;
- First legal mortgage over industrial land together with a factory building to be erected held under title GM2485, Lot 1979, Mukim Jeram Batu, Daerah Pontian, Johor, Malaysia;
- Corporate guarantee from the Company for a total of S$70.47 million (2016: S$42.93 million); and
- First deed of debenture duly executed, incorporating a fixed and floating charge over the present and future undertaking, assets, revenues and rights of a subsidiary of the Group.

The table below details changes in the Group's liabilities arising from financing activities.

		← Cash Flow	→	Non Cash Flow	
	1 January S$'000	Proceeds S$'000	Repayments S$'000	Other changes* S$'000	31 December S$'000
Group					
2017					
Term loan I	–	12,820	–	8	12,828
Term loan II	3,858	–	–	140	3,998
Amount due to associates	–	1,029	–	–	1,029
Amount due from non-controlling interests	(1,999)	(3,055)	–	–	(5,054)
Amount due to non-controlling interests	2,172	3,949	–	–	6,121
Other amounts due to bankers	5,314	2,912	(5,314)	15	2,927
Finance leases	381	–	(174)	–	207
	9,726	17,655	(5,488)	163	22,056

* Other changes include interest accrued.

30 OTHER AMOUNTS DUE TO BANKERS

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Current:				
Trust receipts				
[secured-see Note 29**(c)**]	**2,927**	5,314	**–**	–

The trust receipts incur interest rates of 2.32% to 2.61% (2016: 2.05% to 3.07%) per annum.

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31 FINANCE LEASES

The Group acquired certain plant and equipment under finance leasing facilities. The interest rates implicit in the leases range from 3.0% to 4.3% (2016: 3.0% to 4.3%) per annum. Future minimum lease payments under the finance lease arrangements together with the present value of the net minimum lease payments are as follows:

	Minimum payments 2017 S$'000	Present value of payments 2017 S$'000	Minimum payments 2016 S$'000	Present value of payments 2016 S$'000
Group				
Within one year	**107**	**79**	120	103
After one year but not more than five years	**121**	**128**	295	278
Total minimum lease payments	**228**	**207**	415	381
Amount representing finance charges	**(21)**	**–**	(34)	–
Present value of minimum lease payments	**207**	**207**	381	381

All assets acquired under finance lease are secured by the net book value of relevant assets acquired under the finance leases as disclosed in Note 9, including personnel guarantee by a director of the Company.

The finance lease arrangements do not contain any escalation clauses and do not provide for contingent rents. The terms of the finance lease do not contain any restrictions on the Group activities concerning dividends, additional debts or entering into other finance lease agreements.

32 DEFERRED TAX LIABILITIES

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Deferred tax liabilities:				
Balance at 1 January	**2,015**	2,202	**633**	707
Revaluation of leasehold property (Note 35)	**1,169**	–	**1,169**	–
Acquisition of a subsidiary (Note 11)	**530**	–	**–**	–
Credited to profit or loss	**(88)**	(187)	**–**	(74)
Curreny alignment	**(28)**	–	**–**	–
Balance at 31 December	**3,598**	2,015	**1,802**	633

Deferred tax liabilities relate to temporary differences arising from the excess of net book value over tax written down value of property, plant and equipment and revaluation to fair value of leasehold buildings.

32 DEFERRED TAX LIABILITIES (CONTINUED)

Unrecognised tax losses and capital allowances

Deferred tax assets are recognised for unutilised tax losses and capital allowances carried forward to the extent that the realisation of the related tax benefits through future taxable profit is probable. As at 31 December 2017, the Group has unutilised tax losses of approximately S$8,874,000 (2016: S$2,847,000) and capital allowances of 979,000 (2016: S$226,000) which can be carried forward and used to offset against future taxable income of those entities in the Group in which the losses and capital allowances arose, subject to the agreement of the tax authorities and compliance of the relevant provisions of the tax legislation of the respective countries in which they operate. The unutilised tax losses have no expiry date.

The deferred tax assets arising from these unutilised tax losses and capital allowances of approximately S$2,164,000 (2016: S$965,000) have not been recognised in accordance with the Group's accounting policy as disclosed in Note 2(cc).

33 SHARE CAPITAL

	Group and Company	
	2017	**2016**
	S$'000	**S$'000**
Issued and fully paid, with no par value:		
Balance at 1 January		
710,618,161 (2016: 626,087,386) ordinary shares	**160,636**	143,730
Issuance of shares during the year		
2,551 (2016: 84,530,775) ordinary shares	**1**	16,906
Balance at 31 December		
710,620,712 (2016: 710,618,161) ordinary shares	**160,637**	160,636

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction, except for treasury shares, at general meetings of the Company and rank equally with regards to the Company's residual assets.

On 18 December 2014, the Company had issued 303,641,586 warrants pursuant to a bonus issue on the basis of one warrant for every two existing ordinary shares held in the capital of the Company. Each warrant entitles the warrant holder to subscribe for one new ordinary share in the Company at the exercise price of S$0.20 per share.

In the current financial year, 2,551 (2016: 626,087,386) ordinary shares were issued as a result of the exercise of 2,551 (2016: 626,087,386) warrants.

As at the end of the financial year, there are 218,582,052 (2016: 218,584,603) warrants outstanding.

Share issuance-related costs which are not material have been recognised as an expense in the profit or loss of the Group in the current and previous financial years.

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34 TREASURY SHARES

	Group and Company	
	2017	**2016**
	S$'000	**S$'000**
Balance at 1 January		
25,490,900 (2016: 17,100,000) treasury shares	**(5,003)**	(3,226)
Shares buy-back during the year		
Nil (2016: 8,390,900) treasury shares	**–**	(1,777)
Balance at 31 December		
25,490,900 (2016: 25,490,900) treasury shares	**(5,003)**	(5,003)

In the previous financial year, the Company had acquired 8,390,900 ordinary shares in the Company through purchases for a total consideration of approximately S$1,777,000. These shares buy-back are presented under treasury shares as a component within equity.

35 RESERVES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Asset revaluation reserve[(a)]	**7,456**	1,748	**8,582**	2,874
Foreign currency translation reserve[(b)]	**671**	897	**–**	–
Other reserve[(c)]	**–**	–	**3,297**	3,297
Retained earnings	**39,559**	59,499	**40,910**	30,144
	47,686	62,144	**52,789**	36,315

Movements of the Group's reserves are set out in the consolidated statement of changes in equity.

(a) The asset revaluation reserve represents the revaluation surplus in respect of leasehold buildings of the Group and the Company as disclosed in Note 9.

	Group		Company	
	2017	**2016**	**2017**	**2016**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Balance at 1 January	**1,748**	1,748	**2,874**	2,874
Increase arising on revaluation of leasehold property transferred to investment property (Note 10)	**6,877**	–	**6,877**	–
Deferred tax liability arising from revaluation (Note 32)	**(1,169)**	–	**(1,169)**	–
Balance at 31 December	**7,456**	1,748	**8,582**	2,874

(b) The foreign currency translation reserve represents the accumulated exchange differences arising from the translation of the results and the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency.

(c) The other reserve of the Company arose from an internal restructuring of certain group of entities transferred from the Company to be held by a wholly owned subsidiary of the Company in 2015. The amount represents the difference between the carrying amount of the net assets of the transferred group of entities and the consideration transferred.

36 COMMITMENTS

(a) Operating leases

The Group and the Company leases its lands, offices and dormitories under non-cancellable operating lease agreements. There are no restrictions placed upon the Group and the Company by entering into these leases and the leases have varying terms, escalation clauses and renewal rights. The operating lease expense charged to the profit or loss of the Group during the financial year is disclosed in Note 6.

The future aggregate minimum lease payable under non-cancellable operating leases contracted for as at the statement of financial position date but not recognised as liabilities in the financial statements, are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Not later than one year	**1,324**	934	**234**	278
Later than one year but not later than five years	**5,100**	2,248	**938**	1,044
More than five years	**31,030**	7,510	**1,710**	2,186
	37,454	10,692	**2,882**	3,508

(b) Other commitments

i) The Group and the Company has uncalled capital commitments amounting to S$4.0 million (2016: S$5.9 million) in relation to the uncalled capital of certain equity investment (financial assets, available-for-sale) and of an associate at the reporting date.

ii) The Group has capital commitments in relation to the solar projects in Bangladesh and Vietnam (Note 21(f)). The outstanding capital commitments at the reporting date is as follows:

	Group	
	2017	**2016**
	S$'000	**S$'000**
Contracted	**30,828**	3,900
Not contracted	**44,246**	–
	75,074	3,900

iii) The Company has given an undertaking to continue to provide financial support to certain subsidiaries for the next twelve months from the date of authorisation of the subsidiaries' financial statements.

iv) The Company, together with its subsidiary, Sinenergy Holdings Pte. Ltd., entered into a Deed of Indemnity with Swiss Re International SE, Singapore branch, for a performance bond amounted to approximately JPY840 million (equivalent to S$10.55 million) in relation to the solar project in Bangladesh.

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36 COMMITMENTS (CONTINUED)

(b) Other commitments (Continued)

v) The Group through its wholly owned subsidiary, SHS Ferny Pty Ltd, entered into a contract for acquisition of land located at 180, 182 and 183 Ferny Avenue, Surfers Paradise, Australia for a purchase consideration of AUD5,500,000 (equivalent to S$6,050,000). A deposit of AUD500,000 (equivalent to S$550,000) has been paid during the current financial year.

(c) Corporate guarantees

The corporate guarantees executed by the Company to certain entities of the Group for the credit facilities granted as set out in Note 29 have not been recorded at fair value, as in the view of the management, the difference in the interest rates, by comparing the actual rates charged by the banks with these guarantees made available, with the estimated rates that the banks would have charged had those guarantees not been available, is not material.

37 RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into transactions with related parties during the financial year, on terms agreed between the parties, as shown below.

		Group	
		2017	**2016**
		S$'000	**S$'000**
a)	Key management personnel compensation		
	The remuneration of executive directors and key management is as follows:		
	Salaries and other short-term employee benefits	**2,025**	2,438
	Defined contribution plans	**81**	122
		2,106	2,560
	Directors' fees to non-executive directors	**284**	564
		2,390	3,124
	Comprised amounts paid/payable to:		
	Directors of the Company	**1,490**	1,863
	Key management personnel	**900**	1,261
		2,390	3,124
b)	Professional fees paid to a firm in which a director is a partner of the firm	**–**	22
c)	Sales to a related party	**374**	852
d)	Purchases from a related party	**10**	19
e)	Rental expense paid to a related party	**6**	31
f)	Sales to a joint venture	**33**	2,533
g)	Interest income received from an associate company	**479**	39
h)	Rental income received from an associate company	**53**	–

38 DIRECTORS' REMUNERATION BANDS

	Group	
	2017	**2016**
Number of Directors in remuneration bands of:		
S$1,250,000 to S$1,500,000	**–**	–
S$750,000 to S$999,999	**–**	–
S$500,000 to S$749,999	**1**	1
S$250,000 to S$499,999	**2**	2
Below S$250,000	**4**	4
	7	7

39 DIVIDENDS

	Group and Company	
	2017	**2016**
	S$'000	**S$'000**
Declared and paid:		
Final dividend of 0.25 cents per ordinary share, tax-exempt one-tier, paid in respect of the financial year ended 31 December 2016	**1,713**	–
Final dividend 0.32 cents per ordinary share, tax-exempt one-tier, paid in respect of the financial year ended 31 December 2015	**–**	2,219
Special dividend of 3.68 cents per ordinary share, tax-exempt one-tier, paid in respect of the financial year ended 31 December 2015	**–**	25,522
	1,713	27,741

40 SEGMENT INFORMATION

Products and services from which reportable segments derive their revenues

Segment information reported externally was analysed on the basis of the types of goods supplied and services provided by the Group's operating divisions. Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is also focused on the two principal reportable segments of the Group. The Group's reportable segments are therefore as follows:

- Corrosion prevention
- Solar energy
- Engineering & construction
- Others

The corrosion prevention segment provides coating services to marine, oil and gas, construction and infrastructure industries.

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40 SEGMENT INFORMATION (CONTINUED)

The solar energy segment specialises in solar energy development and M&E works.

The engineering & construction segment is in the business of designing, engineering and construction of steel, aluminium and glass structures, and the design, construction and manufacturing services in modular construction projects.

Others segment consists of property development business, warehousing, storage handling services, corporate head office and strategic investments.

(a) Segment Revenues and Results

Information regarding the Group's reportable segments is presented below.

The following is an analysis of the Group's revenue and results from operations by reportable segment:

	Corrosion prevention		Solar energy		Engineering & construction		Others		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Segment revenue	**9,976**	17,589	**1,050**	3,269	**25,773**	34,196	**926**	1,081	**37,725**	56,135
Segment results	**(876)**	2,356	**(1,085)**	129	**(887)**	7,529	**(458)**	(311)	**(3,306)**	9,703
Impairment of goodwill	**–**	–	**–**	–	**(9,600)**	–	**–**	–	**(9,600)**	–
Finance costs	**(1)**	–	**–**	–	**(245)**	(133)	**–**	(2)	**(246)**	(135)
Share of (losses)/profits of associates, net of tax									**(571)**	257
Share of profits/(losses) of joint ventures, net of tax									**102**	(4)
Central administration costs and directors' remuneration									**(8,688)**	(8,610)
Other income									**2,096**	2,853
(Loss)/Profit before income tax									**(20,213)**	4,064

Revenue reported above represents revenue generated from external customers. Inter-segment sales for the current financial year was S$2,326,000 (2016: S$2,886,000).

The accounting policies of the reportable segments are the same as the Group's accounting policies set out in Note 2. Segment (loss)/profit represents the (loss)/profit earned by each segment without allocation of central administration costs and directors' remuneration, share of (losses)/profits of associates or joint ventures and other income. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

40 SEGMENT INFORMATION (CONTINUED)

(b) Segment Assets and Liabilities

	Group	
	2017	2016
	S$'000	S$'000
Segment assets		
Corrosion prevention	**32,575**	29,063
Solar energy	**43,243**	14,764
Engineering & construction	**102,561**	86,732
Others	**75,210**	118,073
Total segment assets	**253,589**	248,632
Consolidated assets	**253,589**	248,632
Segment liabilities		
Corrosion prevention	**4,172**	5,137
Solar energy	**6,387**	2,830
Engineering & construction	**31,767**	18,179
Others	**596**	115
Total segment liabilities	**42,922**	26,261
Unallocated liabilities		
– Provision for income tax	**811**	528
– Deferred tax liabilities	**3,598**	2,015
	4,409	2,543
Consolidated liabilities	**47,331**	28,804

(c) Other Segment Information

	Group			
	Depreciation and amortisation		Additions to non-current assets	
	2017	2016	**2017**	2016
	S$'000	S$'000	**S$'000**	S$'000
Corrosion prevention	**1,653**	1,760	**1,470**	389
Solar energy	**36**	9	**10,315**	1,562
Engineering & construction	**1,871**	1,118	**23,197**	17,593
Others	**51**	143	**–**	2,048
	3,611	3,030	**34,982**	21,592

In addition to depreciation and amortisation and additions to non-current assets reported above, impairment of goodwill of S$9,600,000 (2016: Nil) was recognised in profit or loss of the Group and is attributable to the "Engineering & construction" segment.

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40 SEGMENT INFORMATION (CONTINUED)

(d) Geographical Information

The Group's continuing operations is primarily carried out in Singapore. The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical locations are detailed below.

	Group's revenue from external customers		Group's non-current assets[c]	
	2017	**2016**	**2017**	**2016**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Singapore	**31,573**	53,444	**78,894**	85,249
Rest of South East Asia[a]	**3,920**	2,636	**17,478**	4,823
People's Republic of China	**2**	1	**2**	4
Others[b]	**2,230**	54	**29,260**	2,871
	37,725	56,135	**125,634**	92,947

(a) Rest of South East Asia includes Malaysia, Vietnam, Thailand and Indonesia

(b) Others include Mongolia, Korea, Bangladesh and others

(c) Non-current assets exclude financial assets, available-for-sale

(e) Information about Major Customers

There was no single individual customer, which contributed significantly to the Group's revenue.

41 FINANCIAL INSTRUMENTS

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Financial Risk Management Objectives and Policies

(i) *Interest rate risk*

The Group and Company obtain credit facilities from banks and financial institutions. The Group's and Company's policy is to obtain the most favourable interest rates available. Surplus funds are placed with reputable banks.

41 **FINANCIAL INSTRUMENTS** (CONTINUED)

(a) Financial Risk Management Objectives and Policies (Continued)

(i) Interest rate risk (Continued)

The table below set out the Group's exposure to interest rate risk. Included in the table are the assets and liabilities at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Fixed Rates		Variable Rates		Non-interest bearing	Total
	Less than 1 year	1 to 5 years	Less than 1 year	1 to 5 years		
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group						
2017						
Financial assets						
Cash and bank balances	35,000	–	–	–	14,107	49,107
Trade and other receivables*	–	–	–	–	31,914	31,914
Loan receivables from joint ventures	–	–	–	–	2,276	2,276
Total financial assets	35,000	–	–	–	48,297	83,297
Financial liabilities						
Trade and other payables*	–	–	–	–	21,444	21,444
Term loans	–	–	13,050	3,776	–	16,826
Other amounts due to bankers	–	–	2,927	–	–	2,927
Finance leases	79	128	–	–	–	207
Amount due to associates	–	–	–	–	1,029	1,029
Total financial liabilities	79	128	15,977	3,776	22,473	42,433

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41 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial Risk Management Objectives and Policies (Continued)

(i) Interest rate risk (Continued)

	Fixed Rates		Variable Rates		Non-interest bearing	Total
	Less than 1 year	1 to 5 years	Less than 1 year	1 to 5 years		
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group						
2016						
Financial assets						
Cash and bank balances	51,000	–	–	–	19,792	70,792
Trade and other receivables*	–	–	–	–	51,015	51,015
Loan receivable from an associate	600	–	–	–	–	600
Amount due from joint ventures	–	–	–	–	328	328
Loan receivables from joint ventures	–	–	–	–	2,633	2,633
Total financial assets	51,600	–	–	–	73,768	125,368
Financial liabilities						
Trade and other payables*	–	–	–	–	16,364	16,364
Term loans	–	–	18	3,840	–	3,858
Other amounts due to bankers	–	–	5,314	–	–	5,314
Finance leases	103	278	–	–	–	381
Total financial liabilities	103	278	5,332	3,840	16,364	25,917

* Financial assets exclude prepayments, prepaid development costs, advances to sub-contractors and GST recoverable and financial liabilities exclude provision for cost of demolition, foreign workers' tax held and GST clearing.

A 100 basis point increase/decrease in the underlying borrowings at variable interest rates at the reporting date would increase/decrease (loss)/profit before tax by the following amounts:

	Group	
	2017	2016
	S$'000	S$'000
(Loss)/Profit before tax	**198**	92

This analysis assumes that all other variables including tax remain constant.

The Company does not have any significant interest-bearing borrowings or interest-earning assets that may expose the Company to interest rate risk on variable interest rates.

41 **FINANCIAL INSTRUMENTS** (CONTINUED)

(a) Financial Risk Management Objectives and Policies (Continued)

(ii) Credit risk

Credit risk is limited to the risk arising from the inability of a debtor to make payments when due. It is the Group's policy to provide credit terms to creditworthy customers. These debts are continually monitored and therefore, the Group does not expect to incur material credit losses.

The carrying amount of trade and other receivables, loan receivables, amounts due from subsidiaries, associates and joint ventures, and cash and bank balances represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk. The Group also does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

In addition, the Group is exposed to credit risk in relation to financial guarantees given to banks provided by the Group. The Group's maximum exposure to credit risk in the event that the counterparties fail to perform their obligations at the reporting date are as follows:

	Group	
	2017	**2016**
	S$'000	**S$'000**
Total facilities	**70,470**	42,932
Total outstanding	**19,753**	9,172

The credit risk for financial assets (excluding cash and bank balances) based on information provided by key management is as follows:

	Group		**Company**	
	2017	**2016**	**2017**	**2016**
	S$'000	**S$'000**	**S$'000**	**S$'000**
By geographical areas				
Singapore	**18,752**	44,734	**80,825**	57,357
Vietnam	**157**	2,428	**–**	–
People's Republic of China	**211**	233	**–**	–
Rest of South East Asia	**5,453**	1,181	**–**	–
Others	**9,617**	6,000	**–**	–
	34,190	54,576	**80,825**	57,357

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41 **FINANCIAL INSTRUMENTS** (CONTINUED)

(a) Financial Risk Management Objectives and Policies (Continued)

(ii) Credit risk (Continued)

a. Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are credit worthy companies with good payment records with the Group. Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit ratings and no history of default. Trade and other receivables including loan receivables and amounts due from subsidiaries, associates and joint ventures of the Group and the Company that are neither past due nor impaired amounted to S$28,150,000 (2016: S$44,358,000) and S$80,540,000 (2016: S$57,293,000) respectively.

b. Aged analysis of trade receivables that are past due but not impaired

	Group		Company	
	2017 S$'000	**2016 S$'000**	**2017 S$'000**	**2016 S$'000**
Past due within 30 days	**1,015**	1,215	**98**	–
Past due 31 to 60 days	**1,322**	970	**82**	–
Past due 61 to 90 days	**991**	888	**26**	9
Past due over 90 days	**2,712**	7,145	**79**	55
	6,040	10,218	**285**	64

The Group believes that the unimpaired amounts that are past due by more than 90 days are still collectible, based on the historic payment behaviour and extensive analyses of customer credit risk, including underlying customers' credit ratings, when available.

The carrying amount of trade receivables individually determined to be impaired at the reporting date is as follows:

	Group	
	2017 S$'000	**2016 S$'000**
Trade receivables – nominal amounts	**4,033**	3,242
Less: Allowance for impairment loss	**(4,033)**	(3,242)
	–	–

These impaired trade receivables arose from long outstanding amounts due from customers which remained unpaid at the reporting date, and accordingly, there are significant uncertainties over the recovery of the amounts due from the customers. Movements of the allowance for impairment loss are set out in Note 19.

41 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial Risk Management Objectives and Policies (Continued)

(iii) Liquidity risk

In the management of its liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group also obtains credit facilities from banks and financial institutions.

The table below analyses the maturity profile of the Group's and Company's financial liabilities based on contractual undiscounted cash flow:

	Carrying amount S$'000	Less than 1 year S$'000	Between 1 and 2 years S$'000	Between 2 and 5 years S$'000	Over 5 years S$'000	Total S$'000
Group						
2017						
Financial liabilities						
Trade and other payables*	**21,444**	**21,444**	**–**	**–**	**–**	**21,444**
Term loans	**16,826**	**15,773**	**3,980**	**–**	**–**	**19,753**
Other amounts due to bankers	**2,927**	**2,927**	**–**	**–**	**–**	**2,927**
Finance leases	**207**	**107**	**121**	**–**	**–**	**228**
Amount due to associates	**1,029**	**1,029**	**–**	**–**	**–**	**1,029**
	42,433	**41,280**	**4,101**	**–**	**–**	**45,381**
2016						
Financial liabilities						
Trade and other payables*	16,364	16,364	–	–	–	16,364
Term loans	3,858	28	674	3,642	–	4,344
Other amounts due to bankers	5,314	5,314	–	–	–	5,314
Finance leases	381	120	295	–	–	415
	25,917	21,826	969	3,642	–	26,437
Company						
2017						
Financial liabilities						
Trade and other payables*	**1,196**	**1,196**	**–**	**–**	**–**	**1,196**
Amount due to subsidiaries	**83**	**83**	**–**	**–**	**–**	**83**
	1,279	**1,279**	**–**	**–**	**–**	**1,279**
2016						
Financial liabilities						
Trade and other payables*	1,944	1,944	–	–	–	1,944
Amount due to subsidiaries	4,980	4,980	–	–	–	4,980
	6,924	6,924	–	–	–	6,924

* Financial liabilities exclude provision for cost of demolition, foreign workers' tax held and GST clearing.

41 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial Risk Management Objectives and Policies (Continued)

(iii) Liquidity risk (Continued)

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. The maximum amount of the financial guarantees are allocated to the earliest period in which the guarantee could be called.

	Carrying amount S$'000	Less than 1 year S$'000	Between 1 and 2 years S$'000	Between 2 and 5 years S$'000	Over 5 years S$'000	Total S$'000
Company						
2017						
Financial guarantees	70,470	70,470	–	–	–	70,470
2016						
Financial guarantees	42,932	42,932	–	–	–	42,932

(iv) Foreign currency risk

The Group operates internationally and is exposed to various currencies, mainly US Dollars ("USD").

The Group uses forward foreign exchange contracts to hedge a portion of its future foreign exchange exposures. Such contracts provide for the Group to buy/sell USD at predetermined forward rates, depending on forecast requirements, with settlement dates that are within the next one month. The Group uses forward contracts purely as a hedging tool. It does not take a position in currencies with a view to make speculative gains from currency movements.

The fair value of the forward foreign contracts are calculated based on current market rates. As at 31 December 2017, the Group did not have any forward foreign exchange contract outstanding. As at 31 December 2016, the Group had notional exchange value of the forward foreign exchange contracts outstanding amounted to US$50,000 (equivalent to S$71,000) which have maturity date within 1 month from the end of the reporting period. Management had assessed that the fair value of the outstanding forward foreign exchange contracts at the reporting date was not material.

41 **FINANCIAL INSTRUMENTS** (CONTINUED)

(a) Financial Risk Management Objectives and Policies (Continued)

(iv) Foreign currency risk (Continued)

In relation to its overseas investments in foreign subsidiaries whose net assets are exposed to currency translation risks and which are held for long term investment purposes, the differences arising from such translation are recorded under other comprehensive income and foreign currency translation reserve. These translation differences are reviewed and monitored on a regular basis.

The Group's currency exposure based on the information provided to key management is as follows:

	USD S$'000	RMB S$'000	MYR S$'000	BHT S$'000	Others S$'000
Group					
2017					
Financial assets					
Cash and bank balances	2,421	9	459	624	699
Trade and other receivables*	18,250	211	362	696	3,761
	20,671	220	821	1,320	4,460
Financial liabilities					
Trade payables and accruals	220	(44)	90	20	2,585
Other payables*	7,314	–	1	4	287
	7,534	(44)	91	24	2,872
Net financial assets	13,137	264	730	1,296	1,588
Less: Net financial assets denominated in the respective entity's functional currency	–	(264)	(730)	(1,296)	1,672
Currency exposure	13,137	–	–	–	(84)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

41 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial Risk Management Objectives and Policies (Continued)

(iv) Foreign currency risk (Continued)

	USD S$'000	RMB S$'000	MYR S$'000	Others S$'000
Group				
2016				
Financial assets				
Cash and bank balances	1,706	128	1,271	1,303
Trade and other receivables*	12,059	233	682	4,001
	13,765	361	1,953	5,304
Financial liabilities				
Other amounts due to bankers	–	–	–	–
Trade payables and accruals	253	197	155	153
Other payables*	2,214	9	2	7
	2,467	206	157	160
Net financial assets	11,298	155	1,796	5,144
Less: Forward exchange contracts	(71)	–	–	–
Sub-total	11,227	155	1,796	5,144
Less: Net financial assets denominated in the respective entity's functional currency	–	(155)	(1,796)	(4,184)
Currency exposure	11,227	–	–	960

* Financial assets exclude prepayments, prepaid development costs, advances to sub-contractors and GST recoverable and financial liabilities exclude provision for cost of demolition, foreign workers' tax held and GST clearing

* All other from financial assets and financial liabilities are denominated in Singapore dollar.

41 **FINANCIAL INSTRUMENTS** (CONTINUED)

(a) Financial Risk Management Objectives and Policies (Continued)

(iv) Foreign currency risk (Continued)

Sensitivity analysis

If the S$ strengthens by 5% against the USD and assuming that all other variables including tax remain constant, (loss)/profit before tax of the Group will increase/decrease by:

	Group	
	2017	**2016**
	S$'000	**S$'000**
Group's (loss)/profit before tax	**657**	561

If the S$ weakens by 5% against the USD, there would be a comparable impact on the (loss)/profit after tax of the Group.

(v) Capital risk

The Group's and the Company's objectives when managing capital are: (a) to safeguard the Group's and the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and (b) to provide an adequate return to shareholders by pricing products and services to commensurate with the level of risk.

The Group and the Company set the amount of capital in proportion to risk. The Group and the Company manage the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, increase debt borrowings or sell assets to reduce debt. The Group's and the Company's overall strategy remains unchanged from 2016.

The Group and the Company are not subject to any significant externally imposed capital requirements.

The Group and the Company monitor capital on the basis of the net debt-to-equity ratio. This ratio is calculated as net debt divided by equity. Net debt is calculated as total debt (excluding provision for income tax and deferred tax liabilities) less cash and bank balances. Equity comprises all components of equity (i.e. share capital and reserves).

Quantitative information relating to the Group's and Company's net debt-to-equity value have not been presented as it is not meaningful since the Group's and Company's cash and bank balances exceeds its total debts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

42 FAIR VALUE

The carrying amounts of the Group's and Company's current financial assets and current financial liabilities approximate their fair values due to their short-term maturity.

The carrying amounts of the Group's long-term term loans and finance leases approximate their carrying amounts based on a discounted cash flow analysis at market incremental lending rates for similar types of lending or leasing arrangements at the end of the reporting period, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

(a) Fair Value Hierarchy

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) Financial Assets Measured at Fair Value

The following table presents the assets measured at fair value at the reporting date:

	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
Group				
2017				
Leasehold buildings	**–**	**–**	**48,023**	**48,023**
2016				
Leasehold buildings	–	–	18,975*	18,975

* The level of valuation inputs has been reclassified from level 2 to level 3 for the previous year to enhance comparability with the current year.

42 FAIR VALUE (CONTINUED)

(b) Financial Assets Measured at Fair Value (Continued)

	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
Company				
2017				
Investment property	**–**	**–**	**14,400**	**14,400**
Leasehold buildings	**–**	**–**	**–**	**–**
2016				
Investment property	–	–	–	–
Leasehold buildings	–	–	8,136	8,136

Level 3 fair value measurements

Leasehold property	Fair value at 31 December 2017 (S$'000)	Valuation technique	Unobservable input	Relationship of unobservable input to fair value
81, Tuas South Street 5, Singapore 637651	14,400	Directors' valuation (Note 10)	S$65.77 per sqft	The lower the price per sqft, the lower the valuation

If the above unobservable input to the directors' valuation was 5% higher/lower while all the other variables were held constant, the fair value of the above leasehold property would increase/decrease by S$720,000.

Except as disclosed above, there are no other valuation of financial assets under level 3 fair value measurements for the financial years ended 31 December 2017 and 2016.

Valuation policies and procedures

The Group has an established control framework with respect to the measurement of fair values. This framework includes a finance team that reports directly to the Chief Financial Officer, and has overall responsibility for all significant fair value measurements, including Level 3 fair values. The finance team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used as a reference to measure fair value, then the finance team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS, including the level in the fair value hierarchy the resulting fair value estimate should be classified.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, the Group will engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and FRS 113 *Fair Value Measurement* guidance to perform the valuation. For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed by the finance team along with the appropriateness and reliability of the inputs.

Significant valuation issues are reported to the Audit Committee.

43 SUBSEQUENT EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

	Group and Company	
	2017	**2016**
	S$'000	**S$'000**
(a) After the statement of financial position date, the Directors proposed the following dividends:		
– Final dividend of 0.20 cents (2016: 0.25 cents) per ordinary share, tax-exempt one-tier	**1,370**	1,713

The proposed dividends are calculated based on total ordinary shares issued at the reporting date, excluding treasury shares. The proposed dividends in respect of the current financial year ended 31 December 2017 will be recorded as a liability on the statement of financial position of the Company and the Group in the financial year ending 31 December 2018, subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

(b) On 8 February 2018, the Company through its wholly owned subsidiary, Sinenergy Holdings Pte. Ltd. ("Sinenergy Holdings"), incorporated a wholly owned subsidiary in Vietnam, Sinenergy Ninh Thuan Power Limited Liability Company. The new subsidiary is required to have a share capital of up to VND79.2 million (equivalent to S$4.788 million) within 90 days. The principal activity of the subsidiary is those of securing power purchase agreement to sell solar power.

(c) On 19 March 2018, the Company through its wholly owned subsidiary, Sinenergy Holdings Pte. Ltd., entered into a Sale & Purchase Agreement with Ditrolic (S) Pte Ltd, a non-controlling interest, to acquire an additional 10% in HDFC SinPower Ltd. ("HDFC") for US$2.3 million (approximately S$3.02 million). Following the above acquisition, the Group's effective equity interest in HDFC increased from 65% to 75%. The Group will account the foregoing transaction as a step acquisition of a subsidiary with the change in the Group's ownership interest in HDFC recorded in equity.

STATISTICS OF SHAREHOLDINGS

AS AT 23 MARCH 2018

Number of Issued Shares (excluding Treasury Shares)	:	685,129,812
Number/Percentage of Treasury Shares against total number of Issued Shares (excluding Treasury Shares)	:	25,490,900 (3.72%)
Class of Shares	:	Ordinary Shares
Voting Rights	:	1 vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	393	13.92	4,366	0.00
100 – 1,000	149	5.28	101,734	0.02
1,001 – 10,000	772	27.35	5,769,379	0.84
10,001 – 1,000,000	1,470	52.07	115,063,792	16.79
1,000,001 AND ABOVE	39	1.38	564,190,541	82.35
TOTAL	**2,823**	**100.00**	**685,129,812**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	192,462,214	28.09
2	CITIBANK NOMINEES SINGAPORE PTE LTD	66,841,375	9.76
3	OCBC SECURITIES PRIVATE LIMITED	60,060,500	8.77
4	PHILLIP SECURITIES PTE LTD	46,629,978	6.81
5	SBS NOMINEES PRIVATE LIMITED	38,042,526	5.55
6	DB NOMINEES (SINGAPORE) PTE LTD	36,259,527	5.29
7	RHB SECURITIES SINGAPORE PTE. LTD.	13,108,400	1.91
8	ONG ENG LOKE	11,600,000	1.69
9	KHOO THOMAS CLIVE	10,000,000	1.46
10	STONE ROBERT ALEXANDER	9,325,000	1.36
11	DBS NOMINEES (PRIVATE) LIMITED	9,040,322	1.32
12	ELIZABETH OOI HEAN GIN	8,700,000	1.27
13	MAYBANK KIM ENG SECURITIES PTE. LTD.	7,775,265	1.13
14	UOB KAY HIAN PRIVATE LIMITED	5,907,000	0.86
15	VICTOR ENTERPRISES PTE LTD	4,893,000	0.71
16	ENTRACO VENTURE CORPORATION PTE LTD	3,970,500	0.58
17	KGI SECURITIES (SINGAPORE) PTE. LTD.	3,452,000	0.50
18	SIAH SIEW GEOK	2,943,600	0.43
19	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,425,220	0.35
20	TENG AH LAN	2,282,000	0.33
	TOTAL	**535,718,427**	**78.17**

STATISTICS OF SHAREHOLDINGS

AS AT 23 MARCH 2018

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 23 March 2018)

	Direct Interest	%	Deemed Interest	%
Teng Choon Kiat[1]	1,250,000	0.18	193,688,100	28.27
Ng Han Kok[2]	–	–	119,446,053	17.43
Stone Robert Alexander[3]	9,325,000	1.36	25,000,000	3.65

Notes:

(1) Teng Choon Kiat's deemed interest arising from 3,970,500 shares held by a corporation wholly owned by him and 189,717,600 shares registered under CIMB Securities (Singapore) Pte. Ltd.

(2) Ng Han Kok's deemed interest arising from 43,067,700 shares registered under Phillip Securities Pte Ltd, 38,042,526 shares registered under SBS Nominees Private Limited, 36,259,527 shares registered under Maybank Nominees (Singapore) Private Limited and 1,826,300 shares registered under OCBC Securities Private Limited and 250,000 shares held by his spouse, Mdm Ong Woo.

(3) Stone Robert Alexander's deemed interest arising from 25,000,000 shares registered under OCBC Securities Private Limited.

Note: The above percentage is calculated based on the Company's number of issued shares (excluding treasury shares) of 685,129,812.

PERCENTAGE OF SHAREHOLDINGS IN HANDS OF THE PUBLIC

Approximately 43.4% of the Company's shares (excluding treasury shares) are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

WARRANTHOLDERS' INFORMATION

AS AT 23 MARCH 2018

DISTRIBUTION OF WARRANTHOLDINGS

SIZE OF WARRANTHOLDINGS	NO. OF WARRANTHOLDERS	%	NO. OF WARRANTS	%
1 – 99	443	21.86	4,456	0.00
100 – 1,000	175	8.63	113,972	0.05
1,001 – 10,000	858	42.33	4,936,711	2.26
10,001 – 1,000,000	535	26.39	33,441,446	15.30
1,000,001 AND ABOVE	16	0.79	180,085,467	82.39
TOTAL	**2,027**	**100.00**	**218,582,052**	**100.00**

TWENTY LARGEST WARRANTHOLDERS

NO.	NAME	NO. OF WARRANTS	%
1	NG HAN KOK	37,151,026	17.00
2	OCBC SECURITIES PRIVATE LIMITED	36,691,100	16.79
3	TAN CHWEE HONG CECILIA	29,347,500	13.43
4	PHILLIP SECURITIES PTE LTD	28,003,304	12.81
5	LEE OON GIM	16,504,600	7.55
6	CITIBANK NOMINEES SINGAPORE PTE LTD	12,958,787	5.93
7	KHOO THOMAS CLIVE	3,500,000	1.60
8	UOB KAY HIAN PRIVATE LIMITED	2,576,000	1.18
9	LEE KEK CHIN	2,341,000	1.07
10	ELIZABETH OOI HEAN GIN	2,254,000	1.03
11	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,961,250	0.90
12	TAN SIEW SAN	1,669,500	0.76
13	RAFFLES NOMINEES (PTE) LIMITED	1,478,000	0.68
14	GOH LAI PENG	1,405,000	0.64
15	NG HUNG KOON	1,177,400	0.54
16	KGI SECURITIES (SINGAPORE) PTE. LTD.	1,067,000	0.49
17	R VASWANI HARISH	1,000,000	0.46
18	PENG YANAN	988,200	0.45
19	KHUA KIAN KEONG	837,500	0.38
20	DBS NOMINEES (PRIVATE) LIMITED	725,011	0.33
	TOTAL	**183,636,178**	**84.02**

Exercise Price : S$0.20 in cash for each Converted Share on the exercise of a Warrant

Exercise Period : Commencing on and including the date of issue of the Warrants on 19 December 2014 and expiring at 5.00 p.m. on the date immediately preceding the fifth (5th) anniversary of the date of issue of the Warrants, unless such date is a date on which the Register of Members and/or the Warrant Register is closed or is not a Market Day, in which event the Warrant shall expire on the date prior to closure of the Register of Members or on the immediately preceding Market Day, as the case may be, but excluding such period(s) during which the Warrant Register may be closed pursuant to the Deed Poll.

Warrant Agent : Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of SHS Holdings Ltd. (the "Company") will be held at 81 Tuas South Street 5, Singapore 637651 on Friday, 27 April 2018 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the year ended 31 December 2017 together with the Auditors' Report thereon.
(Resolution 1)

2. To declare a final (one-tier tax exempt) dividend of 0.20 Singapore cents per ordinary share for the year ended 31 December 2017. (2016: A final (one-tier tax exempt) dividend of 0.25 Singapore cents per ordinary share).
(Resolution 2)

3. To re-elect the following Directors retiring pursuant to Articles 90 and 96 of the Constitution of the Company:

Mr Lim Siok Kwee, Thomas	**[**Retiring under Article **90]**	**(Resolution 3)**
Mr Lee Kuo Chuen, David	**[**Retiring under Article **90]**	**(Resolution 4)**
Mr Teng Choon Kiat	**[**Retiring under Article **96]**	**(Resolution 5)**

Mr Lee Kuo Chuen, David will upon re-election as a Director of the Company, remain as Chairman of Nominating Committee and a member of the Audit and Remuneration Committees. Mr Lee Kuo Chuen, David will be considered as an Independent Director.

4. To approve the payment of Directors' fees of up to S$286,705 for the year ending 31 December 2018, to be paid quarterly in arrears. (2017: S$284,000)
(Resolution 6)

5. To re-appoint Moore Stephens LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.
(Resolution 7)

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. **Authority to issue shares**

That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

NOTICE OF ANNUAL GENERAL MEETING

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note **(i)]** **(Resolution 8)**

NOTICE OF ANNUAL GENERAL MEETING

8. **Authority to issue shares under the SHS Employees Share Option Scheme**

That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be authorised and empowered to offer and grant options under the prevailing SHS Employees Share Option Scheme (the "Scheme") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note **(ii)]** **(Resolution 9)**

By Order of the Board

Victor Lai Kuan Loong
Company Secretary

Singapore, 11 April 2018

Explanatory Notes:

(i) The Ordinary Resolution 8 in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(ii) The Ordinary Resolution 9 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in aggregate (for the entire duration of the Scheme) ten per centum (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. (a) A Member who is not a relevant intermediary, is entitled to appoint not more than two proxies to attend and vote at the Annual General Meeting (the "Meeting").

   (b) A Member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such Member.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

2. A proxy need not be a Member of the Company.

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 19 Tuas Avenue 20, Singapore 638830 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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SHS HOLDINGS LTD.
Company Registration No. 197502208Z
(Incorporated in the Republic of Singapore)

IMPORTANT:
1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy SHS Holdings Ltd.'s shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ______________________________ (Name)

______________________________ (NRIC/Passport No./Company Registration No.)

of ______________________________ (Address)

being a member/members of SHS HOLDINGS LTD. (the "**Company**") hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at 81 Tuas South Street 5, Singapore 637651 on **Friday, 27 April 2018 at 10.00 a.m.** and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

No.	Resolutions relating to:	Number of Votes For(1)	Number of Votes Against(1)
1	Directors' Statement and Audited Financial Statements for the year ended 31 December 2017		
2	Payment of a proposed final dividend		
3	Re-election of Mr Lim Siok Kwee, Thomas as Director		
4	Re-election of Mr Lee Kuo Chuen, David as Director		
5	Re-election of Mr Teng Choon Kiat as Director		
6	Approval of Directors' fees of up to S$286,705 for the year ending 31 December 2018		
7	Re-appointment of Moore Stephens LLP as Auditors		
8	Authority to issue shares		
9	Authority to issue shares under the SHS Employees Share Option Scheme		

(1) *If you wish to exercise all your votes "For" or "Against", please tick* **[√]** *within the box provided. Alternatively, please indicate the number of votes as appropriate.*

Dated this ____________ day of ____________ 2018

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, he/she shall specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion is specified, the first named proxy shall be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named proxy.

4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 19 Tuas Avenue 20, Singapore 638830 not less than 48 hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 April 2018.

SHS HOLDINGS LTD.
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Singapore 638830
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