3Cnergy

# ANNUAL REPORT 2017

SAILING BETWEEN THE ROCKS

"SUCCESS IS NOT FINAL, FAILURE IS NOT FATAL:
IT IS THE COURAGE TO CONTINUE THAT COUNTS."
WINSTON CHURCHILL

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*This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch (the "Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Sponsor has not independently verified the contents of this annual report. This annual report has not been examined or approved by the SGX-ST and the SGX-ST and Sponsor assume no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made or reports contained in this annual report.*

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# CORPORATE PROFILE

3Cnergy Limited is a Singapore-based investment holding company listed on the Catalist of SGX-ST.

3C Marina Park Sdn. Bhd. (formerly known as Liberty Bridge Sdn Bhd) ("3C Marina") is the main subsidiary of the Company. 3C Marina owns the legal and beneficial title to several parcels of undeveloped lands in Puteri Harbour, Johor, Malaysia. 3C Marina's existing plan is to develop the lands into a mixed-use development featuring the largest tropical "Rambla" in Iskandar Puteri (formerly known as Nusajaya), Malaysia. It consists of SOHO, serviced apartments, condominium, office lots, office tower, hotel, street front retail and activity retail, a mixed development with predominantly residential components and complemented with retail and commercial components.

Orientis Solutions Sdn Bhd ("Orientis"), is a subsidiary of the Company. Orientis is an integrated property development management firm offering architectural design, project financial feasibility assessment, engineering expertise and construction management services. Its staff comprises multi-disciplinary professionals with experience in the property development industry, including project management and construction implementation. Its clients comprise property developers, land owners, investors and joint-venture companies on the lookout for a one-stop service provider to meet all their property development needs and objectives. 3C Marina has appointed Orientis as the project manager to undertake the entire development of the lands.

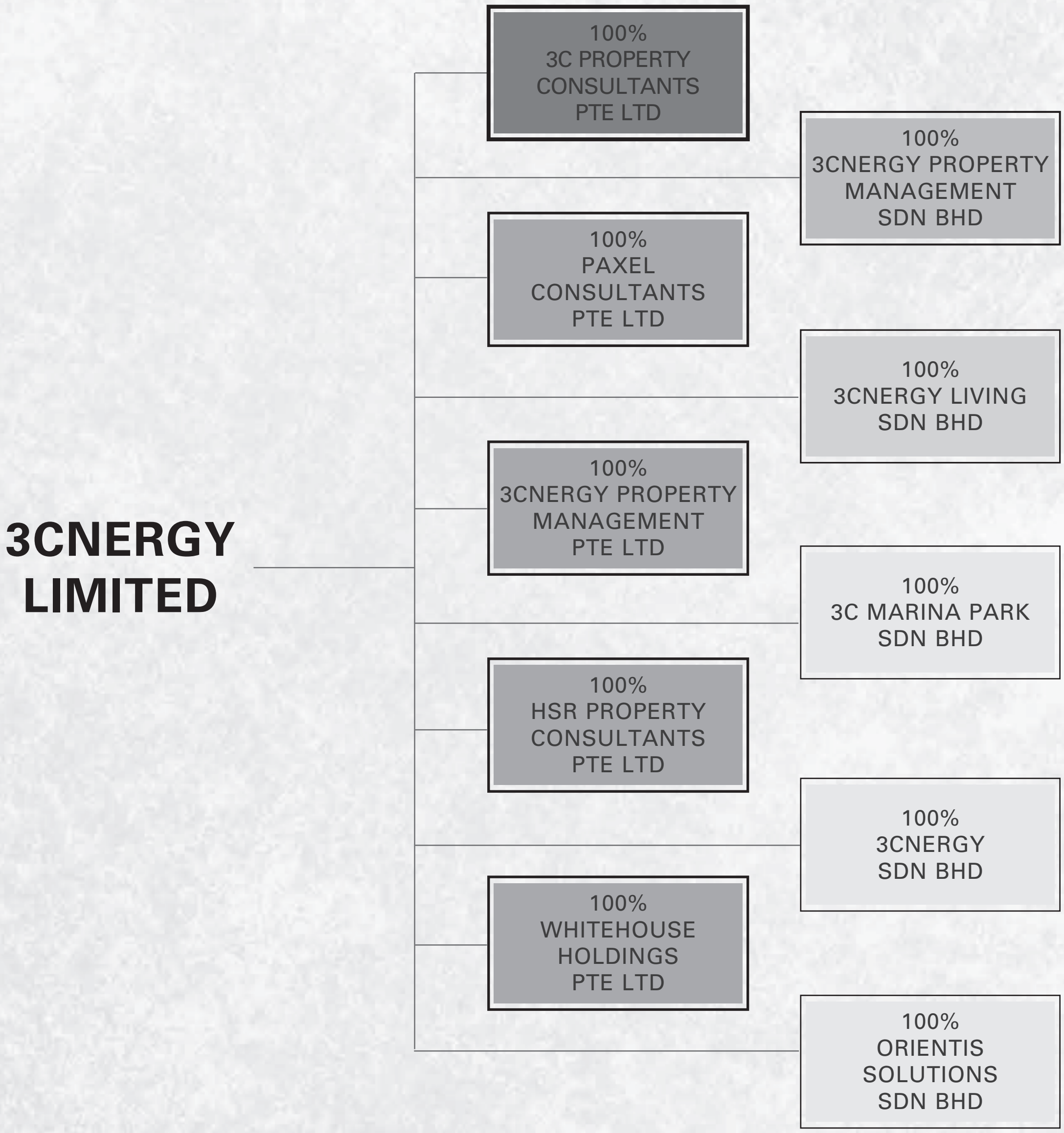
3C Property Consultants Pte Ltd ("3CPC"), a joint venture of the Company, becomes wholly-owned subsidiary on 8 January 2018. Complementing the Company's range of services, 3CPC provides real estate valuation and appraisal services on properties ranging from Housing & Development Board flats, private residential, commercial and industrial properties in Singapore. The company's team of licensed valuers has extensive valuation experience, and some have been in the real estate valuation industry for more than 35 years. 3CPC's clients include government agencies, financial institutions, corporations and private individuals. The valuation services offered include Mortgage and Financing, Sale and Purchase, Rental Valuation, Land Valuation, Development Appraisal, En-bloc Sale, Fire Insurance, Property Tax, Compulsory Acquisition and Stamp Duty Valuation.

3Cnergy

ORIENTIS SOLUTIONS

3C Property Consultants Pte Ltd

# CORPORATE **STRUCTURE**




**LEGEND**

- Local Subsidiary
- Overseas Subsidiary
- Became a direct subsidiary on 10 March 2017.
- Became a direct subsidiary on 15 August 2017.
- Became a wholly-owned subsidiary on 8 January 2018 following the acquisition of remaining 40% equity interest.

# CHAIRMAN'S AND CEO'S STATEMENT

The first half of 2017 was devoted to planning and seeking approval for the MarinaPark development, in Puteri Harbour, Johor, Malaysia.

Inspired by La Ramblas in Barcelona, Spain, we aspire to build an integrated, holistic and modern community that promotes growth and sustainability – both economically and socially. We have conceived the development as an integrated community because what Puteri Harbour lacked was a large integrated development that would generate activities and improve vibrancy for the area, not single-product development like residential condominiums. We crafted unique products, targeted market segments currently not served and set prices that are affordable.

Unfortunately, we were mostly forced to confront many new realities in the second half of 2017. Two of the three critical issues are regulatory in nature.

The constant changes and uncertainties surrounding the policies, laws and regulations governing property development in Malaysia have made it almost impossible for anyone to undertake integrated development involving residential component without incurring significant financial risks. One such instance is the requirement under the Housing Development (Control and Licensing) Act 1966 to deliver vacant possession of the residential units to the purchasers with a full Certificate of Completion and Compliance (CCC), failing which the developer is liable for liquidated damages.

For our proposed integrated development which has multiple components to be completed in several phases, our consultants have advised us of the risk that a full CCC will be issued only when the entire development is completed. This will expose us to very substantial liquidated damages to purchasers of the earlier residential phases as the full CCC will only be obtained much later when the final phase is completed.

This is further compounded by the recent amendments to the Strata Titles Act 1985 which requires the building plan for a development to be finalised upon launch. For a single building, it poses no issue. But in our case, when first phase is launched, we would have to finalise all the building plans for the subsequent phases that are yet to be launched and no changes could be made to them thereafter, except with the agreement of every single purchaser.

The above clearly made an integrated development like MarinaPark, with 7.7 million sf, impossible to execute. We need the flexibility to make changes to the various building components to cater to the changing market conditions and demand. Moreover, minor changes to the layouts, mechanical and engineering aspects and others are inevitable for a large integrated development that will take years to complete.

The second regulatory challenge is the surprising decision by the Government to freeze the approvals for all residential developments that are priced above RM1 million. This effectively puts a stop to our integrated development that also includes residential components.

Thirdly, the property market sentiment in Malaysia, and Johor in particular, has significantly weakened further in the last 12 months. We see unsold stocks rising at a frightening pace and are concerned about foreclosure of previously sold properties. Indeed, the current transacted price of a high-end, highrise condominium in Puteri Harbour is only RM600 per sq ft, hardly sufficient to cover cost.

Banks are also tightening on mortgage approvals. Malaysians are over-leveraged, cost of living has risen and wage growth has not gained any traction. Meanwhile, huge new supply further distorts the equilibrium, from reclaimed land to Government sponsored projects.

The glass is always half full or half empty. There is a silver lining in the negative developments I outlined above. We have not started physical construction and we have not launched nor have we partially sold any of our properties.

The prudent decision is to defer this project.

A lukewarm response to our launch would result in huge negative cash flows, and hurt the future success of this development. Critically, we believe we have a very prime site where the land will only get more valuable over time. So, in essence, time is on our side.

We also need to find a solution around the regulatory constraints mentioned earlier. While the new guidelines have made it impossible to launch an integrated project, we know that ultimately, the success of MarinaPark is dependent on the fact that it is an integrated, holistic and comprehensive development. We believe we need to create a community that is self-sustaining, full of activities and life, and cater to the diverse needs of an inclusive and dynamic community.

And of course, we need to wait for the Government to lift the freeze on developments where the selling prices are above RM1 million for residential homes.

Given the above, our strategy for 2018 is to minimise cash outflow, raise enough funds to meet our loan obligations and try to secure small projects elsewhere to generate some earnings and work for our staff, whilst we also re-plan MarinaPark.

To begin with, our payroll will be reduced by approximately 50% with the departure of two of our most senior staff and a few others. I like to thank them sincerely for their dedication. They have left on their own accord to reduce the burden on the Company.

We are also proposing to raise up to S$33.4 million net proceeds through a Rights Issue offering of 1:1 at 2.2 cents. The bulk of this will be used to repay our term loan instalment and to service interest costs and general working capital.

I know hard times is not much fun and I regret that we could not do any better. I am committed to staying with the Company and explore solutions.

Thank you.

Tong Kooi Ong    Anne Tong

*Success is not final, failure is not fatal:*
*It is the courage to continue that counts.*

*Winston Churchill*

# BOARD OF **DIRECTORS**

### TONG KOOI ONG

NON-INDEPENDENT
NON-EXECUTIVE CHAIRMAN

Mr. Tong is the Non-Independent Non-Executive Chairman of 3Cnergy Limited ("3CL" or together with its subsidiaries, the "Group") and was appointed to the Board on 15 May 2013. He is a member of the Nominating Committee, the Remuneration Committee and the Audit Committee.

Mr. Tong is an entrepreneur and an analyst. He has business interests in media, property development and other businesses in Singapore, Malaysia and Canada. He is the Executive Chairman of UPP Holdings Ltd, and is on the board of M+S Pte Ltd, a joint venture between Khazanah Nasional Berhad and Temasek Holdings (Private) Ltd. He is also the Chairman of Taiga Building Products Ltd, a distributor of building products, listed on the Toronto Stock Exchange.

He has interests in the media companies that publish *The Edge Singapore, The Edge Malaysia, The Edge FinancialDaily*, TheEdgeSingapore.com and TheEdgeMarkets.com.

He also has interests in the property portals EdgeProp.sg and EdgeProp.my.

Mr. Tong holds a Bachelor of Arts in Business Administration and a Master of Arts in Economics and Finance from Simon Fraser University, Canada. In 2002, he was bestowed his Doctor of Laws (Honoris Causa) from the same university.

### ANNE TONG KOOI LIAN

MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER (“CEO”)

Ms. Anne Tong is the Managing Director and CEO of 3CL and was appointed to the Board on 17 June 2013. She is a Malaysian with over 20 years of corporate experience in various industries encompassing media, customer service, events management and property development.

Prior to her appointment, she was the Head of Corporate Communications at The Edge Communications Sdn Bhd, publisher of The Edge, Malaysia’s premier and best-selling business and investment newspaper.

From 2008 to 2012, she was the General Manager for Branding and Community Development of Sunrise Berhad (now a subsidiary of UEM Sunrise Berhad), a leading property developer in Malaysia famed for its success in developing the Mont’Kiara/Dutamas neighbourhood in Kuala Lumpur, Malaysia. During her tenure with Sunrise Berhad, she was responsible for multiple portfolios including corporate communications, community development, customer relationship management, post-handover defects management and project marketing where she led the marketing and sales team in its project marketing efforts and in expanding Sunrise’s customer base. Her active involvement in various stages of the property development process has helped to develop her insights and passion towards the property industry.

Ms. Tong holds a Bachelor of Arts, majoring in Commerce, from the University of Toronto, Canada.

### LOH CHEN PENG

LEAD INDEPENDENT DIRECTOR

Mr. Loh is the Lead Independent Director of 3CL and was appointed as independent director of 3CL on 8 August 2017. He also serves as the Chairman of the Audit Committee and is a member of the Remuneration Committee and Nomination Committee.

Mr. Loh started his career in 1975 when he joined Deloitte and articled to complete the professional examinations of the Malaysian Institute of Certified Public Accountants (“MICPA”). He completed his professional examinations in 1980 and was admitted as a member of the MICPA in 1981.

Mr. Loh left Deloitte in 1980 and joined Arab-Malaysian Merchant Bank Berhad (now known as AmInvestment Bank Berhad), a merchant banking group during which he held several senior management positions in the areas of corporate advisory and corporate banking. Mr. Loh left the bank in September 1993 and thereafter served as the Chief Operating Officer in the stockbroking firm of Inter-Pacific Securities Sdn Bhd for 4 months. In April 1994, he was involved in establishing Phileo Allied Bank Berhad, a commercial bank and served as an Executive Director until 2001. He was a Director of Tropicana Corporation Berhad until his resignation in February 2013. He had also served on the boards of AmBank (M) Berhad, AmInvestment Bank Berhad and AmIslamic Bank Berhad and resigned from the boards of these banks in July 2014. He was also a Director of Berjaya Media Berhad until his retirement in September 2017.

Mr. Loh is now involved in some private ventures and is an Independent Non-Executive Director of Bermaz Auto Berhad, listed on Bursa Malaysia.

### ONG PAI KOO @ SYLVESTER

INDEPENDENT DIRECTOR

Mr. Ong is an independent director of 3CL and was appointed to the Board on 15 September 2015. He also serves as the Chairman of the Nominating Committee and the Remuneration Committee and is a member of the Audit Committee.

Mr. Ong has over 34 years of finance experience in various industries in both Malaysia and Singapore. He is currently the Senior General Manager of an earthworks, infrastructure and other related construction works company in Malaysia.

Mr. Ong holds a Double Major Bachelor Degree in Economics and Business Administration and a MBA from Simon Fraser University, Canada.

# KEY MANAGEMENT PROFILE

### CHUNG CHEE KHUEN

GROUP FINANCIAL CONTROLLER

As Group Financial Controller, Chung is responsible for the accounting, finance and reporting functions of the Group. He has more than 25 years' experience in audit, accounting and finance in the financial services, property development, postal and courier services, media and real estate industries.

His property development experience started in 2007 when he joined Sunrise Berhad (now a subsidiary of UEM Sunrise Berhad) as its Head of Internal Audit. In mid-2009, he moved into operations and was appointed the Head of Solaris Dutamas Assets Management where he led and managed the entire operations in Solaris Dutamas until he left the group in 2012. He was a director of the group's property management subsidiary, SCM Properties Sdn. Bhd.

He is a Fellow Chartered Certificate Accountant registered with the Association of Chartered Certified Accountants in the United Kingdom, and a Chartered Accountant, CA (Malaysia), registered with the Malaysian Institute of Accountants.

### ANGIE TUNG SHAO YIN

EXECUTIVE DIRECTOR,
ORIENTIS SOLUTIONS SDN BHD

Angie Tung is the Executive Director of Orientis Solutions Sdn Bhd ("OSSB"). She spearheads the development division in managing deliverables to the clients from all aspects of development management. This entails project feasibility studies, product research, creation and development, business collaboration ventures and timeliness in delivery.

She also oversees the day-to-day operations of the organization.

Prior to OSSB, she was the Deputy Senior Manager of Development Division in UEM Sunrise Bhd where she was involved in a few award-winning residential and mixed-use developments, namely Mont'Kiara Aman, 10 Mont'Kiara and AngkasaRaya @ KLCC, Jalan Ampang. During her 11 years tenure there, her experience covers procurement and development management.

She holds a Bachelor's Degree in Quantity Surveying from Universiti Teknologi Malaysia (UTM).

# FINANCIAL AND OPERATIONS REVIEW

In May 2017, the Company completed a renounceable non-underwritten rights cum warrants issue ("Rights cum Warrants Issue") of 383,381,747 new ordinary shares in the capital of the Company (the "Rights Shares") at an issue price of S$0.067 for each Rights Share, with 766,763,494 free detachable warrants ("Warrants") and the Rights Shares and Warrants were listed on Catalist on 30 May 2017 and 31 May 2017, respectively. Following the allotment and issue of the Rights Shares, the number of issued shares had increased from 1,150,145,242 shares to 1,533,526,989 shares.

On 2 March 2018, the Company has announced a proposal to undertake a renounceable non-underwritten rights issue of up to 2,300,290,483 new ordinary shares in the capital of the Company (the "Rights Shares") at an issue price of S$0.022 (the "Issue Price") for each Rights Share, on the basis of one (1) Rights Share for every one (1) existing ordinary share in the capital of the Company.

As set out in the Company's circular dated 26 March 2018, the Company intends to use the proceeds from the Rights Issue for the repayment of bank borrowings and working capital requirements.

Further announcements will be made in relation to the Rights Issue as and when appropriate.

As announced on 8 February 2018 of changes in the use of proceeds of the Rights cum Warrants Issue (the "Re-allocation"), a total amount of S$20.82 million has been utilised. S$0.28 million and S$3.89 million have been used for expenses incurred in relation to the Rights cum Warrants Issue and repayment of shareholder loan respectively. While the remaining amount of S$6.79 million and S$9.86 million of proceeds have been used to carry out the first phase of the land development and partial repayment of the term loans respectively. The use of proceeds from the Rights cum Warrants Issue is in accordance with the intended use as stated in the announcement of the Re-allocation dated 8 February 2018 as well as intended uses as disclosed in the offer information statement of the Rights cum Warrants Issue. The Board will continue to provide periodic announcements on the utilisation of the balance of the proceeds from the Rights cum Warrants Issue as and when the proceeds are materially disbursed.

In addition, the Company issued 75,000,000 new shares at $0.067 per share to restore the minimum free float ("Compliance Placement") which was lost due to the completion of the acquisition of 3C Marina in August 2016 pursuant to Catalist Rule 723. As announced on 21 February 2018, a total amount of S$4.82 million has been utilised. S$0.69 million has been used for expenses incurred in relation to the acquisition of 3C Marina and compliance placement while the remaining amount of S$4.13 million of proceeds has been used for working capital purposes. The use of proceeds from the Compliance Placement is in accordance with the intended use as disclosed in the offer information statement of the Compliance Placement. The Board will continue to provide periodic announcements on the utilisation of the balance of the placement proceeds as and when the proceeds are materially disbursed.

The Group's loss, net of tax had decreased from approximately S$5.2 million in the financial year ended 31 December 2016 ("FY2016") to approximately S$3.4 million in the financial year ended 31 December 2017 ("FY2017") mainly due to the decrease in general and administrative expenses of S$3.8 million, which was being offset by the increase in gross loss of S$0.9 million, reduction in other operating income of S$0.4 million and increase in income tax expense of S$0.7 million.

### REVENUE

The Group's total revenue has decreased by approximately S$0.8 million or 67.8% from S$1.2 million in FY2016 to S$0.4 million in FY2017. The decrease was mainly due to a decrease in revenue contribution from Orientis Solutions Sdn Bhd ("OSSB") as a result of a downward revision in contract sum for one of its projects. In addition, after the completion of the acquisition of 3C Marina on 11 August 2016 which resulted in 3C Marina becoming a subsidiary of the Group, project management service revenue charged from OSSB to 3C Marina was eliminated at Group level as compared to an amount of S$0.5 million recorded in FY2016. OSSB provides architectural design, project financial feasibility assessment, engineering expertise and construction management services.

### GROSS PROFIT

The Group's gross loss is S$0.6 million in FY2017 as compared to gross profit of S$0.3 million in FY2016. This was mainly attributable to project management expenses of approximately S$0.6 million incurred by OSSB on the development of lands in Puteri Harbour, Johor, Malaysia ("CN Lands") while its related project management service revenue was eliminated at Group level during the financial year. In addition, revenue is yet to be generated from the development of CN Lands as of FY2017.

### OTHER OPERATING INCOME

Other income comprised mainly rental income, interest income, government grants and other miscellaneous income. Other income has decreased by approximately S$0.4 million or 73.2% from S$0.5 million in FY2016 to S$0.1 million in FY2017. The decrease was mainly due to the cessation of rental income after the return of office premise upon expiry of the lease.

### GENERAL AND ADMINISTRATIVE EXPENSES ("G&A EXPENSES")

G&A Expenses comprised mainly salaries and related costs, audit fees, secretarial fees, tax fees, professional fees, rental, and printing and stationeries expenses. The G&A Expenses has decreased by approximately S$3.8 million or 57.4% from S$6.6 million in FY2016 to S$2.8 million in FY2017. The decrease was mainly due

# FINANCIAL AND OPERATIONS REVIEW

to the impairment of other intangible assets relating to contractual rights on project management contracts of S$2.0 million recorded in FY2016 which were nil in FY2017. The decrease in G&A Expenses was also due to a decrease in rental cost, depreciation expense and premise related expenses by approximately S$0.5 million, S$0.2 million and S$0.1 million respectively, after the return of office premise upon expiry of the lease. In addition, total professional fees and stamp duty incurred in FY2017 also decreased by S$0.6 million as compared to FY2016.

**FINANCE COSTS**

Finance Costs comprised mainly interest expenses. Interest expense has decreased by approximately S$27,000 or 77.1% from S$35,000 in FY2016 to S$8,000 in FY2017 mainly due to a decrease in hire purchase interest and also a decrease in imputed interest payable on rental deposits received from sub-tenants.

**STATEMENT OF FINANCIAL POSITION**

Property, plant and equipment decreased by S$0.1 million from S$0.3 million as at 31 December 2016 to S$0.2 million as at 31 December 2017. The decrease was mainly due to depreciation of non-current assets of the Group.

Land held for property development of S$94.2 million as at 31 December 2017 relates to the land cost and borrowing cost capitalised for the two parcels of undeveloped CN Lands held by 3C Marina. Land held for property development will be transferred to property development when development activities commence and are expected to be completed within the Company's normal operating cycle. Land held for property development increased by approximately $4 million mainly due to capitalisation of borrowing cost.

Goodwill reduced by S$1 million from S$1 million as at 31 December 2016 to nil as at 31 December 2017, due to an impairment of S$1 million provided.

Property development comprised costs of lands, direct materials, direct labour, other direct costs attributable overheads, borrowing costs and payments to subcontractors arising from the land held by 3C Marina. As at 31 December 2017, the property development was S$63.2 million which had increased by approximately S$7.8 million from S$55.4 million as at 31 December 2016. The increase was mainly due to capitalisation of development costs and borrowing costs. 3C Marina obtained approval for the development of the land parcel on 23 January 2017.

Cash and cash equivalents increased by approximately S$4.1 million mainly due to proceeds received from the Rights cum Warrants Issue, which was partially offset by payments made for shareholder loan settlement, term loans instalments, land development expenses and working capital purposes.

Trade payables increased by S$669,000 from S$1,000 as at 31 December 2016 to S$670,000 as at 31 December 2017, mainly due to the amount owing for the development expenses.

Other payables and accruals decreased by approximately S$72,000 from S$0.84 million as at 31 December 2016 to S$0.77 million as at 31 December 2017, mainly due to decrease in accruals of loan interest and professional fees as at 31 December 2017. The decrease was also due to reclassification of certain amounts in trade nature from other payables to trade payables.

The current and non-current bank borrowings of the Group amounted to S$76.2 million and S$82.0 million as at 31 December 2017 and 31 December 2016 respectively. The bank borrowings reduced by S$5.8 million because of repayments made during the financial year.

The current and non-current finance lease liabilities decreased by S$0.1 million from S$0.2 million as at 31 December 2016 to S$0.1 million as at 31 December 2017, mainly due to repayments made during the financial year.

In accordance to the intended usage of proceeds from the Rights cum Warrants Issue as disclosed in the circular dated 5 April 2017, the Group has fully settled the shareholder loan of S$3.9 million during the financial year.

The Group reported a positive working capital of S$38.5 million as at 31 December 2017 as compared to S$37.0 million as at 31 December 2016. Cash balance outstanding as at 31 December 2017 stood at approximately S$8.1 million.

**STATEMENT OF CASH FLOWS**

Net cash used in operating activities in FY2017 was approximately S$10.1 million, mainly due to an operating cash outflow of approximately S$1.2 million, expenditure on land held for property development of $5.4 million and interest paid of S$3.9 million. This was partially offset by an increase in payables of S$0.3 million.

Net cash used in investing activities in FY2017 was S$26,000 mainly due to a purchase of property, plant and equipment.

Net cash from financing activities in FY2017 was approximately S$14.2 million, which was mainly due to proceeds from the Rights cum Warrants Issue of S$25.7 million during the financial year, partially offset by the repayments of shareholder loan and bank borrowings of S$3.9 million and S$7.5 million respectively.

The Group recorded a net increase in cash and cash equivalents of approximately S$4.1 million in FY2017 as compared to an increase of S$3.7 million in FY2016.

# PROPERTIES HELD FOR DEVELOPMENT

AS AT 31 DECEMBER 2017

| Description and location | Note | Intended Use | Site Area (Sq. Metres) | Gross Floor Area (Sq. Metres) | Tenure | Effective Group Interest (%) |
|---|---|---|---|---|---|---|
| Land site at Puteri Harbour, Johor, Malaysia | (1),(3) | Mixed Development | 110,560 | – | Freehold | 100 |
| Land site at Puteri Harbour, Johor, Malaysia | (2),(3) | Mixed Development | 62,240 | Approx. 237,085 | Freehold | 100 |

**Notes:**

(1) The carrying value is included in land held for property development, which is in Note 15 of the financial statements.

(2) The carrying value is included in property development, which is in Note 15 of the financial statements.

(3) These developments have not commenced construction and have not launched yet.

# REPORT ON CORPORATE GOVERNANCE

The Board of Directors (the "**Board**") of 3Cnergy Limited (the "**Company**" and together with its subsidiaries, the "**Group**") is committed to maintaining high standards of corporate governance and has adopted the principles set out in the Code of Corporate Governance 2012 (the "**Code**") to promote transparency and to protect the interests of the Company's shareholders.

The Company has established various self-regulating and monitoring mechanisms to ensure that effective corporate governance is practised as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and financial performance of the Group.

This report describes the Company's corporate governance processes and structures that are in place during the financial year ended 31 December 2017 ("**FY2017**"), with specific reference made to the principles and guidelines of the Code. Where there are deviations from the Code, appropriate explanations are provided.

## A. BOARD MATTERS

### THE BOARD'S CONDUCT OF AFFAIRS

**Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.**

Apart from its statutory responsibilities under the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), and requirements pursuant to the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited ("**Catalist Rules**"), the Board sets the overall strategic directions of the Group and approves all major investments.

The main duties of the Board include:

- reviewing corporate strategies and business plans;
- ensuring Company's compliance with laws, regulations, policies, directions, guidelines and internal code of conduct;
- approving half-year and full-year results announcements;
- approving annual report and accounts;
- approving annual budget, material acquisitions and disposal of assets;
- approving interested person transactions;
- ensuring the adequacy of internal controls, risk management and periodic reviews of the Group's financial performance and compliance;
- ensuring accurate, adequate and timely reporting to and communication with shareholders; and
- all matters of strategic importance.

Matters which are specifically reserved to the full Board for decision include, *inter-alia*, those involving a conflict of interest, material acquisitions and disposal of assets, corporate or financial restructuring, share issuance, dividends, financial results and corporate strategies.

# REPORT ON CORPORATE GOVERNANCE

To facilitate effective management, certain functions have been delegated by the Board to various committees, namely the Audit Committee ("**AC**"), Nominating Committee ("**NC**") and Remuneration Committee ("**RC**") (collectively, the "**Board Committees**"). These Board Committees function within clearly defined terms of reference, which are reviewed on a regular basis. The Chairman of the respective Board Committees will report to the Board the outcome of the Board Committee meetings.

Board members are provided with regular updates on changes to relevant laws, regulations and accounting standards, particularly on new laws, regulations, from time to time in the discharge of their duties as Directors.

Management would conduct briefing and orientation programme(s) to newly appointed Director to ensure that the Director is familiar with the Group's business, operations and processes, as well as his duties as a director. The Company also encourages directors to attend seminars, trainings such as legal and as well as property related developments which affect the Group. Upon appointment of each Director, the Company will also provide a formal letter to each Director which sets out their duties and obligations.

During the financial year, Mr Loh Chen Peng joined the Board. Mr Loh has attended the briefing on the roles and obligations of a SGX listed Company as well as briefing on the Group's business, operations and processes.

During AC meetings, the Company's Internal Auditors, Crowe Horwath Governance Sdn Bhd briefs and updates the AC members on the developments in the Governance Standards, if any. The external auditors, Deloitte & Touche LLP also updates the AC on the changes in accounting standards and relevant laws.

During Board meetings, the Chairman and the Managing Director & Chief Executive Officer ("**CEO**") provide updates to the other Directors on the development of the real estate and property development industries in Singapore and Malaysia, including regulatory changes and the foreseeable impact on the Group.

The Board meets regularly at least two times in each financial year. Ad-hoc Board meetings are called as and when deemed necessary by the Board to address any specific or significant matters that may arise. The Company's Constitution provides for Directors to convene meetings other than physical meetings, by teleconferencing, videoconferencing or other electronic means of communication.

Attendance at meetings of the Board and Board Committees during FY2017 is disclosed as follows:

| **Name of Directors** | **Board** | | **Audit Committee** | | **Remuneration Committee** | | **Nominating Committee** | |
|---|---|---|---|---|---|---|---|---|
| | **No. of Meetings held** | **No. of meetings attended** | **No. of Meetings held** | **No. of meetings attended** | **No. of Meetings held** | **No. of meetings attended** | **No. of Meetings held** | **No. of meetings attended** |
| Tong Kooi Ong | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 |
| Tong Kooi Lian | 2 | 2 | NA | NA | NA | NA | NA | NA |
| Loh Chen Peng(1) | 2 | 1 | 2 | 1 | 1 | NA | 1 | NA |
| Yii Hung Due @ Bill Yii(2) | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 |
| Ong Pai Koo @ Sylvester | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 |

(1) Mr Loh Chen Peng appointed as Lead Independent Director of the Company, Chairman of AC, member of NC and RC on 8 August 2017.
(2) Mr Yii Hung Due @ Bill Yii resigned as Director of the Company on 15 December 2017.
NA: Not Applicable

# REPORT ON **CORPORATE GOVERNANCE**

## BOARD COMPOSITION AND GUIDANCE

**Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.**

The Company endeavours to maintain a strong and independent element on the Board. As at the date of this report, two (2) out of the four (4) Board members are Independent Directors, making up half of the Board, and has thereby met the Code's recommendation that Independent Directors should make up at least half of the Board (a) where the Chairman and the CEO are immediate family or (b) the Chairman is not an independent director. The Board comprises the following members:

| Name of Directors | Board of Directors | Audit Committee | Nominating Committee | Remuneration Committee |
|---|---|---|---|---|
| Tong Kooi Ong | Non-Independent Non-Executive Chairman | Member | Member | Member |
| Tong Kooi Lian | Managing Director & CEO | – | – | – |
| Loh Chen Peng | Lead Independent Director | Chairman | Member | Member |
| Ong Pai Koo @ Sylvester | Independent Non-Executive Director | Member | Chairman | Chairman |

The Board considers an Independent Director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent judgment of the Group's affairs.

The Independent Directors of the Board have confirmed that they do not have any relationship with the Company or its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment with a view to the best interests of the Company. As at the date of this Report, none of the independent directors have served beyond nine years from the date of their first appointment:

| Independent Director | Date of First Appointment | No. of years since Appointment |
|---|---|---|
| Loh Chen Peng | 8 August 2017 | 8 months |
| Ong Pai Koo @ Sylvester | 15 September 2015 | 2 year and 7 months |

The NC reviews the independence of the Directors, Board structure, size and composition annually.

The NC has reviewed and determined that the said Independent Directors are independent; and further, that no individual or small group of individuals dominate the Board's decision-making process.

The NC is of the view that the current Board size and composition are adequate and appropriate to facilitate effective decision making, after taking into consideration the nature and scope of the Group's operations. The Board, taking into account the views of the NC, and the strong and independent element on the Board, considers that the current board size is appropriate to facilitate effective decision making. The NC is also of the view that the current Board and Board Committees comprise persons whose diverse skills and experience provide for an effective Board; and who as a group, collectively possesses core competencies necessary for the effective functioning of the Board and an informed decision-making process.

# REPORT ON **CORPORATE GOVERNANCE**

The Non-Executive Director and the Independent Directors provide, amongst other things, strategic guidance to the Company based on their professional knowledge, in particular, assisting, constructively challenging and developing strategic proposals. The Non-Executive Director and the Independent Directors also help to review the performance of Management in meeting agreed goals and objectives and to exercise oversight over performance reporting and disclosure. To this end and where appropriate, they are encouraged to arrange for meetings without Management being present, on a regular basis and at times deemed necessary.

They meet the Internal and External Auditors without the presence of management at least once a year during the AC meetings.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

**Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.**

The Code stipulates that the roles of Chairman and CEO should, in principle, be separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making.

Mr Tong Kooi Ong is the Non-Executive Chairman of the Board and Ms Tong Kooi Lian is the Managing Director and CEO of the Company and their roles are separate. The Chairman and the Managing Director and CEO are siblings. The Board is of the view that the process of decision making by the Board is independent with the establishment of the various Board Committees which are chaired by Independent Directors. Also, with half the Board consisting of Independent Directors, there are adequate accountability and safeguards to ensure an appropriate balance of power and authority for good corporate governance.

The role of the Chairman includes ensuring that Board meetings are held when necessary and setting the Board meeting agenda in consultation with the Company Secretary and ensuring that the Board is provided with adequate and timely information. As Chairman, Mr Tong Kooi Ong role includes:

- Leading the Board to ensure its effectiveness on all aspects of its role;
- Setting the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;
- Promoting a culture of openness and debate at the Board;
- Ensuring that the directors receive complete, adequate and timely information;
- Ensuring effective communication with shareholders;
- Encouraging constructive relations within the Board and between the Board and Management;
- Facilitating the effective contribution of non-executive directors in particular; and
- Promoting high standards of corporate governance.

The Managing Director and CEO's performance is reviewed annually by the NC whilst her remuneration package by the RC annually. The AC will also review appointment to the Board, when required.

# REPORT ON **CORPORATE GOVERNANCE**

**Lead Independent Director**

Mr Loh Chen Peng is the Lead Independent Director appointed to lead and co-ordinate the activities of the Independent Directors. The Lead Independent Director assists the Chairman and the Board to assure effective corporate governance in managing the affairs of the Board and the Company.

The Lead Independent Director is the principal liaison on Board issues between the Independent Directors and the Chairman.

He will also be available to shareholders who have concerns in the event that normal interactions with the Chairman, CEO or Group Financial Controller have failed to resolve their concerns or where such channel of communication is considered inappropriate.

## BOARD MEMBERSHIP

**Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.**

The NC is established for the purposes of ensuring that there is a formal and transparent process for all Board appointments. The NC comprises three (3) members, two (2) are Independent Directors:

| | |
|---|---|
| Mr Ong Pai Koo @ Sylvester | (Chairman) |
| Mr Loh Chen Peng | (Member) |
| Mr Tong Kooi Ong | (Member) |

The principal role and functions of the NC include the following:

(a) to make recommendations to the Board on all Board appointments and re-nomination, having regard to contribution and performance of the Directors;

(b) to ensure that Directors submit themselves for re-nomination and re-election at regular intervals and at least once in every 3 years;

(c) to determine annually whether a Director is independent, guided by guidelines in the Code;

(d) to decide if a Director is able and has adequately carried out his duties as a Director where he has multiple board representations; and

(e) to decide how the performance of the Board may be evaluated and propose objective performance criteria.

The NC is also involved in the review of board succession plans for Directors, in particular the Chairman and CEO. The NC also makes recommendation to the Board for periodic training to be conducted for Directors.

The NC ensures that there is a formal and transparent process for all appointments to the Board. It has adopted written terms of reference defining its membership, administration and duties.

# REPORT ON **CORPORATE GOVERNANCE**

Where a vacancy arises under any circumstances, or where it is considered that the Board would benefit from the services of a new director with particular skills, the NC, in consultation with the Board, determines the selection criteria and selects candidates with the appropriate expertise and experience for the position.

The search and nomination process for new directors, if any, will be through search companies, contacts and recommendations. The NC will review, assess and meet with the candidates before making recommendation to the Board. In recommending new directors to the Board, the NC takes into consideration the skills and experience required to support the Group's business activities or strategies, the current composition and size of the Board, and strives to ensure that the Board has an appropriate balance of independent directors as well as directors with the right profile of expertise, skills, attributes and ability. The NC makes recommendations to the Board on re-appointments of Directors based on their contributions and performance, a review of the range of expertise, skills and attributes of current Board members, and the needs of the Board.

The Constitution of the Company requires one-third of the Directors for the time being, or if their number is not a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation and shall be eligible for re-election by the shareholders in every annual general meeting of the Company ("**AGM**"). Directors appointed by the Board during the financial year, shall only hold office until the next AGM, and thereafter be eligible for re-election at the AGM.

The NC has recommended to the Board that Mr Loh Chen Peng and Mr Ong Pai Koo @ Sylvester be nominated for re-election at the forthcoming AGM. In making the recommendation, the NC had considered the Directors' overall contributions and performance and the Board accepted NC's recommendation.

Mr Loh Chen Peng, upon re-election as a Director of the Company, will remain as the Lead Independent Director, Chairman of the AC and member of the NC and RC. Mr Loh is considered an independent non-executive Director and he has no relationships including immediate family relationship with other Directors, the Company or its 10% shareholders.

Mr Ong Pai Koo @ Sylvester, upon re-election as a Director of the Company, will remain as the Chairman of the NC and RC and member of the AC. Mr Ong is considered an independent non-executive Director and he has no relationships including immediate family relationship with other Directors, the Company or its 10% shareholders.

Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his or her performance and his or her re-nomination as a Director.

Although some of the Board members have multiple board representations, the NC, after discussion with the said Directors, is satisfied that sufficient time and attention has been given by the Directors to the Group. At the moment, based on the number of other board representation of the Directors as disclosed in the table below, the NC has made a recommendation on the maximum number of listed company board representations which any director may hold is 5. The NC will continue to review from time to time the board representations of each Director to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately.

Key information about the Board members, including their principal commitments, is presented in this Annual Report under the heading "Board of Directors".

# REPORT ON CORPORATE GOVERNANCE

The details of the Board, including the year of initial appointment and re-election, as well as directorship in other listed companies, are disclosed as follows:

| Name of Director | Appointment | Date of Initial Appointment | Date of Last Re-election | Directorship in other Listed Companies (existing and for the preceding three years) |
|---|---|---|---|---|
| Tong Kooi Ong | Non-Independent Non-Executive Director | 15 May 2013 | 20 April 2017 | Existing<br><br>Singapore:<br>UPP Holdings Limited<br><br>Canada:<br>Taiga Building Products Limited |
| Tong Kooi Lian | Executive Director | 17 June 2013 | 20 April 2017 | – |
| Loh Chen Peng | Independent Director | 8 August 2017 | – | Existing<br><br>Malaysia:<br>Bermaz Auto Berhad<br><br>Past<br><br>Malaysia:<br>Berjaya Media Berhad |
| Ong Pai Koo @ Sylvester | Independent Director | 15 September 2015 | 29 April 2016 | – |

## BOARD PERFORMANCE

**Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.**

Performance evaluation of the Board is aimed at giving Directors an opportunity to gauge their effectiveness individually and collectively. It also helps to ensure continual improvement in the Board's decision-making process as it provides a benchmark by which future performance can be measured.

The NC evaluates the performance of the Board and Board Committees and that of the individual Directors based on performance criteria set by the Board.

The criteria for assessing the Board's and Board Committees' performance include Board composition and size, Board processes, accountability, standard of conduct and performance of its principal functions and fiduciary duties, and guidance to and communication with Management. The criteria for assessing individual Director's contribution include, *inter alia*, the level of contribution to Board meetings, commitment of time, overall effectiveness.

# REPORT ON CORPORATE GOVERNANCE

As part of the evaluation process, the Directors will complete appraisal forms which are then collated by the Company Secretary who will submit to the Chairman of the NC in the form of a summary report. The summary report will be discussed during the NC meeting with a view to implementing recommendations to further enhance the effectiveness of the Board.

The NC has reviewed the overall performance of the Board and Board Committees in terms of its role and responsibilities and the conduct of its affairs as a whole for the financial year and is of the view that the performance of the Board as a whole has been satisfactory. The NC has also reviewed the individual Director's performance in terms of attendance, areas of expertise, adequacy of preparation for board meetings, participation in board discussion, and participation in own specialist relevant area during the financial year and is of the view that the performance of each individual Director has been satisfactory.

## ACCESS TO INFORMATION

**Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.**

Each member of the Board has access to complete, adequate and timely information regarding the Group as may be required for the discharge of his duties and responsibilities.

As a general rule, notices are sent to the Directors one week in advance of Board meetings, followed by the Board papers which include financial results, budgets and all related information, in order for the Directors to be adequately prepared for the meetings. Senior management personnel may be invited to attend board meetings to address queries from the Directors. The Directors also have unrestricted and independent access to the Company's senior management.

The Directors have separate and independent access to the Company Secretary. The Company Secretary is available whenever required, to respond to queries of any Director and to ensure that Board procedures are followed and applicable rules and regulations are complied with. The Company Secretary or his representative has attended all board meetings conducted during the year. The appointment and removal of the Company Secretary is a matter for the Board's consideration as a whole.

The Board (whether as individual members or as a group) has direct access to independent professional advisers, where so requested by them, at the expense of the Company.

## B. REMUNERATION MATTERS

## PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

**Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.**

The RC is established for the purposes of ensuring that there is a formal and transparent process for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. The RC comprises three (3) members, two (2) are Independent Directors:

| | |
|---|---|
| Mr Ong Pai Koo @ Sylvester | (Chairman) |
| Mr Loh Chen Peng | (Member) |
| Mr Tong Kooi Ong | (Member) |

# REPORT ON CORPORATE GOVERNANCE

The role of the RC is to review and recommend to the Board, the remuneration packages and terms of employment of the Directors and the key executives of the Company. The RC meets at least once a year with all members of the committee in attendance. In its review and approval of the recommendations on remuneration policies and packages for the Directors and key executives, the RC covers all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses, share options and benefits-in-kind.

The RC's recommendations are made in consultation with the CEO and submitted for endorsement by the entire Board. The Independent Directors are compensated based on fixed Directors' fees taking into consideration their contributions, responsibilities and time spent. Payments of Directors' fees will be endorsed by the Board before being subject to shareholders' approval at each AGM.

Remuneration of senior management staff will be recommended by the RC in consultation with the CEO and reviewed by the Board. The review will take into account the value and the extent of contribution of the staff towards the financial health and business needs of the Company.

In addition, in discharging its functions, the RC may obtain independent external professional advice as it deems necessary and the cost of which will be borne by the Company.

Each member of the RC shall abstain from voting on any resolutions in respect of his or her own remuneration package.

## LEVEL AND MIX OF REMUNERATION

**Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.**

The RC and the Board are of the view that the remuneration of the Directors and key executives is adequate but not excessive in order to attract, retain and motivate them to operate the Company successfully.

The Company has an employment agreement with its Managing Director and CEO. The Managing Director and CEO or the Company may terminate the employment agreement by giving to the other party, inter alia, not less than three months' notice in writing or three months' salary in lieu of notice in writing. The Company does not have any termination, retirement, or post-employment benefits granted to Managing Director and CEO, Directors, and key executive officers. The Board is of the opinion that the employment agreement does not contain any onerous removal terms.

## DISCLOSURE ON REMUNERATION

**Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.**

In recommending the level and mix of remuneration, the RC seeks to establish a framework for attending, retaining and motivating employees. The Group subscribes to linking executive remuneration to corporate and individual performance based on annual appraisal of employees. The level and structure of remuneration of directors and key management executives are aligned with the long term interest and risk policies of the Company.

# REPORT ON **CORPORATE GOVERNANCE**

A breakdown showing the level and mix of each individual Director's remuneration for FY2017 is disclosed in the table below:

| NAME OF DIRECTORS | SALARY[#] (%) | BONUS (%) | FEES (%) | BENEFITS (%) | TOTAL (%) | Total (S$'000) |
|---|---|---|---|---|---|---|
| Tong Kooi Ong | – | – | – | – | – | – |
| Tong Kooi Lian | 100 | – | – | – | 100 | 300 |
| Loh Chen Peng | – | – | 100 | – | 100 | 20 |
| Yii Hung Due @ Bill Yii[1] | – | – | 100 | – | 100 | 46 |
| Ong Pai Koo @ Sylvester | – | – | 100 | – | 100 | 35 |

(#) Refers to basic salary and CPF contribution by employer
(1) Mr Yii Hung Due @ Bill Yii resigned on 15 December 2017

A breakdown showing the level and mix of each key management executive's remuneration for the FY2017 is disclosed in the table below:

<table>
<tr><th>NAME</th><th>DESIGNATION</th><th>REMUNERATION BAND (S$)</th><th>SALARY[#] (%)</th><th>BONUS (%)</th><th>ALLOWANCE (%)</th><th>TOTAL (%)</th></tr>
<tr><td>Chung Chee Khuen</td><td>Group Financial Controller</td><td rowspan="3">Below 250,000</td><td>86</td><td>14</td><td>–</td><td>100</td></tr>
<tr><td>Ir Lum Tuck Ming[1]</td><td>Managing Director Orientis Solutions Sdn Bhd ("OSSB")</td><td>100</td><td>–</td><td>–</td><td>100</td></tr>
<tr><td>Angie Tung Shao Yin</td><td>Executive Director, OSSB</td><td>100</td><td>–</td><td>–</td><td>100</td></tr>
</table>

(#) Refers to basic salary, commission income and CPF contribution by employer
(1) Ir Lum Tuck Ming retired on 31 December 2017

The Company has three key management executives for FY2017. In aggregate, the total remuneration paid to them in financial year ended 31 December 2017 was S$293,000.

Ms Tong Kooi Lian, who is the Managing Director and CEO of the Company is the sister of Mr Tong Kooi Ong, Non-Independent Non-Executive Chairman and a controlling shareholder of the Company.

Save for the aforesaid, there was no employee in the Group who is an immediate family member of a Director or a CEO whose remuneration exceeded S$50,000 during the financial year under review.

*Performance Share Plan ("**PSP**")*

The RC also administers the PSP, which was approved at the extraordinary general meeting held on 19 January 2011. The RC would determine the eligibility of persons to participate in the PSP and the number of shares to be awarded to each participant, in accordance with the approved guidelines of the PSP. A member of the RC would not be involved in any deliberations in respect of any shares awarded to him or her. No share award has been granted under the PSP from 19 January 2011 until the date of this report. Details of the PSP were set out in the Company's Circular to shareholders dated 27 December 2010.

# REPORT ON CORPORATE GOVERNANCE

## C. ACCOUNTABILITY AND AUDIT

## ACCOUNTABILITY

**Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.**

Half-year and full-year financial results announcements of the Company are released via SGXNET and annual reports are provided to shareholders within the respective periods stipulated in the Catalist Rules. In this regard, the Board, with the assistance of Management, strives to provide a balanced and understandable assessment of the Company's performance, position and prospects. Management provides all members of the Board with management accounts and explanations during the board meetings held to review and approve the half-year and full-year results of the Company. The Board also undertakes such effort in respect of other price sensitive public reports and reports to regulators, where required.

## RISK MANAGEMENT AND INTERNAL CONTROLS

**Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.**

The Board recognises its responsibilities over the governance of risks and has set in place management procedures for ensuring a sound system of risk management and internal controls. These procedures include a structured Enterprise Risk Management ("**ERM**"), management reviews of key transactions, and the assistance of the Group's external and internal auditors to review financial statements and internal controls covering key risk areas.

**Risk Management**

With effect from FY2013, the Group has in place an ERM programme which covers the following areas:

- ***ERM policies and procedures***

An overall framework for risk management has been documented in a manual disseminated to personnel responsible for oversight of risks and operations of risk countermeasures. This ERM manual includes the terms of reference of the various personnel and committee responsible for monitoring and managing risks in the Group. The ERM process also requires ongoing identification of key risks to the Company and reporting these risks to the Board to better determine whether appropriate measures have been taken to address relevant risks. Risk workshops attended by key management personnel were conducted in FY2014 to provide a structured approach of identification and assessment of risks.

- ***Risk Appetite of the Company***

Generally, the Group will rely on Management to monitor day to day operations while subjecting key corporate decisions, such as investments or acquisitions of businesses for Board approval. The Company's performance is monitored closely by the Board periodically and any significant matters that might have an impact on the operating results are required to be brought to the immediate attention of the Board.

# REPORT ON CORPORATE GOVERNANCE

The Company has also taken a strict stance towards avoiding any risks that might result in breaching relevant laws and regulations and risks that could adversely affect the reputation of the Group. Active efforts are also in place to manage risks within impact such as transferring them to third party insurers or having internal control procedures to better mitigate the likelihood of their occurrence. Internal audits will be regularly conducted to assess the ongoing compliance with the established controls to address key risk areas where applicable.

- ***Risk assessment and monitoring***

Based on the ERM framework, the nature and extent of risks to the Company will be assessed regularly and risk reports covering top risks to the Group will be submitted to the Board on a yearly basis. The risk report of the Company has been submitted and discussed by the Board in FY2017. A set of risk registers to document risks arising from this ERM exercise has also been established to document all key risks and the corresponding countermeasures and will be updated whenever new risks emerge.

**Internal Controls**

The Board recognises the importance of sound internal controls, risk management practices and corporate governance. It is committed to maintaining a robust and effective system of internal controls. This is to safeguard shareholders' interests and the Group's assets. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management and for reviewing the adequacy and integrity of those systems on an annual basis.

The Group has been establishing a system of internal controls to promote effectiveness and efficiency of operations, reliability of financial reports and compliance with relevant laws and regulations. The internal controls include detailed policies and procedures to guide key operations, documented delegation of authority over key business transactions and specific control activities within the business workflow processes. The system of internal controls is also reviewed independently on an on-going basis, as a part of both the annual internal and external audit plans.

During the financial year, the Group's internal auditors had conducted one review exercise of the effectiveness of the Group's internal controls and operating procedures. The Group's external auditors had also reviewed the internal accounting controls that are relevant to their audit. Any non-compliance and recommendation for improvement were reported to the AC.

The Company has also implemented a Control Self-Assessment ("**CSA**") exercise covering key operating areas in the Group. This exercise comprises internal control questionnaires to be completed by staff to assess level of effectiveness of internal controls and risk countermeasures. This CSA covers all the key business processes of the Group and results of the CSA exercise is included in the periodic risk report to the Board and AC.

Other than the above risk report from the ERM exercise, the Board has also received assurance from the CEO and the Group Financial Controller that:

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

b) the Company's risk management and internal control systems are effective.

The Board, with the concurrence of AC, is of the opinion that, the system of internal controls maintained by the Group's management throughout the financial year ended 31 December 2017 is adequate and effective to address the financial, operational, compliance and information technology risks as at 31 December 2017.

# REPORT ON CORPORATE GOVERNANCE

The Board and AC are of the opinion that, the Company's internal controls were adequate based on:

- The internal controls established and maintained by the Group;
- Reports issued by the internal auditors and external auditors;
- Risk report arising from the ERM exercise;
- Regular reviews performed by the Management, and annual review undertaken by AC and the Board; and
- Assurance from CEO and Group Financial Controller.

The Board acknowledges that it is responsible for maintaining a sound system of internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. Internal control can provide only reasonable and not absolute assurance against material misstatement, losses, human errors, fraud or other irregularities.

**Whistle-Blowing Policy**

The Company has put in place a whistle-blowing framework whereby employees of the Company may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters and for appropriate follow up actions. The details of the whistle-blowing policies and arrangements have been made available to all employees.

The AC exercises the overseeing function over the administration of the whistle-blowing policy. Half yearly reports will be submitted to the AC stating, if any, the number and nature of complaints received, the results of investigation, follow up actions and unresolved complaints.

**Interested Person Transactions ("IPT")**

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

## AUDIT COMMITTEE

**Principle 12: The Board should establish an AC with written terms of reference which clearly set out its authority and duties.**

The AC comprises three (3) members, two (2) are Independent Directors:

| | |
|---|---|
| Mr Loh Chen Peng | (Chairman) |
| Mr Ong Pai Koo @ Sylvester | (Member) |
| Mr Tong Kooi Ong | (Member) |

The Board is of the view that the members of the AC are appropriately qualified, having accounting or related financial management expertise or experience as the Board interprets such qualification, to discharge their responsibilities.

# REPORT ON CORPORATE GOVERNANCE

The AC assists the Board in discharging its responsibility to safeguard the Group's assets, maintain adequate accounting records and develop and maintain an effective system of internal controls. The responsibilities of the AC include the following:

(a) to review with the external auditors the audit plan, their evaluation of the system of internal accounting controls to the extent that such controls are relevant to their audit of the financial statements, their audit report, their management letter and the Management's response;

(b) to review half-yearly and annual financial statements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas (including the need for product liability insurance), significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;

(c) to review the internal control and procedures and ensure co-ordination between the external auditors and Management, review the assistance given by Management to the auditors and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of Management where necessary);

(d) to review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and Management's response;

(e) to consider the appointment or re-appointment of the external auditors, the audit fees, and matters relating to the resignation or dismissal of the auditors;

(f) to review transactions falling within the scope of interested person transactions and the Catalist Rules, and in particular matters pertaining to acquisitions and realisations;

(g) to review and assess the Company's foreign exchange and hedging policies including whether the Company has in place adequate and appropriate hedging policies and used appropriate instruments for hedging, if applicable;

(h) to review the adequacy and structure of the finance function on an on-going basis and take appropriate remedial actions as may be necessary;

(i) to conduct annual internal control audits to review the Group's internal controls and procedures so as to review its adequacy and effectiveness;

(j) to undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and

(k) generally to undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

The AC will also commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls, or infringement of any law, rule or regulation which has or is likely to have a material impact on the operating results or financial position of the Company. Each member of AC will abstain from voting in respect of matters in which he is interested.

# REPORT ON CORPORATE GOVERNANCE

The AC meets with the external auditors and internal auditors without the presence of Management at least once in every financial year. The AC has met with the external auditors and internal auditors without the presence of Management during the financial year. The AC has reasonable resources to enable it to discharge its functions properly.

The AC has conducted an annual review of the volume of non-audit services, i.e. tax advisory services provided by the external auditors, and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the auditors. As such, the AC has recommended to the Board that Deloitte & Touche LLP be nominated for re-appointment as the Company's auditors at the forthcoming AGM. The AC is also satisfied with the level of cooperation rendered by Management to the external auditors and the adequacy of the scope and quality of their audits.

In performing its functions, the AC has explicit authority to investigate any matter within its terms of reference, having full access to and co-operation by Management and full discretion to invite any Director or Executive Officer to attend its meetings.

The Company is in compliance with Rules 712 and 715 of the Catalist Rules in relation to its external auditors.

The AC met two times during the financial year under review. During the AC meetings, the external auditors, Deloitte & Touche LLP updated the AC on the changes in accounting standards which may have a direct impact on financial statements.

## INTERNAL AUDIT

**Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.**

The AC is aware that an internal audit function is essential to assist in obtaining the assurance it requires regarding the effectiveness of the Group's system of internal controls. Accordingly, the internal audit function is outsourced to Crowe Horwath Governance Sdn Bhd who reports primarily to the AC. Crowe Horwath Governance Sdn Bhd is an international auditing firm and they perform their work based on their Internal Audit Methodologies which are consistent with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

The internal auditors report directly to the Chairman of the AC although they also report administratively to the Managing Director and CEO. The main function of the internal auditors is to review the effectiveness and quality of the systems of control of the Company and this review is performed with impartiality, proficiency and due professional care. The internal audit function is independent of the activities or operations of the Company. The internal auditor has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

The AC reviews and approves the internal audit plan submitted by the internal audit function. On an ongoing basis, the internal auditors reports to the AC any significant weaknesses and risks identified in the course of internal audits conducted. Recommendations to address control weaknesses are further reviewed by the internal auditors based on the implementation timeline agreed with the Management.

Since the implementation of the internal audit function and subsequent to its review of the scope and results of the internal audit, the AC is satisfied that the internal audit function is adequately resourced and has the appropriate standing within the Group. The AC will continue to assess the adequacy and effectiveness of internal audit function annually. The AC has met with the internal auditors without the presence of Management during the financial year.

# REPORT ON CORPORATE GOVERNANCE

## D. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

### SHAREHOLDER RIGHTS

**Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.**

The Group's corporate governance culture and awareness promote fair and equitable treatment of all shareholders. All shareholders enjoy specific rights under the Companies Act, and Constitution of the Company. All shareholders are treated fairly and equitably.

The Group respects the equal information rights of all shareholders and is committed to the practice of fair, transparent and timely disclosure.

The Constitution of the Company allows members of the Company to appoint not more than two (2) proxies to attend and vote on their behalf at the general meetings.

Shareholders are given the opportunity to participate effectively and vote at general meetings of the Company, where relevant rules and procedures governing the meetings are clearly communicated.

### COMMUNICATION WITH SHAREHOLDERS

**Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.**

The Board is mindful of its obligations to provide timely and full disclosure of material information to shareholders of the Company and does so through:

– annual reports issued to all shareholders. Non-shareholders may access the SGXNET for static copies of the Company's annual reports;

– half and full-year results announcements on the SGXNET;

– other announcements on the SGXNET; and

– press releases on major developments regarding the Company.

The Company held an AGM and an Extraordinary General Meeting in April 2017 where shareholders attended and shared their views and raised queries which were addressed by the Board. The Company may organise media/analyst briefing to solicit and understand shareholders' view when such need arises.

The Company does not have a policy on payment of dividends. The Company did not declare dividend for the financial year due to the losses incurred during the financial year.

# REPORT ON CORPORATE GOVERNANCE

## CONDUCT OF SHAREHOLDER MEETINGS

**Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.**

At the general meetings of the Company, shareholders are given the opportunity to air their views and ask Directors questions regarding the Group. Shareholders are encouraged to attend the general meetings to ensure a high level of accountability and to stay informed of the Group's strategies and goals. The general meetings are the principal forum for dialogue with shareholders.

The Constitution of the Company allows members of the Company to appoint not more than two (2) proxies to attend and vote on their behalf at the general meetings.

The Directors, including chairpersons of each of the Board Committees are present at the general meetings to answer questions from the shareholders. The external auditors are also present to assist the Directors in addressing any relevant queries by shareholders.

The Company ensures that there are separate resolutions at general meetings on each distinct issue. Each item of special business included in the notice of meetings will be accompanied by the relevant explanatory notes. This is to enable the shareholders to understand the nature and effect of the proposed resolutions. Further, all resolutions at general meetings are put to vote by poll in the presence of independent scrutineer(s). The Company prepares minutes of general meetings which are made available to shareholders upon their request.

## E. DEALING IN SECURITIES

In accordance with Rule 1204(19) of the Catalist Rules, the Group has adopted an internal code of conduct to provide guidance to the Directors and all officers of the Company not to deal in the Company's shares during the period commencing one (1) month prior to the announcement of the Company's half-year and full-year financial results and ending on the date of the announcement of the financial results.

The Group has reminded its Directors and officers that it is an offence under the Securities and Futures Act, Chapter 289, for a listed issuer or its officers to deal in the Company's shares when the officers are in possession of unpublished material price-sensitive information in relation to those securities. Directors and officers are expected to observe insider-trading laws at all times even when dealing in the Company's Shares within permitted trading periods. The Directors and officers should not deal in the Company's securities on short-term considerations.

The Company has complied with the internal code of conduct for the financial year ended 31 December 2017.

## F. MATERIAL CONTRACTS

The Company acquired Orientis Solutions Sdn Bhd in July 2014. Prior to the acquisition, Orientis Solutions Sdn Bhd had entered into a contract involving the interests of the Non-Executive Chairman and controlling shareholder. Shareholders' approval was obtained on 30 June 2014 for the contract which is still subsisting at the end of the financial year under review:

| Interested Party | Nature of Contract | Contract Value |
|---|---|---|
| Publiq Development Group Sdn Bhd (f.k.a Rainbow Crest Sdn Bhd) | Project Consultancy Services | RM 9.8 million (equivalent to S$3.15 million based on exchange rate) |

# REPORT ON CORPORATE GOVERNANCE

## G. INTERESTED PERSON TRANSACTIONS

The Company has adopted internal guidelines in respect of any transactions with interested persons and has set out the procedures for the review and approval of the Company's interested person transactions ("**IPT**"). The main objective is to ensure that all IPTs are conducted on arm's length basis and on normal commercial terms, and will not be prejudicial to the interests of the Company and its minority shareholders.

The Board had reviewed all IPTs for the financial year under review. The aggregate value of IPT entered into for the financial year under review is 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 transactions conducted under Shareholders' general mandate pursuant to Rule 920 of the Catalist Rules)** | **Aggregate value of all interested person transactions conducted under Shareholders' general mandate pursuant to Rule 920 of the Catalist Rules (excluding transactions less than S$100,000)** |
|---|---|---|
| | **S$'000** | **S$'000** |
| **Publiq Development Group Sdn Bhd**<br>Project Consultancy Services & recovery of incidentals | – | 353 |

The Group has a general mandate from shareholders to enter into the following types of IPT:

1. Real Estate Agency Services
2. Facilities Management Services
3. Project Management Services
4. Purchase of advertising-related services from The Edge Media Group
5. Financial Assistance and Services
6. Lease of Properties or Spaces
7. Secondment of Staff
8. Corporate-Related Services

with Mr Tong Kooi Ong and/or his Associates (including future associates).

## H. NON-SPONSOR FEES

CIMB Bank Berhad, Singapore Branch ("CIMB") was appointed Sponsor of the Company with effect from 6 February 2015. In FY2017, approximately S$40,000 of non-sponsor fees were paid to CIMB during 2017 in connection with the Rights cum Warrants Issue completed in May 2017.

## I. AUDIT AND NON-AUDIT FEES

In FY2017, approximately S$55,000 of audit fee and S$5,000 of non-audit fee were paid to the Company's auditors, Deloitte and Touche LLP in the financial year under review.

# DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of 3Cnergy Limited (the "Company") and its subsidiaries (collectively the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2017.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 34 to 91 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2017 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

## 1. DIRECTORS

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

Mr Tong Kooi Ong
Ms Tong Kooi Lian
Mr Ong Pai Koo @ Sylvester
Mr Loh Chen Peng (Appointed on August 8, 2017)

## 2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, except as mentioned in paragraph 3 of the Directors' statement.

## 3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company except as follows:

| | Direct interest | | Deemed interest | |
|---|---|---|---|---|
| **Name of directors and companies in which interests are held** | **At the beginning of financial year** | **At the end of financial year** | **At the beginning of financial year** | **At the end of financial year** |
| The Company (Ordinary Shares) | | | | |
| – 3Cnergy Limited | | | | |
| Tong Kooi Ong[1] | – | – | 542,980,440 | 723,973,920 |
| Immediate Holding Company (Ordinary Shares) | | | | |
| – Phileo Capital Limited | | | | |
| Tong Kooi Ong[2] | – | – | 1 | 1 |
| The Company (Warrants) | | | | |
| – 3Cnergy Limited | | | | |
| Tong Kooi Ong[1] | – | – | – | 361,986,960 |

# DIRECTORS' STATEMENT

1 The deemed interest of the director comprises the shareholding of Phileo Capital Limited in the Company. By virtue of Section 7 of the Singapore Companies Act, Mr Tong Kooi Ong is deemed to have an interest in all the related corporations of the Company.

2 Mr Tong Kooi Ong is the sole ultimate beneficial shareholder of Phileo Capital Limited through TMF Trustees Singapore Limited, the trustee of a family trust of which Mr Tong Kooi Ong is the sole beneficiary.

There was no change in any of the above-mentioned interests between the financial year end and January 21, 2018.

## 4. SHARE OPTIONS AND PERFORMANCE SHARES

There is presently a Performance Share Plan ("PSP") which was approved at the extraordinary general meeting held on January 19, 2011 on unissued shares of the Company. However, no share award has been granted under the PSP from January 19, 2011 until date of this report.

## 5. WARRANTS

At the end of the financial year, details of the outstanding warrants are as follows:

| Date of issue | Warrants outstanding at 1.1.2017 | Warrants issued | Warrants exercised | Warrants expired | Warrants outstanding at 31.12.2017 | Date of expiration |
|---|---|---|---|---|---|---|
| 29.05.2017 | – | 766,763,494 | – | – | 766,763,494 | 28.05.2020 |

On 29 May 2017, the Company allotted and issued 383,381,747 new ordinary shares ("Rights Shares") at an issue price of $0.067 for each Rights Share and 766,763,494 free detachable warrants ("Warrants") pursuant to a renounceable and non-underwritten rights cum warrants issue. Each Warrant carries the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of $0.10 for each new ordinary share and is exercisable during a three year period from the date of issue.

## 6. AUDIT COMMITTEE

The Audit Committee of the Company, consisting all non-executive directors, is chaired by Mr Loh Chen Peng, an independent director, and includes Mr Ong Pai Koo @ Sylvester, an independent director and Mr Tong Kooi Ong, a non-independent director. The Audit Committee has met two times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

(a) The audit plans and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;

(b) The Group's financial and operating results and accounting policies;

(c) The financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditors' report on those financial statements;

(d) The half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;

# DIRECTORS' STATEMENT

(e) The co-operation and assistance given by the management to the Group's external auditors; and

(f) The re-appointment of the external auditors of the Group.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming AGM of the Company.

## 7. AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Tong Kooi Lian
Managing Director and Chief Executive Officer

Tong Kooi Ong
Director

Singapore
March 16, 2018

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF 3CNERGY LIMITED

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### *Opinion*

We have audited the accompanying financial statements of 3Cnergy Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 34 to 91.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity 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 December 31, 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group, and of the changes in equity of the Company for the year ended on that date.

### *Basis for opinion*

We conducted our audit in accordance with Singapore Standards on 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 financial year. 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 3CNERGY LIMITED

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">Recoverable amount of property development and land held for property development</td></tr>
<tr><td>As at December 31, 2017, the carrying amount of the Group's property development and land held for property development amounted to $63.2 million and $94.2 million respectively.<br><br>The management relied on the valuation performed by independent external valuer to estimate the recoverable amount of land held for property development and land costs included in property development.<br><br>Significant assumptions are made by management regarding the types and physical attributes of development. Significant estimates comprise projected gross development values and development cost upon completion of development. Future market values which can be realised and future cost to be incurred may be significantly different from current estimates due to changes in types and physical attributes of development and macroeconomic changes impacting demand and supply.</td><td>We have discussed with the component auditors to understand the nature, extent and timing of procedures performed on recoverable amount of property development and land held for property development. We have reviewed the work performed which includes the following procedures:<br><br>• obtained an understanding of the key controls and processes that management has in place in respect of determining the recoverable amounts of property development and land held for property development;<br><br>• obtained the external valuation reports and evaluated the work scope, qualifications, competency, objectivity and independence of the external valuers;<br><br>• discussed with the external valuer to obtain understanding of their work performed on the properties covering amongst others, the valuation methodology and the significant judgement and appropriateness of assumptions applied;<br><br>• obtained management estimates of gross development values ("GDV") and total cost of development, compared components to these estimates with third party estimates or transaction values of comparable properties where available; and where not available, evaluated the basis of management's estimates; and<br><br>• reviewed the interest expense capitalised with reference to the criteria in FRS 23, Borrowing Costs.<br><br>The key judgement and estimation on the recoverable amount of property development and land held for property development is disclosed in Note 3 to the financial statements, and further information related to property development and land held for property development are provided in Note 15 to the financial statements.</td></tr>
</table>

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF 3CNERGY LIMITED

***Information Other than the Financial Statements and Auditor's Report Thereon***

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.

***Auditor's Responsibility 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 scepticism 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.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF 3CNERGY LIMITED

- 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 and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including 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 year 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 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 Kee Cheng Kong, Michael.

**Deloitte & Touche LLP**
Public Accountants and
Chartered Accountants

Singapore
March 16, 2018

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

| | Note | 2017<br>$'000 | 2016<br>$'000 |
|---|---|---|---|
| Revenue | 8a | **370** | 1,149 |
| Cost of services rendered and goods sold | | **(975)** | (803) |
| **Gross (loss) profit** | | **(605)** | 346 |
| Other operating income | 8b | **133** | 496 |
| Sales and distribution costs | | **(11)** | (8) |
| General and administrative expenses | | **(2,834)** | (6,654) |
| Finance costs | | **(8)** | (35) |
| Share of (loss) profit in a joint venture | | **(45)** | 7 |
| **Loss for the year before tax** | 9 | **(3,370)** | (5,848) |
| Income tax (expense) credit | 10 | **(38)** | 662 |
| **Loss for the year attributable to the owners of the Company** | | **(3,408)** | (5,186) |
| **Other comprehensive income (loss) for the year, net of tax** | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| – Exchange differences on translation of foreign subsidiaries | | **1,552** | (1,939) |
| **Total comprehensive loss for the year attributable to the owners of the Company** | | **(1,856)** | (7,125) |
| **Loss per share (cents per share)** | | | |
| Basic and Diluted | 29 | **(0.25)** | (1.00) |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# STATEMENTS OF **FINANCIAL POSITION**

AS AT DECEMBER 31, 2017

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | December 31, 2017 $'000 | December 31, 2016 $'000 | December 31, 2017 $'000 | December 31, 2016 $'000 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 11 | **190** | 282 | **75** | 127 |
| Goodwill | 12 | **–** | 1,000 | **–** | – |
| Other intangible assets | 12 | **274** | 343 | **–** | – |
| Investment in subsidiaries | 13 | **–** | – | **85,815** | 68,015 |
| Investment in joint venture | 14 | **105** | 150 | **150** | 150 |
| Land held for property development | 15 | **94,204** | 90,196 | **–** | – |
| | | **94,773** | 91,971 | **86,040** | 68,292 |
| **Current assets** | | | | | |
| Property development | 15 | **63,214** | 55,404 | **–** | – |
| Trade receivables | 16 | **25** | 55 | **–** | – |
| Other receivables and deposits | 17 | **199** | 126 | **31** | – |
| Prepayments | | **35** | 20 | **35** | 19 |
| Amount due from subsidiaries | 18 | **–** | – | **170** | 12 |
| Cash and cash equivalents | 19 | **8,080** | 4,016 | **6,074** | 3,656 |
| Pledged fixed deposit | 19 | **44** | 43 | **–** | – |
| | | **71,597** | 59,664 | **6,310** | 3,687 |
| **Total assets** | | **166,370** | 151,635 | **92,350** | 71,979 |

# STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2017

| | Note | Group December 31, 2017 $'000 | Group December 31, 2016 $'000 | Company December 31, 2017 $'000 | Company December 31, 2016 $'000 |
|---|---|---|---|---|---|
| **LIABILITIES AND EQUITY** | | | | | |
| **Current liabilities** | | | | | |
| Trade payables | 20 | **670** | 1 | **39** | – |
| Accruals and other payables | 21 | **771** | 843 | **278** | 307 |
| Amount due to customers for project management contracts | 22 | **174** | 106 | **–** | – |
| Amount due to subsidiaries | 18 | **–** | – | **701** | 702 |
| Amount due to joint venture | 23 | **127** | 161 | **127** | 161 |
| Finance lease liability | 24 | **90** | 88 | **57** | 55 |
| Bank borrowings | 25 | **31,242** | 17,556 | **–** | – |
| Shareholder loan | 6 | **–** | 3,885 | **–** | 3,885 |
| Income tax payable | | **3** | – | **–** | – |
| | | **33,077** | 22,640 | **1,202** | 5,110 |
| **Net current assets (liabilities)** | | **38,520** | 37,024 | **5,108** | (1,423) |
| **Non-current liabilities** | | | | | |
| Finance lease liability | 24 | **31** | 120 | **10** | 67 |
| Bank borrowings | 25 | **44,984** | 64,426 | **–** | – |
| Deferred tax liabilities | 26 | **4** | 6 | **–** | – |
| **Total liabilities** | | **78,096** | 87,192 | **1,212** | 5,177 |
| **Net assets** | | **88,274** | 64,443 | **91,138** | 66,802 |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 27 | **109,554** | 83,867 | **144,084** | 118,397 |
| Accumulated losses and other reserves | | **(21,280)** | (19,424) | **(52,946)** | (51,595) |
| | | **88,274** | 64,443 | **91,138** | 66,802 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

| | Attributable to owners of the Company | | | |
|---|---|---|---|---|
| | **Share capital $'000** | **Translation reserve[1] $'000** | **Accumulated losses $'000** | **Total equity $'000** |
| **Group** | | | | |
| **Balance at January 1, 2016** | 12,886 | (401) | (11,898) | 587 |
| Issuance of shares (Note 27), representing transactions with owners, recognised directly in equity | 70,981 | – | – | 70,981 |
| Loss for the year | – | – | (5,186) | (5,186) |
| Other comprehensive loss for the year, net of tax | – | (1,939) | – | (1,939) |
| Total comprehensive loss for the year | – | (1,939) | (5,186) | (7,125) |
| **Balance at December 31, 2016** | 83,867 | (2,340) | (17,084) | 64,443 |
| Issuance of shares (Note 27), representing transactions with owners, recognised directly in equity | 25,687 | – | – | 25,687 |
| Loss for the year | – | – | (3,408) | (3,408) |
| Other comprehensive income for the year, net of tax | – | 1,552 | – | 1,552 |
| Total comprehensive income (loss) for the year | – | 1,552 | (3,408) | (1,856) |
| **Balance at December 31, 2017** | 109,554 | (788) | (20,492) | 88,274 |

(1) Translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currency is different from that of the Group's presentation currency.

| | **Share capital $'000** | **Accumulated losses $'000** | **Total equity $'000** |
|---|---|---|---|
| **Company** | | | |
| **Balance at January 1, 2016** | 47,416 | (45,547) | 1,869 |
| Issuance of shares (Note 27), representing transactions with owners, recognised directly in equity | 70,981 | – | 70,981 |
| Loss for the year, representing total comprehensive loss for the year | – | (6,048) | (6,048) |
| **Balance at December 31, 2016** | 118,397 | (51,595) | 66,802 |
| Issuance of shares (Note 27), representing transactions with owners, recognised directly in equity | 25,687 | – | 25,687 |
| Loss for the year, representing total comprehensive loss for the year | – | (1,351) | (1,351) |
| **Balance at December 31, 2017** | 144,084 | (52,946) | 91,138 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

| | Note | 2017<br>$'000 | 2016<br>$'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Loss before tax | | **(3,370)** | (5,848) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | | **131** | 439 |
| Amortisation of other intangible assets | | **69** | 180 |
| Share of loss (profit) in a joint venture | | **45** | (7) |
| Bad debts written off | | **–** | 7 |
| Impairment of goodwill | | **1,000** | 1,168 |
| Impairment of other intangible assets | | **–** | 2,014 |
| Fixed assets written off | | **–** | 32 |
| Interest income | | **(99)** | (32) |
| Interest expense | | **8** | 35 |
| Unrealised exchange differences | | **998** | 217 |
| **Operating cash flows before changes in working capital** | | **(1,218)** | (1,795) |
| (Increase) Decrease in receivables | | **(58)** | 573 |
| Increase (Decrease) in amount due to customers for project management contracts | | **67** | (287) |
| Increase (Decrease) in payables | | **341** | (189) |
| Decrease in provision for onerous contract | | **–** | (357) |
| Expenditure on land held for property development | | **(5,356)** | (1,715) |
| **Cash used in operations** | | **(6,224)** | (3,770) |
| Interest received | | **99** | 32 |
| Interest paid | | **(3,928)** | (1,575) |
| Income tax paid | | **(35)** | (117) |
| **Net cash used in operating activities** | | **(10,088)** | (5,430) |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | 11 | **(26)** | (27) |
| Cash inflow from acquisition of a subsidiary | 13 | **–** | 314 |
| **Net cash (used in) from investing activities** | | **(26)** | 287 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

| | Note | 2017<br>$'000 | 2016<br>$'000 |
|---|---|---|---|
| **Financing activities** | | | |
| Decrease in amount due to a joint venture | | **(33)** | – |
| (Repayment of) Increase in shareholders loan | | **(3,885)** | 1,035 |
| (Repayment of) Drawdown of bank borrowings | | **(7,504)** | 2,899 |
| Repayment of obligations under finance leases | | **(87)** | (87) |
| Placement of pledged fixed deposit | | **–** | (43) |
| Proceeds on issue of shares | 27 | **25,687** | 5,025 |
| **Net cash from financing activities** | | **14,178** | 8,829 |
| Net increase in cash and cash equivalents | | **4,064** | 3,686 |
| Cash and cash equivalents at beginning of the year | | **4,016** | 330 |
| **Cash and cash equivalents at end of the year** | 19 | **8,080** | 4,016 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 1. GENERAL

The Company (Registration No. 197300314D) is a limited liability company which is incorporated and domiciled in the Republic of Singapore and is listed on Catalist under Singapore Exchange Securities Trading Limited (SGX-ST). The financial statements are expressed in Singapore dollar and rounded to the nearest thousand ($'000) except as otherwise indicated.

The registered office and principal place of business of the Company is located at 150 Cecil Street #08-01, Singapore 069543.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 13.

Subsequent to the end of the reporting period, the Company announced a proposed renounceable non-underwritten rights issue of up to 2,300,290,483 new ordinary shares in the capital of the Company (the "Rights Shares") at an issue price of S$0.022 for each Rights Share, on the basis of one Rights Share for every one existing ordinary share in the capital of the Company. The Company has obtained an irrevocable undertaking by substantial shareholders to subscribe or procure to subscription in full its entitlement of the Rights Shares and vote in favour of the Rights Issue (Note 32).

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2017 were authorised for issue by the Board of Directors on March 16, 2018.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Financial Reporting Standards in Singapore ("FRS").

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

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

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

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

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

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

ADOPTION OF NEW AND REVISED STANDARDS – On January 1, 2017, the Group has adopted all the new and revised FRSs that are effective from that date and relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

**Convergence to the International Financial Reporting Standards ("IFRS") in 2018**

Singapore-incorporated companies listed on the Singapore Exchange ("SGX") will be required to apply a new Singapore financial reporting framework, the Singapore Financial Reporting Standards (International) ("SFRS(I)"), that is identical to the International Financial Reporting Standards ("IFRS") for annual periods beginning on or after January 1, 2018. The Group will be adopting SFRS(I) for the first time for the financial year ending December 31, 2018.

Management has completed its assessment of the potential impact arising from SFRS(I) 1 *First-time adoption of SFRS(I)*, and has concluded that there are no changes to the Group's current accounting policies or any material adjustments required on transition to the new framework.

**New SFRS(I) and SFRS(I) INT yet to be adopted**

At the date of authorisation of these financial statements, the following SFRS(I), SFRS(I) INT and amendments to SFRS(I) that are relevant to the Group and the Company were issued but not effective:

- SFRS(I) 9 *Financial Instruments*[1]

- SFRS(I) 15 *Revenue from Contracts with Customers (with clarifications issued)*[1]

- SFRS(I) 16 *Leases*[2]

- SFRS(I) 10 *Consolidated Financial Statements and* SFRS(I) *1-28 Investments in Associates and Joint Ventures*[1]

- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*[1]

[1] Applies to annual periods beginning on or after January 1, 2018, with early application permitted.
[2] Applies to annual periods beginning on or after January 1, 2019, with early application permitted if SFRS(I) 15 is adopted.

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

Management anticipates that the adoption of the above SFRS(I), SFRS(I) INT and amendments to SFRS(I) in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**New SFRS(I) and SFRS(I) INT yet to be adopted** (Continued)

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting (iii) impairment requirements for financial assets.

In relation to the impairment of financial assets, SFRS(I) 9 requires an expected credit loss model to be applied. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Management has performed a detailed analysis of the requirements of the initial application of the new SFRS(I) 9 which will result in changes to the accounting policies relating to the impairment provisions of financial assets. Management anticipates that the adoption of SFRS(I) 9 will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption. Management does not plan to early adopt SFRS(I) 9.

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

SFRS(I) 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

The core principle of SFRS(I) 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in SFRS(I) 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by SFRS(I) 15.

Management anticipates that the initial application of the SFRS(I) 15 will result in changes to the accounting policies relating to revenue recognition on the new revenue stream – the sale of development properties in future periods. Additional disclosures will also be made with respect to the sale of development properties, completed property held for sale and trade receivables, including any significant judgement and estimation made on the sale of development properties in future periods.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

**New SFRS(I) and SFRS(I) INT yet to be adopted** (Continued)

SFRS 16(I) *Leases*

SFRS(I) 16 was issued in December 2017. The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the existing frameworks.

The management has yet to complete its detailed assessment of the possible impact of implementing SFRS(I) 16. The Group does not have significant operating leases at the end of the reporting period (Note 28). Accordingly, management anticipates that there is no material impact on the Group's financial statements in the period of initial application except for additional disclosure requirements.

BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company:

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Changes in the Group's interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in joint ventures and associates.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

In the Company's separate financial statements, investments in subsidiaries and joint ventures are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS – Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer are measured in accordance with FRS 102 *Share-based Payment* at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year from acquisition date.

The accounting policy for initial measurement of non-controlling interests is described above.

FINANCIAL INSTRUMENTS – Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income or expense is recognised on an effective interest basis for debt instruments.

**Financial assets**

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks and fixed deposits that are subject to an insignificant risk of changes in value.

Loans and receivables

Trade receivables, loans and other receivables (excluding prepayments) that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Financial assets** (Continued)

Impairment of financial assets (Continued)

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred 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.

**Financial liabilities and equity instruments**

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Financial liabilities**

Trade and other payables are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis except for short-term payables where the recognition of interest would be immaterial.

Interest-bearing bank loans are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at fair value through profit or loss, subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with FRS 18 *Revenue*.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Offsetting arrangements

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

Project management contracts

Certain entities of the Group enter into fixed price long-term contracts with customers for the provision of services. 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 end of the reporting period (the percentage of completion method), when the outcome of a project management contract can be estimated reliably.

When the outcome of a project management contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

An expected loss on the project management contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue. In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue multiplied by the actual completion rate based on the proportion of total contract costs incurred to date and the estimated costs to complete.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Financial liabilities** (Continued)

Project management contracts (Continued)

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for project management contracts. Amounts received before the related work is performed are included in the statement of financial position, as a liability, as amounts due to customers for project management contracts. Amounts billed for work performed but not yet paid by the customer are included in the statement of financial position under trade and other receivables.

PROPERTY DEVELOPMENT – The Group is engaged in the development of properties for sale. Property development costs are determined based on a specific identification basis. Property development costs comprising costs of land, direct materials, direct labour, other direct costs, attributable overheads, borrowing costs (see accounting policy for borrowing costs below) and payments to subcontractors that meet the definition of inventories are recognised as an asset and are stated 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 applicable selling expenses. The asset is subsequently recognised as an expense in profit or loss when or as the control of the asset is transferred to the customer over time or at a point in time.

Incremental costs of obtaining a contract with a customer are recognised as assets if the entity expects to recover those costs. The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

Where revenue recognised in profit or loss exceeds billings to purchasers, the balance is shown as accrued billings under trade and other receivables (within current assets). Where billings to purchasers exceed revenue recognised in profit or loss, the balance is shown as progress billings under trade and other payables (within current liabilities).

Property development is classified as current when it is expected to be realised in, or is intended for sale in, the Group's normal operating cycle.

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

The Group as lessor

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

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals arising under finance leases are recognised as expenses in the period in which they are incurred.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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

INVENTORIES – Inventories are stated at the lower of cost (first-in, first-out method) and net realisable value. Cost includes all costs of purchase and other costs incurred to bring the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

INTERESTS IN JOINT VENTURE – A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of the joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of FRS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with FRS 39. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in a joint venture but the Group continues to use 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 interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

LAND HELD FOR PROPERTY DEVELOPMENT – Land held for property development are mainly held for future development in respect of which development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at cost less accumulated impairment losses.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cost of land held for property development comprises land cost and borrowing cost (see accounting policy for borrowing cost below) capitalised during the development period. Cost associated with the acquisition of land include the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

Land held for property development is transferred to property development (under current assets) where development activities have commenced and where the development activities can be completed within the Company's normal operating cycle.

PROPERTY, PLANT AND EQUIPMENT – Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

| | | |
|---|---|---|
| Air-conditioners | – | 10 years |
| Computers | – | 3 years |
| Electrical installation | – | 7 to 8 years |
| Renovation | – | 3 to 8 years |
| Kitchen equipment | – | 8 years |
| Furniture and fixture | – | 7 to 10 years |
| Office equipment | – | 5 to 10 years |
| Motor vehicles | – | 5 years |

Fully depreciated assets still in use are retained in the financial statements.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

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

The gain or loss arising on the disposal or retirement of an asset which is determined as the difference between the sale proceeds and the carrying amount of the asset is recognised in profit or loss for the period in which they arise.

GOODWILL – Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses.

IMPAIRMENT OF NON-FINANCIAL ASSETS EXCLUDING GOODWILL – 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). 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.

Recoverable amount is the higher of fair value less costs to sell 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. An impairment loss is recognised immediately in profit or loss.

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 financial years. A reversal of an impairment loss is recognised immediately in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROVISIONS – Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

REVENUE RECOGNITION – Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

***(a) Commission revenue and related services***

Revenue from commission is recognised when these services are rendered and are contractually billable. Revenue from related services such as course fee, bank referral fee, resale-net, valuation and e-stamping fee and refreshments are recognised when these services are rendered. Revenue from merchandising is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customers.

***(b) Rendering of services***

Revenue from the management of long-term project management contracts is recognised by reference to the stage of completion at the end of the reporting period. Stage of completion is determined by reference to labour costs incurred to date as a percentage of total estimated labour costs for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised to the extent of the expenses recognised that are recoverable.

***(c) Rental income***

Rental income is accounted for based on a straight-line basis over the lease terms stipulated in the contracts.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The amount of borrowing costs eligible for capitalisation is determined based on actual interest incurred on borrowings made specifically for the purpose of obtaining a qualifying asset and less any investment income on the temporary investment of that borrowing.

All other borrowing costs are recognised as finance cost in profit or loss in the year in which they are incurred.

RETIREMENT BENEFIT COSTS – Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT – Employee entitlements to annual leave are recognised when they accrue to employees. The estimated liability for annual leave is recognised for services rendered by employees up to the end of the reporting period.

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

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on the 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 and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such 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 on taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which the benefits of the temporary differences can be utilised and they are expected to reverse in the foreseeable future.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Except for investment properties measured using the fair value model, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The Group has not rebutted the presumption that the carrying amount of the investment property will be recovered entirely through sale.

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

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

Current and deferred tax are recognised as an expense or income in profit or loss.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION – The individual financial statements of each entity within the Group are measured and presented in the currency of the primary economic environment in which the entity within the Group operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the dates of the initial transactions.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity (foreign 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, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences relating to that foreign operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have been previously attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, 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. jointly controlled entities that do not result in the Group losing joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity (foreign currency translation reserve).

SEGMENT REPORTING – Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision makers who are responsible for allocation of resources and assessing performance of the operating segments.

GOVERNMENT GRANTS – Government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognised in profit or loss in the period in which they become receivable.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, 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 the Group's accounting policies***

In the process of applying the Group's accounting policies, which are described in Note 2, management is of the opinion that any instances of application of judgements are not expected to have significant effect on the amounts recognised in the financial statements.

***Key sources of estimation uncertainty***

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the CGU to which the goodwill is allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Goodwill has been reduced to Nil through the recognition of an impairment loss, and are disclosed in Note 12.

Capitalisation of borrowing costs

The Group determines the amount of borrowing costs eligible for capitalisation as part of the cost of the qualifying assets, which are the property development and land held for property development. The borrowing costs capitalised during the year attributed to land held for property development and property development are disclosed in Note 15.

Carrying amounts of land held for property development and property development

The carrying amounts of land held for property development and property development are disclosed in Note 15. They are stated at the lower of cost and net realisable value.

When it is probable that the total project costs will exceed the total projected revenue net of selling expenses, i.e. net realisable value, the amount in excess of net realisable value is recognised as an expense immediately.

The process of evaluating the net realisable value for each property is subject to management's judgement and the effect of assumptions in respect of development plans, timing of sale and the prevailing market conditions. Management performs cost studies for each project, taking into account the costs incurred to date, the development status and costs to complete each development project. Any future variation in plans, assumptions and estimates can potentially impact the carrying amounts of the respective properties.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale. There are no financial instruments carried at fair value.

### *(a) Fair value of financial instruments by class that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value*

Determination of fair value

Management has determined that the carrying amounts of cash and cash equivalents, trade receivables, other receivables and deposits, amount due from subsidiaries and trade and other payables and accruals reasonably approximate their fair values because these are mostly short term in nature other than finance leases and bank borrowings disclosed in Note 24 and 25 respectively.

### *(b) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value*

The fair values of finance lease obligations have been determined using discounted cash flows. The discount rates used are the current market incremental lending rates for similar types of lending and leasing arrangements. The fair value of finance lease obligations is as follows:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| **Group** | **Carrying amount $'000** | **Fair value $'000** | **Carrying amount $'000** | **Fair value $'000** |
| Finance lease obligations | **121** | **127** | 208 | 222 |

| | 2017 | | 2016 | |
|---|---|---|---|---|
| **Company** | **Carrying amount $'000** | **Fair value $'000** | **Carrying amount $'000** | **Fair value $'000** |
| Finance lease obligations | **67** | **69** | 122 | 128 |

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

## 5. FINANCIAL RISKS, MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and foreign currency risk. The board of directors reviews and approves policies and procedures for the management of these risks which are also executed by the active directors. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

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

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

### *(a) Categories of financial instruments*

The following table sets out the financial instruments as at the end of reporting period:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **Financial assets** | | | | |
| Loans and receivables: | | | | |
| Trade receivables | **25** | **55** | – | – |
| Other receivables | **199** | **126** | 31 | – |
| Amount due from subsidiaries | **–** | **–** | 170 | 12 |
| Pledged fixed deposit | **44** | **43** | – | – |
| Cash and cash equivalents | **8,080** | **4,016** | 6,074 | 3,656 |
| | **8,348** | **4,240** | 6,275 | 3,668 |
| **Financial liabilities** | | | | |
| Amortised cost: | | | | |
| Trade and other payables | **1,441** | **844** | 317 | 307 |
| Amount due to subsidiaries | **–** | **–** | 701 | 702 |
| Amount due to joint venture | **127** | **161** | 127 | 161 |
| Shareholder loan | **–** | **3,885** | – | 3,885 |
| Bank borrowings | **76,226** | **81,982** | – | – |
| Finance lease liability | **121** | **208** | 67 | 122 |
| | **77,915** | **87,080** | 1,212 | 5,177 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 5. FINANCIAL RISKS, MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### *(b) Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and short-term deposits), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increase in credit risk exposure. The Group trades with all third parties but will only provide credit terms upon approval of the Chief Executive Officer. The receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying value of each class of financial assets recognised in the statements of financial position.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

| | Group | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| | **$'000** | **% of total** | **$'000** | **% of total** |
| By country | | | | |
| Singapore | **25** | **100%** | 34 | 62% |
| Malaysia | **–** | **0%** | 21 | 38% |
| | **25** | **100%** | 55 | 100% |

At the end of the reporting period, approximately 100% (2016: 100%) of the Group's trade receivables were due from 1 major customer (2016: 2) who is located in Singapore (2016: Malaysia and Singapore).

## 5. FINANCIAL RISKS, MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (c) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of collections and payments timing. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets to pay for liabilities that are due in the next six months.

*Analysis of financial instruments by remaining contractual maturities*

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted payments obligations.

| | 2017 | | | | | | 2016 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Weighted average effective interest rate | One year or less | Two to five years | More than five years | Adjustment | Total | Weighted average effective interest rate | One year or less | Two to five years | More than five years | Adjustment | Total |
| | % | $'000 | $'000 | $'000 | $'000 | $'000 | % | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Financial Assets** | | | | | | | | | | | | |
| **Group** | | | | | | | | | | | | |
| Trade receivables | **–** | **25** | **–** | **–** | **–** | **25** | – | 55 | – | – | – | 55 |
| Other receivables | **–** | **199** | **–** | **–** | **–** | **199** | – | 126 | – | – | – | 126 |
| Pledged fixed deposit | **3.15** | **45** | **–** | **–** | **(1)** | **44** | 3.15 | 43 | – | – | – | 43 |
| Cash and cash equivalents | **0.08** | **8,090** | **–** | **–** | **(10)** | **8,080** | 0.08 | 4,016 | – | – | – | 4,016 |
| Total undiscounted financial assets | | **8,359** | **–** | **–** | **(11)** | **8,348** | | 4,240 | – | – | – | 4,240 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 5. FINANCIAL RISKS, MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (c) *Liquidity risk* (Continued)

| | 2017 | | | | | | 2016 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Weighted average effective interest rate** | **One year or less** | **Two to five years** | **More than five years** | **Adjustment** | **Total** | **Weighted average effective interest rate** | **One year or less** | **Two to five years** | **More than five years** | **Adjustment** | **Total** |
| | **%** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **%** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Financial Liabilities** | | | | | | | | | | | | |
| **Group** | | | | | | | | | | | | |
| Trade and other payables | **–** | **1,441** | **–** | **–** | **–** | **1,441** | – | 844 | – | – | – | 844 |
| Amount due to joint venture | **–** | **127** | **–** | **–** | **–** | **127** | – | 161 | – | – | – | 161 |
| Shareholder loan | **–** | **–** | **–** | **–** | **–** | **–** | – | 3,885 | – | – | – | 3,885 |
| Finance lease liability | **5** | **94** | **33** | **–** | **(6)** | **121** | 5 | 96 | 126 | – | (14) | 208 |
| Bank borrowings | **5** | **33,766** | **48,700** | **–** | **(6,240)** | **76,226** | 5 | 21,622 | 46,606 | 29,398 | (15,644) | 81,982 |
| Total undiscounted financial liabilities | | **35,428** | **48,733** | **–** | **(6,246)** | **77,915** | | 26,608 | 46,732 | 29,398 | (15,658) | 87,080 |
| Total net undiscounted financial assets (liabilities) | | **(27,069)** | **(48,733)** | **–** | **6,235** | **(69,567)** | | (22,368) | (46,732) | (29,398) | 15,658 | (82,840) |

## 5. FINANCIAL RISKS, MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (c) *Liquidity risk* (Continued)

| | 2017 | | | | | | 2016 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Weighted average effective interest rate % | One year or less $'000 | Two to five years $'000 | More than five years $'000 | Adjustment $'000 | Total $'000 | Weighted average effective interest rate % | One year or less $'000 | Two to five years $'000 | More than five years $'000 | Adjustment $'000 | Total $'000 |
| **Financial Assets** | | | | | | | | | | | | |
| **Company** | | | | | | | | | | | | |
| Other receivables | **–** | **31** | **–** | **–** | **–** | **31** | – | – | – | – | – | – |
| Amount due from subsidiaries | **–** | **170** | **–** | **–** | **–** | **170** | – | 12 | – | – | – | 12 |
| Cash and cash equivalents | **0.08** | **6,084** | **–** | **–** | **(10)** | **6,074** | 0.08 | 3,656 | – | – | – | 3,656 |
| Total undiscounted financial assets | | **6,285** | **–** | **–** | **(10)** | **6,275** | | 3,668 | – | – | – | 3,668 |
| **Financial Liabilities** | | | | | | | | | | | | |
| **Company** | | | | | | | | | | | | |
| Trade and other payables | **–** | **317** | **–** | **–** | **–** | **317** | – | 307 | – | – | – | 307 |
| Amount due to subsidiaries | **–** | **701** | **–** | **–** | **–** | **701** | – | 702 | – | – | – | 702 |
| Amount due to joint venture | **–** | **127** | **–** | **–** | **–** | **127** | – | 161 | – | – | – | 161 |
| Finance lease liability | **5** | **59** | **10** | **–** | **(2)** | **67** | 5 | 59 | 69 | – | (6) | 122 |
| Shareholder loan | **–** | **–** | **–** | **–** | **–** | **–** | – | 3,885 | – | – | – | 3,885 |
| Total undiscounted financial liabilities | | **1,204** | **10** | **–** | **(2)** | **1,212** | | 5,114 | 69 | – | (6) | 5,177 |
| Total net undiscounted financial assets (liabilities) | | **5,081** | **(10)** | **–** | **(8)** | **5,063** | | (1,446) | (69) | – | 6 | (1,509) |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 5. FINANCIAL RISKS, MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### *(d) Foreign currency risk*

The Group transacts mainly in its respective Group entities' functional currency, hence does not have significant foreign currency exposure. Accordingly, no sensitivity analysis was performed.

The Company has investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. The Group does not currently designates its foreign currency denominated debts as a hedging instruments for the purpose of hedging the exposure of its foreign operations.

### *(e) Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk through the impact of interest rate changes on interest-bearing liabilities, which consist of the bank borrowings (Note 25).

The sensitivity analyses below have been determined based on the exposure to interest rates on interest-bearing liabilities at the end of the reporting period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of possible change in interest rates.

If interest rates had been 100 basis points higher and all other variables were held constant and on the assumption that no interest expense is capitalised, loss for the year ended December 31, 2017 would increase by approximately $762,000 (2016: $820,000). If interest rates had been 100 basis points lower and all other variables were held constant, the effect on loss for the year will be vice versa.

### *(f) Capital management*

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

Subsequent to the end of the reporting period, the Company announced a proposed renounceable non-underwritten rights issue of up to 2,300,290,483 new ordinary shares in the capital of the Company (the "Rights Shares") at an issue price of S$0.022 for each Rights Share, on the basis of one Rights Share for every one existing ordinary share in the capital of the Company. The Company has obtained an irrevocable undertaking by substantial shareholders to subscribe or procure to subscription in full its entitlement of the Rights Shares and vote in favour of the Rights Issue (Note 32).

The Group manages its capital structure consisting of equity attributable to owners of the Company, comprising share capital net of accumulated losses and makes adjustments to it in accordance to its capital requirements. No changes were made in the objectives, policies or processes during the years ended December 31, 2017 and December 31, 2016. The Group monitors the level of debt and equity, which is the equity attributable to the owners of the Company.

The Group is not subject to any externally imposed capital requirements.

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

## 5. FINANCIAL RISKS, MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### *(f)* ***Capital management*** (Continued)

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

| | **2017** | **2016** |
|---|---|---|
| | **$'000** | **$'000** |
| Debt | **76,347** | 86,075 |
| Equity | **88,274** | 64,443 |
| Net debt to equity ratio | **86%** | 134% |

## 6. HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The Company is a subsidiary of Phileo Capital Limited, a company incorporated in the Cayman Islands. The entire issued and paid-up share capital of Phileo Capital Limited is held by TMF Trustees Singapore Limited, the trustee of a family trust of which Mr Tong Kooi Ong is the sole beneficiary.

Related companies in these financial statements refer to members of the Company's group of companies.

Some of the Group's transactions and arrangements are between members of the Group and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances with related companies are unsecured, interest-free and repayable on demand unless otherwise stated.

Transactions with holding company during the financial year, other than those disclosed elsewhere in the financial statements, include the following:

| | **Group and Company** | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Shareholder loan | **(3,885)** | 1,035 |

On January 8, 2015, the Company signed a shareholder loan agreement with Phileo Capital Limited, the major shareholder. The loan committed of $5 million is non-interest bearing, and Phileo Capital Limited has agreed not to demand payment of the loan until December 31, 2017. The loan has been fully repaid during the financial year.

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

## 7. RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Significant transactions with related parties during the financial year, other than those disclosed elsewhere in the financial statements, include the following:

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **Income** | | | | |
| Project Management Service & recovery of incidentals received from a company in which a director of the Company has substantial interest | **–** | 231 | **–** | – |
| Project Management Consultancy & recovery of incidentals received from a company in which a director of the Company has substantial interest | **353** | 402 | **–** | – |
| Management fees charged to joint venture company | **31** | – | **31** | – |
| **Expense** | | | | |
| Rental related cost paid to a company in which a director of the Company has substantial interest | **14** | 53 | **–** | – |

***Transactions with companies related to non-executive chairman***

A subsidiary, Orientis Solutions Sdn Bhd ("Orientis") has project management contracts with Publiq Development Group Sdn Bhd, in which a non-executive director has substantial interest. The total fees for these contracts amount to RM9.8 million ($3,148,000).

The revenue recognised under percentage of completion for Publiq Development Group Sdn Bhd for the year ended December 31, 2017 is $370,000 (2016: $402,000).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 7. RELATED PARTY TRANSACTIONS (CONTINUED)

***Compensation of directors and key management personnel***

The remuneration of directors and other key management during the financial year was as follows:

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Short-term employee benefits | **568** | 612 |
| Central Provident Fund contributions | **25** | 25 |
| | **593** | 637 |
| *Comprises amounts paid to:* | | |
| Directors of the Company | **300** | 348 |
| Other key management personnel | **293** | 289 |
| | **593** | 637 |

The remuneration of directors and other key management is determined by the Compensation and Remuneration Committee having regards to the performance of individuals and market trends.

## 8a. REVENUE

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Project management fees | **370** | 1,149 |

## 8b. OTHER OPERATING INCOME

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Rental income | **–** | 444 |
| Government grants* | **1** | 1 |
| Interest income | **99** | 32 |
| Others | **33** | 19 |
| | **133** | 496 |

* Government grants mainly relate to training grants from Inland Revenue Authority of Singapore and Singapore Workforce Development Agency.

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

## 9. LOSS BEFORE TAX

The following items have been included in arriving at loss before tax.

Cost of services rendered and goods sold comprises:

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Project management costs | **975** | 803 |
| | **975** | 803 |

The following items have been included in arriving at general and administrative expenses:

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Audit fees paid/payable to: | | |
| – Auditor of the Company | | |
| Current year | **55** | 55 |
| Prior year | **–** | 25 |
| – Other auditors | **11** | 11 |
| Non-audit fees paid/payable to: | | |
| – Auditors of the Company | **5** | 203 |
| – Other auditors | **23** | 22 |
| Net foreign exchange loss (gain) | **1** | (3) |
| Bad debts written off | **–** | 7 |
| Staff costs (Note 31) | **574** | 616 |
| Depreciation of property, plant and equipment (Note 11) | **131** | 439 |
| Amortisation of other intangible assets | **69** | 180 |
| Non-executive directors' fees | **101** | 90 |
| Impairment on goodwill | **1,000** | 1,168 |
| Impairment of other intangible assets | **–** | 2,014 |
| Fixed assets written off | **–** | 32 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 10. INCOME TAX (CREDIT) EXPENSE

Major components of income tax (credit) expense for the years ended December 31, 2017 and 2016 are:

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Tax credit in respect of loss for the year | | |
| Current income tax: | | |
| – Current year | **37** | 55 |
| – Overprovision in respect of prior years | **3** | 6 |
| | **40** | 61 |
| Deferred income tax | | |
| – Current year | **(1)** | (720) |
| – Overprovision in respect of prior years | **(1)** | (3) |
| Income tax expense (credit) for the year | **38** | (662) |

***Relationship between tax (credit) expense and accounting loss***

The reconciliation between tax (credit) expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended December 31, 2017 and 2016 is as follows:

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Accounting loss before tax | **(3,370)** | (5,848) |
| Tax at Singapore statutory tax rate of 17% | **(573)** | (994) |
| Income not subject to taxation | **(13)** | (6) |
| Expenses not deductible for tax purposes | **594** | 1,042 |
| Effect of write off of intangible assets | **–** | (720) |
| Deferred tax assets not recognised | **40** | 10 |
| Over provision of tax | **3** | 6 |
| Others | **1** | 1 |
| Effect of difference in tax rate | **(14)** | (1) |
| | **38** | (662) |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 10. INCOME TAX (CREDIT) EXPENSE (CONTINUED)

***Relationship between tax (credit) expense and accounting loss*** (Continued)

Deferred tax assets has not been recognised as follows:

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Tax losses | | |
| Amount at beginning of year | **2,243** | 2,278 |
| Tax losses for the year | **232** | 60 |
| Exchange difference | **(47)** | (77) |
| Effect of difference in tax rate | **(68)** | (18) |
| Amount at end of year | **2,360** | 2,243 |
| Other temporary differences | | |
| Amount at beginning of year | **6** | 8 |
| Amount during the year | **5** | – |
| Utilised during the year | **–** | (2) |
| Exchange difference | **(1)** | (1) |
| Effect of difference in tax rate | **(1)** | 1 |
| Amount at end of year | **9** | 6 |
| Total | **2,369** | 2,249 |
| Deferred tax assets at 17% (2016: 17%) not taken up in the financial statements | **403** | 382 |

Subject to the agreement by the tax authorities, at the end of the reporting period, the Group has unutilised tax losses available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future income streams for the foreseeable future.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 11. PROPERTY, PLANT AND EQUIPMENT

| | At cost | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Group** | **Air-conditioners $'000** | **Computers $'000** | **Electrical installation $'000** | **Renovation $'000** | **Kitchen equipment $'000** | **Furniture and fixture $'000** | **Office equipment $'000** | **Motor vehicles $'000** | **Total $'000** |
| **Cost:** | | | | | | | | | |
| At January 1, 2016 | 119 | 410 | 59 | 3,193 | 27 | 393 | 565 | 253 | 5,019 |
| Additions | – | 7 | – | 20 | – | – | – | – | 27 |
| Exchange difference | – | – | (10) | (3,183) | – | (9) | – | – | (3,202) |
| At December 31, 2016 | 119 | 417 | 49 | 30 | 27 | 384 | 565 | 253 | 1,844 |
| Additions | – | 3 | – | 12 | – | 15 | 8 | – | 38 |
| Exchange difference | – | 7 | 1 | (9) | – | 3 | – | 2 | 4 |
| At December 31, 2017 | **119** | **427** | **50** | **33** | **27** | **402** | **573** | **255** | **1,886** |
| **Accumulated depreciation** | | | | | | | | | |
| At January 1, 2015 | 119 | 375 | 53 | 2,864 | 27 | 370 | 385 | 100 | 4,293 |
| Depreciation charge for the year | – | 25 | 5 | 298 | – | 5 | 55 | 51 | 439 |
| Write off | – | – | (10) | (3,151) | – | (9) | – | – | (3,170) |
| At December 31, 2016 | 119 | 400 | 48 | 11 | 27 | 366 | 440 | 151 | 1,562 |
| Depreciation charge for the year | – | 13 | 1 | 10 | – | 3 | 56 | 48 | 131 |
| Exchange difference | – | 7 | – | (9) | – | 2 | 1 | 2 | 3 |
| At December 31, 2017 | **119** | **420** | **49** | **12** | **27** | **371** | **497** | **201** | **1,696** |
| **Carrying amount:** | | | | | | | | | |
| At December 31, 2017 | **–** | **7** | **1** | **21** | **–** | **31** | **76** | **54** | **190** |
| At December 31, 2016 | – | 17 | 1 | 19 | – | 18 | 125 | 102 | 282 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

***Assets held under finance lease***

The carrying amount of property, plant and equipment under finance lease at the end of the reporting period was $121,000 (2016: $224,000).

***Non-cash transactions:***

Included in additions to plant and equipment is an amount of $12,000 (2016: $NIL) being provision for restoration costs capitalised. The cash outflow of acquisition of plant and equipment amounted to $26,000 (2016: $27,000).

| | At cost | | | |
|---|---|---|---|---|
| **Company** | **Computer $'000** | **Renovation $'000** | **Office equipment $'000** | **Total $'000** |
| **Cost:** | | | | |
| At January 1, 2016 | – | – | – | – |
| Additions | 10 | – | 199 | 209 |
| At December 31, 2016 | 10 | – | 199 | 209 |
| Additions | 1 | 12 | – | 13 |
| At December 31, 2016 and December 31, 2017 | 11 | 12 | 199 | 222 |
| **Accumulated depreciation:** | | | | |
| At January 1, 2016 | 2 | – | 23 | 25 |
| Depreciation charge for the year | 3 | – | 54 | 57 |
| At December 31, 2016 | 5 | – | 77 | 82 |
| Depreciation charge for the year | 3 | 7 | 55 | 65 |
| At December 31, 2017 | **8** | **7** | **132** | **147** |
| **Carrying amount:** | | | | |
| At December 31, 2017 | **3** | **5** | **67** | **75** |
| At December 31, 2016 | 5 | – | 122 | 127 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 12. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets arising from acquisition of subsidiaries are as follows:

| | Goodwill $'000 | Other intangible assets $'000 | Total $'000 |
|---|---|---|---|
| **Cost:** | | | |
| At January 1, 2016 | 3,439 | 3,000 | 6,439 |
| Exchange differences | 329 | – | 329 |
| At December 31, 2016 and December 31, 2017 | **3,768** | **3,000** | **6,768** |
| **Accumulated amortisation and impairment:** | | | |
| At January 1, 2016 | (1,600) | (463) | (2,063) |
| Impairment | (1,168) | (2,014) | (3,182) |
| Amortisation | – | (180) | (180) |
| At December 31, 2016 | (2,768) | (2,657) | (5,425) |
| Impairment | (1,000) | – | (1,000) |
| Amortisation | – | (69) | (69) |
| At December 31, 2017 | **(3,768)** | **(2,726)** | **(6,494)** |
| **Carrying amount:** | | | |
| At December 31, 2017 | **–** | **274** | **274** |
| At December 31, 2016 | 1,000 | 343 | 1,343 |

***Other intangible assets***

Other intangible assets relate to contractual rights on project management contracts acquired in business combination and have average remaining amortisation period of 5 years.

***Amortisation expense***

Amortisation of other intangible assets is included in "General and administrative expenses" line item in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 12. GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

***Impairment testing of goodwill***

The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

In 2014, goodwill of $3.768 million was allocated to the real estate and property development consultancy CGU.

Due to the slow economy in Malaysia, the real estate and property development consultancy CGU has therefore been reduced to Nil through the recognition of an impairment loss against goodwill of $1 million (2016: $1.17 million) (Note 9).

## 13. INVESTMENT IN SUBSIDIARIES

| | **Company** | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Unquoted shares, at cost | **92,792** | 9,036 |
| Issuance of shares for acquisition of subsidiary (Note 27) | **–** | 65,956 |
| Allowance for impairment loss | **(6,977)** | (6,977) |
| | **85,815** | 68,015 |
| Movement in the above allowance: | | |
| At January 1 | **6,977** | 2,843 |
| Charge to profit or loss during the year | **–** | 4,134 |
| At December 31 | **6,977** | 6,977 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

***Impairment testing of investment in subsidiaries***

Assessment of impairment in investment in subsidiaries is carried out every year end by comparing against the net tangible assets which approximates the recoverable amount and the necessary allowances are accordingly made. In 2016, an impairment loss of $4,134,000 was recognised for the investment in Whitehouse Holdings Pte Ltd, 3Cnergy Property Management Pte Ltd and Orientis Solutions Sdn Bhd for amount of $818,000, $2,000 and $3,314,000 respectively due to the losses incurred. No additional impairment loss recognised in 2017.

Investments in subsidiaries are as follows:

| **Name** | **Principal activities** | **Country of incorporation** | **Effective interest** | |
|---|---|---|---|---|
| | | | **2017** | **2016** |
| | | | **%** | **%** |
| *Held by the Company:* | | | | |
| HSR Property Consultants Pte Ltd[i] | Dormant | Singapore | **100** | 100 |
| Whitehouse Holdings Pte Ltd[i] | Dormant | Singapore | **100** | 100 |
| HSR Global (Australia) Pty Ltd[iii] | Dormant | Australia | **–** | 100 |
| 3Cnergy Property Management Pte Ltd[i] | Dormant | Singapore | **100** | 100 |
| 3Cnergy Sdn. Bhd.[ii] | Management and research on real estate | Malaysia | **100** | 100 |
| Orientis Solutions Sdn Bhd[ii] | Providing architectural design, project financial feasibility assessment, engineering expertise and construction management services | Malaysia | **100** | 100 |
| 3C Marina Park Sdn Bhd[ii] (Note a) | Property developer | Malaysia | **100** | 100 |
| Paxel Consultants Pte Ltd[i] | Dormant | Singapore | **100** | 100 |
| 3Cnergy Living Sdn Bhd[iv] | Dormant | Malaysia | **100** | – |
| 3Cnergy Property Management Sdn Bhd[iv] | Dormant | Malaysia | **100** | – |

i Not audited as the Company is dormant
ii Audited by Deloitte PLT, Malaysia, a member firm of Deloitte Touche Tohmatsu Limited
iii Deregistered on December 21, 2017
iv Audited by another firm of auditors, not a member firm of Deloitte Touche Tohmatsu Limited.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Note (a) Acquisition of subsidiary – 3C Marina Park Sdn. Bhd.

On March 29, 2016, the Company entered into a conditional sale and purchase agreement to obtain 100% equity interest in 3C Marina Park Sdn. Bhd. (formerly known as Liberty Bridge Sdn. Bhd.) ("3C Marina") through the acquisition of all the issued shares at the consideration of $65.956 million with the following Vendors:

i. Icon Ventures Group Inc (a subsidiary of Phileo Capital);

ii. Champion Brave Sdn Bhd;

iii. Golden Ring Worldwide Ltd; and

iv. Metra Nominees Sdn Bhd.

The consideration for the purchase of all the issued shares in 3C Marina shall be fully satisfied by way of allotment and issuance to the Vendors, an aggregate of 955,223,880 ordinary shares in the capital of the Company ("Consideration Shares").

On August 11, 2016, the acquisition was completed and 955,223,880 ordinary shares had been allotted and issued to the Vendors. The acquisition is accounted as an acquisition of assets and liabilities.

The Group has engaged external independent valuers to perform the fair value assessment of the acquisition of assets and liabilities in relation to the acquisition of 3C Marina. The fair value of the land held for property development was determined based on comparison method of valuation. Other than the land held for property development, management have assessed that the carrying amount of other assets and liabilities acquired approximate their fair value at the acquisition date.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

The fair values of the identifiable assets and liabilities of 3C Marina as at the acquisition date were as follows:

| | 2016<br>$'000 |
|---|---|
| **Non-current assets** | |
| Land Held for Property Development (Note) | 148,022 |
| **Current assets** | |
| Other receivables and deposits | 67 |
| Cash and bank balances | 314 |
| | 381 |
| **Non-current liabilities** | |
| Bank borrowings | (67,024) |
| **Current liabilities** | |
| Trade payables | (129) |
| Other payables and accruals | (46) |
| Bank borrowings | (15,248) |
| | (15,423) |
| **Total identifiable net asset at fair value** | 65,956 |
| **Total consideration settled through issuance of 955,223,880 ordinary shares of 3Cnergy Limited** | 65,956 |
| Effect of the acquisition on cash flows | |
| Total consideration | 65,956 |
| Less: non-cash consideration | (65,956) |
| Consideration settled in cash | – |
| Less: Cash and cash equivalents of subsidiary acquired | 314 |
| Net cash inflow on acquisition | 314 |

Note: A portion of the land held for property development was reclassified to property development at December 31, 2016 as disclosed in Note 15.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 14. INVESTMENT IN JOINT VENTURE

The Group has 60% (2016: 60%) interest in the ownership and voting rights in a joint venture, 3C Property Consultants Pte Ltd. The joint venture is incorporated in Singapore and is in the business of property valuation. The Group jointly controls the venture with other partner under the contractual agreement and requires unanimous consent for all major decisions over the relevant activities.

Subsequent to year end, the Company has on January 8, 2018 entered into a share sale agreement with GB Global Pte Ltd (the "Vendor") to acquire the Vendor's 40% equity interest ("Sale Shares") in 3C Property Consultants Pte Ltd ("3CPC") at aggregate sum of $23,300. Upon completion of the acquisition, 3CPC will be a wholly-owned subsidiary of the Company.

Summarised financial information in respect of 3C Property Consultants Pte Ltd based on its FRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

***Summarised statement of financial position***

| | 2017<br>$'000 | 2016<br>$'000 |
|---|---|---|
| Cash and cash equivalents | **36** | 53 |
| Unbilled receivables | **5** | 5 |
| Trade receivables | **–** | 5 |
| Other receivables | **143** | 202 |
| Total assets | **184** | 265 |
| Total liabilities | **(9)** | (15) |
| Net assets | **175** | 250 |
| Proportion of the Group's ownership | **60%** | 60% |
| Group's share of net assets/carrying amount of the investment | **105** | 150 |

***Summarised statement of comprehensive income***

| | 2017<br>$'000 | 2016<br>$'000 |
|---|---|---|
| Revenue | **85** | 124 |
| Cost of service | **(15)** | (18) |
| Gross profit | **70** | 106 |
| Operating expenses | **(145)** | (95) |
| (Loss) Profit before tax | **(75)** | 11 |
| Income tax expense | **–** | – |
| (Loss) Profit after tax | **(75)** | 11 |
| Total comprehensive (loss) income | **(75)** | 11 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 15. PROPERTY DEVELOPMENT ACTIVITIES

### *(a) Land held for property development*

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| **At cost:** | | |
| At beginning of year | **90,196** | – |
| Arising from acquisition (Note 13) | **–** | 148,022 |
| Additions | **2,181** | 3,255 |
| Exchange difference | **1,827** | (5,677) |
| Transfer to property development | **–** | (55,404) |
| At end of year | **94,204** | 90,196 |
| Included in the land held for property development are as follows: | | |
| – freehold land | **79,655** | 78,085 |
| – development costs | **14,549** | 12,111 |
| | **94,204** | 90,196 |

Land held for property development of the Group amounting to $94,204,000 (2016: $90,196,000) has been pledged to the bank to secure credit facilities granted to the Group as disclosed in Note 25.

Interest expense during the year amounting to $1,946,000 (2016: $782,000) is capitalised in the land held for property development.

The weighted average capitalisation rate on funds borrowed is 5.00% (2016: 5.00%) per annum.

### *(b) Property development*

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| At beginning of year | **55,404** | – |
| Additions | **7,353** | – |
| Exchange difference | **457** | – |
| Transfer from land held for property development | **–** | 55,404 |
| At end of year | **63,214** | 55,404 |
| Included in property development are as follows: | | |
| – freehold land | **44,597** | 44,374 |
| – development costs | **18,617** | 11,030 |
| | **63,214** | 55,404 |

Property development costs of the Group amounting to $63,214,000 (2016: $55,404,000) has been charged to bank for credit facilities granted to the Group as disclosed in Note 25.

Interest expense during the year amounting to $1,975,000 (2016: $758,000) is capitalised in the property development.

The weighted average capitalisation rate on funds borrowed is 5.00% (2016: 5.00%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 16. TRADE RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Trade receivables | **25** | 55 | **–** | – |

The average credit period on sales of goods is 14 to 60 days (2016: 14 to 60 days). Trade receivables are non-interest bearing and are generally due upon billing. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The Group closely monitor the credit quality of its trade receivables and consider trade receivables that are neither past due nor impaired to be of a good credit quality.

***Receivables that are past due but not impaired***

The Group has trade receivables amounting to $25,000 (2016: $34,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Past due: | | |
| More than 180 days | **25** | 34 |

## 17. OTHER RECEIVABLES AND DEPOSITS

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **Financial assets:** | | | | |
| *Current* | | | | |
| Other receivables | **22** | 3 | **10** | – |
| Deposits | **177** | 123 | **21** | – |
| | **199** | 126 | **31** | – |

The Group has deposits that are refundable upon expiry of lease agreements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 18. AMOUNT DUE FROM (TO) SUBSIDIARIES

| | Company | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Amount due from subsidiaries | **2,626** | 2,248 |
| Less: Allowance for doubtful debts | **(2,456)** | (2,236) |
| Amount due from subsidiaries, net | **170** | 12 |
| Movement in allowance accounts: | | |
| At January 1 | **2,236** | 2,214 |
| Charge for the year | **220** | 22 |
| At December 31 | **2,456** | 2,236 |
| Amount due to subsidiaries | **701** | 702 |

The amount due from (to) subsidiaries is non-trade in nature, unsecured, interest-free and repayable on demand in cash.

***Allowance of receivables***

At the end of the reporting period, the Company provided an allowance of $220,000 (2016: $22,000) for amounts due from subsidiaries of $2,626,000 (2016: $2,248,000) as the subsidiaries have been suffering financial losses for the current and past financial years.

## 19. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Fixed deposits with a licensed bank | **4,845** | 43 | **4,800** | – |
| Cash at banks | **3,279** | 4,016 | **1,274** | 3,656 |
| | **8,124** | 4,059 | **6,074** | 3,656 |
| Less: Pledged fixed deposit | **(44)** | (43) | **–** | – |
| Cash and cash equivalents | **8,080** | 4,016 | **6,074** | 3,656 |

Cash at banks earns interest at floating rates based on daily bank deposit rates ranging from 0.05% to 1.05% (2016: 0.05% to 1.05%) per annum.

The fixed deposits with a licensed bank has been pledged to a licensed bank as security for revolving credit facility granted to the Group as disclosed in Note 25. The fixed deposits earn interest at 3.15% (2016: 3.15%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 20. TRADE PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $'000 | $'000 | $'000 | $'000 |
| Trade payables | **670** | 1 | **39** | – |

## 21. ACCRUALS AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $'000 | $'000 | $'000 | $'000 |
| Other payables | **339** | 386 | **135** | 170 |
| Accrued expenses | **425** | 450 | **143** | 137 |
| Deposits collected | **7** | 7 | **–** | – |
| | **771** | 843 | **278** | 307 |

## 22. AMOUNT DUE TO CUSTOMERS FOR PROJECT MANAGEMENT CONTRACTS

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| **Gross amount due to customers for project management contracts** | | |
| Aggregate amount of costs incurred | **3,948** | 2,888 |
| Recognised profits to date for project management contracts | **1,368** | 1,060 |
| Less: Progress billings and advances | **(5,490)** | (4,054) |
| | **(174)** | (106) |

## 23. AMOUNT DUE TO JOINT VENTURE

The amount due to joint venture is a loan which is unsecured, interest-free and repayable on demand in cash.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 24. FINANCE LEASE LIABILITY

The Group has finance leases for certain items of office equipment and motor vehicles. The leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Minimum lease payments $'000 | Present value of payments $'000 | Minimum lease payments $'000 | Present value of payments $'000 |
| **Group** | | | | |
| Within one year | **94** | 90 | **96** | 88 |
| Between two to five years | **33** | 31 | **126** | 120 |
| More than five years | **–** | – | **–** | – |
| Total minimum lease payments | **127** | 121 | **222** | 208 |
| Finance charges allocated to future years | **(6)** | – | **(14)** | – |
| Present value of minimum lease payments | **121** | 121 | **208** | 208 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | **(90)** | (90) | **(88)** | (88) |
| Amount due for settlement after 12 months | **31** | 31 | **120** | 120 |
| **Company** | | | | |
| Within one year | **59** | 57 | **59** | 55 |
| Between two to five years | **10** | 10 | **69** | 67 |
| Total minimum lease payments | **69** | 67 | **128** | 122 |
| Finance charges allocated to future years | **(2)** | – | **(6)** | – |
| Present value of minimum lease payments | **67** | 67 | **122** | 122 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | **(57)** | (57) | **(55)** | (55) |
| Amount due for settlement after 12 months | **10** | 10 | **67** | 67 |

Effective interest rate is 5% (2016: 5%) per annum. These obligations are secured by a charge over the leased assets (Note 11).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 25. BANK BORROWINGS

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Term Loans | **58,131** | 64,426 |
| Revolving credit | **18,095** | 17,556 |
| | **76,226** | 81,982 |
| The bank borrowings are repayable as follows: | | |
| **Current:** | | |
| Repayable not later than 1 year | **31,242** | 17,556 |
| **Non-current:** | | |
| Repayable later than 1 year and not later than 2 years | **13,147** | – |
| Repayable later than 2 years and not later than 5 years | **31,837** | 36,472 |
| Repayable more than 5 years | **–** | 27,954 |
| | **44,984** | 64,426 |
| | **76,226** | 81,982 |

(a) Term loans:

As of December 31, 2017, the Group has a term loan facility from a licensed bank of $58,131,000. Interest rate for the term loans is 5.00% per annum. These term loans were secured by way of the following:

(i) the facility agreements;

(ii) a charge over the freehold land as disclosed in Note 15; and

(iii) a general debenture creating a fixed and floating charge over the assets of the Group.

(b) Revolving credit:

As of December 31, 2017, the Group has a revolving credit facility from a licensed bank of $18,095,000. Interest rate for the revolving credit is 5.00% per annum. The revolving credit was secured by way of the following:

(i) existing facility agreements;

(ii) a charge over the freehold land as disclosed in Note 15;

(iii) a second general debenture creating a fixed and floating charge over the assets of the Group; and

(iv) fixed deposits as disclosed in Note 19.

The carrying amount of the bank borrowings approximates its fair value.

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

## 26. DEFERRED TAX LIABILITIES

Deferred tax as at December 31 relates to the following:

| | Group 2017 $'000 | Group 2016 $'000 |
|---|---|---|
| Deferred tax liabilities: | | |
| Differences in depreciation for tax purposes | **4** | 6 |

| | Difference in depreciation for tax purpose $'000 | Revaluations to fair value for intangible assets $'000 | Total $'000 |
|---|---|---|---|
| **Group** | | | |
| At January 1, 2016 | 9 | 720 | 729 |
| Charge to profit or loss for the year (Note 10) | (3) | (720) | (723) |
| At December 31, 2016 | 6 | – | 6 |
| Charge to profit or loss for the year (Note 10) | (2) | – | (2) |
| At December 31, 2017 | 4 | – | 4 |

No deferred tax liability has been recognised in respect of undistributed earnings of subsidiaries which would be subject to withholding tax if transferred out of the country. The Group is in a position to control the timing of the transfer of these retained earnings and do not expect the retained earnings to be remitted such as to attract withholding tax in the foreseeable future.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 27. SHARE CAPITAL

| | Group | | | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **Number of ordinary shares** | | **$'000** | **$'000** |
| Issued and paid up | | | | |
| At the beginning of year | **1,150,145,242** | 119,921,362 | **83,867** | 12,886 |
| Issue of shares | **383,381,747** | – | **25,687** | – |
| Issue of shares for acquisition (Note 13) | **–** | 955,223,880 | **–** | 65,956 |
| Issue of shares for compliance placement | **–** | 75,000,000 | **–** | 5,025 |
| At end of year | **1,533,526,989** | 1,150,145,242 | **109,554** | 83,867 |

| | Company | | | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **Number of ordinary shares** | | **$'000** | **$'000** |
| Issued and paid up | | | | |
| At the beginning of year | **1,150,145,242** | 119,921,362 | **118,397** | 47,416 |
| Issue of shares | **383,381,747** | – | **25,687** | – |
| Issue of shares for acquisition (Note 13) | **–** | 955,223,880 | **–** | 65,956 |
| Issue of shares for compliance placement | **–** | 75,000,000 | **–** | 5,025 |
| At end of year | **1,533,526,989** | 1,150,145,242 | **144,084** | 118,397 |

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 restrictions. The ordinary shares have no par value.

In 2016, the Group had acquired all the issued shares in 3C Marina Park Sdn Bhd at the consideration of $65.96 million, by way of the allotment and issuance of 955,223,880 new shares in the capital of the company ("Consideration Shares"). In addition, the Company issued 75,000,000 new shares at $0.067 per share for cash to restore the minimum free float ("Compliance Placement") which was lost due to the completion of the acquisition in pursuant to Catalist Rule 723.

In 2017, the Company made a non-underwritten rights cum warrants issue of 383,381,747 new ordinary shares in the capital of the Company (the "Rights Shares") at an issue price of S$0.067 for each Rights Share, and 766,763,494 free detachable warrants (the "Warrants"). Each Warrant carried the right to subscribe to one new ordinary shares at an exercise price of S$0.10 for each new ordinary share, on the basis of one Rights Share for every three existing ordinary shares in the capital of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 28. OPERATING LEASE COMMITMENTS

### *(a) Operating lease commitments – as lessee*

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Payment recognised as an expense during the year | | |
| Minimum lease payments under operating leases | **131** | 585 |

The Group lease certain properties with an average tenure of 1 to 5 years with no option or escalation clause included in the contracts. At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Within 1 year | **90** | – |

### *(b) Operating lease commitments – as lessor*

The Group has entered into commercial property leases. The rental income earned during the financial year is $NIL (2016: $417,000). The commercial property was returned to Singapore Land Authority on September 30, 2016.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 29. LOSS PER SHARE

Basic loss per ordinary share is computed by dividing the earnings attributable to the equity holders from continuing operations of the Group in each financial period by the weighted average number of ordinary shares in issue during the respective financial period.

There were no dilutive ordinary shares in existence during the current financial period reported on and the previous corresponding period. Accordingly, the basic and fully diluted earnings per share for the respective financial period were the same.

The following tables reflect the loss and share data used in the computation of basic and diluted loss per share for the years ended December 31:

| | Group | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Loss for the year attributable to owners of the Company used in the computation of basic and diluted earnings per share | **(3,408)** | (5,186) |

| | **2017** | **2016** |
|---|---|---|
| | No of shares | |
| | **'000** | **'000** |
| Weighted average number of ordinary shares for basic and diluted loss per share computation | **1,377,023** | 518,547 |

The basic and diluted loss per share are calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares for basic loss per share computation and weighted average number of ordinary shares for diluted loss per share computation respectively.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 30. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors. The Board of Directors is responsible for allocating resources and assessing performance of the operating segments. The operating segments were determined based on the reports reviewed by management.

Management considers that the entire Group's operations constitute a single segment which is real estate property development consultancy and two geographical segments which are Singapore and Malaysia.

Real estate and property development consultancy segment comprised real estate development and related consultancy including architectural design, project financial feasibility assessment, engineering expertise and construction management services.

Management monitors the operating results of its business units for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which is measured similarly to operating profit or loss in the consolidated financial statements.

### *(a) Geographical segments*

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

| | **Revenue** | | **Non-current assets** | |
|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Singapore | **–** | – | **180** | 277 |
| Malaysia | **370** | 1,149 | **94,593** | 91,694 |
| | **370** | 1,149 | **94,773** | 91,971 |

Non-current assets information presented above consist of property, plant and equipment, goodwill, intangible assets, investment in joint venture and land held for property development as presented in the statement of financial position.

## 31. EMPLOYEE BENEFITS

| | **Group** | |
|---|---|---|
| | **2017** | **2016** |
| | **$'000** | **$'000** |
| Employee benefits expense (including directors): | | |
| Salaries and bonuses | **506** | 486 |
| Central Provident Fund contributions | **26** | 19 |
| Other short-term benefits | **42** | 111 |
| | **574** | 616 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

## 32. EVENT OCCURRING AFTER THE REPORTING PERIOD

On March 2, 2018, the Company announced a proposed renounceable non-underwritten rights issue of up to 2,300,290,483 new ordinary shares in the capital of the Company (the "Rights Shares") at an issue price of S$0.022 (the "Issue Price") for each Rights Share, on the basis of one Rights Share for every one existing ordinary share in the capital of the company

Phileo Capital Limited ("Phileo Capital"), the immediate holding company, which holds directly 723,973,920 shares representing approximately 47.21% of the issued and paid-up share capital of the Company, has furnished a conditional irrevocable undertaking that:

a) it will not sell, transfer or otherwise deal with any of the shares that it owns or controls prior to the books closure date;

b) it will subscribe or procure the subscription in full its entitlement of Rights Shares based on the shares that it owns as of the books closure date; and

c) it will vote in favour of the Rights Issue.

The net proceeds will be applied in the following sequence: (i) repayment of borrowings and (ii) working capital of the Group.

The Rights Issue is subject to completion of the following conditions:

a) the Whitewash Waiver granted by the Securities Industry Council not having been withdrawn or revoked on or prior to the completion of the Rights Issue;

b) approval in-principle having been granted by the SGX-ST) for the dealing in, listing of and quotation for the Rights Shares on the Catalist Board of the SGX-ST (and such approval not having been withdrawn or revoked on or prior to the completion of the Rights Issue) and if such approval is granted to such conditions, such conditions being acceptable to the Company;

c) the approval of the Shareholders for the Rights Issue and the approval of the independent Shareholders for the Whitewash Resolution being obtained at the EGM to be convened;

d) the lodgement of the Offer Information Statement, together with all other accompanying documents (if applicable) in connection with the Rights Issue, with the Monetary Authority of Singapore; and

e) all other necessary consents, approvals and waivers required from any person, financial institution or regulatory body or authority of Singapore or elsewhere under any and all agreements applicable to the Company and/or applicable laws for the Rights Issue and to give effect to the Rights Issue being obtained and not having been revoked or amended before the completion of the Rights Issue.

# STATISTICS OF SHAREHOLDINGS

AS AT 1 MARCH 2018

| | | |
|---|---|---|
| Class of shares | : | Ordinary Shares |
| Voting rights | : | One vote per ordinary share |
| Number of issued shares | : | 1,533,526,989 |
| Number of treasury shares | : | NIL |
| Number of subsidiary holdings | : | NIL |

## DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 1 MARCH 2018

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 – 99 | 3 | 0.49 | 140 | 0.00 |
| 100 – 1,000 | 276 | 45.25 | 152,800 | 0.01 |
| 1,001 – 10,000 | 126 | 20.65 | 542,050 | 0.04 |
| 10,001 – 1,000,000 | 180 | 29.51 | 30,125,132 | 1.96 |
| 1,000,001 AND ABOVE | 25 | 4.10 | 1,502,706,867 | 97.99 |
| | **610** | **100.00** | **1,533,526,989** | **100.00** |

## TWENTY LARGEST SHAREHOLDERS AS AT 1 MARCH 2018

| | SHAREHOLDER'S NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1 | UOB KAY HIAN PTE LTD | 818,596,470 | 53.38 |
| 2 | CHAMPION BRAVE SDN BHD | 318,407,960 | 20.76 |
| 3 | OCBC SECURITIES PRIVATE LTD | 121,222,985 | 7.90 |
| 4 | CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. | 106,529,999 | 6.95 |
| 5 | DBS NOMINEES PTE LTD | 42,451,327 | 2.77 |
| 6 | RAFFLES NOMINEES (PTE) LTD | 40,050,300 | 2.61 |
| 7 | MAYBANK KIM ENG SECURITIES PTE LTD | 9,684,267 | 0.63 |
| 8 | CITIBANK NOMINEES SINGAPORE PTE LTD | 7,358,666 | 0.48 |
| 9 | TAN AI NEO GRACIE | 6,666,666 | 0.43 |
| 10 | PHILLIP SECURITIES PTE LTD | 4,201,599 | 0.27 |
| 11 | HSBC (SINGAPORE) NOMINEES PTE LTD | 4,000,000 | 0.26 |
| 12 | ONG PUAY HOON IRENE | 2,670,300 | 0.17 |
| 13 | VASHDEV DADLANI | 2,300,000 | 0.15 |
| 14 | GOH GUAN SIONG (WU YUANXIANG) | 2,161,586 | 0.14 |
| 15 | ALPHA SECURITIES PTE LTD | 2,000,000 | 0.13 |
| 16 | LIEW SIOW GIAN PATRICK | 2,000,000 | 0.13 |
| 17 | TAY ENG TONG | 1,900,000 | 0.12 |
| 18 | RAMESH S/O PRITAMDAS CHANDIRAMANI | 1,675,000 | 0.11 |
| 19 | LIM & TAN SECURITIES PTE LTD | 1,520,666 | 0.10 |
| 20 | LIM CHYE HUAT @ BOBBY LIM CHYE HUAT | 1,499,000 | 0.10 |
| | **TOTAL:** | **1,496,896,791** | **97.59** |

# STATISTICS OF SHAREHOLDINGS

AS AT 1 MARCH 2018

## SHAREHOLDING HELD IN THE HANDS OF PUBLIC

Based on information available to the Company as at 1 March 2018, approximately 11.26% of the issued ordinary shares of the Company were held in the hands of the public. Accordingly, Rule 723 of the Catalist Rules is complied with.

## SUBSTANTIAL SHAREHOLDERS AS AT 1 MARCH 2018

(As recorded in the Register of Substantial Shareholders)

| | | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|---|
| **No.** | **Name** | **No. of shares** | **%** | **No. of shares** | **%** |
| 1 | Phileo Capital Limited | 723,973,920 | 47.21 | – | – |
| 2 | TMF Trustees Singapore Limited[1] | – | – | 723,973,920 | 47.21 |
| 3 | Tong Kooi Ong[2] | – | – | 723,973,920 | 47.21 |
| 4 | Golden Ring Worldwide Ltd | 119,402,985 | 7.78 | – | – |
| 5 | Tan Sri Wan Azmi bin Wan Hamzah[3] | – | – | 159,203,979 | 10.38 |
| 6 | Champion Brave Sdn. Bhd. | 318,407,960 | 20.76 | – | – |
| 7 | Tan Sri Lee Oi Hian[4] | – | – | 318,407,960 | 20.76 |
| 8 | Casi Management Sdn Bhd[5] | 159,203,979 | 10.38 | – | – |
| 9 | Hanton Capital Limited[6] | – | – | 159,203,979 | 10.38 |
| 10 | Tan Sri Dato' Surin Upatkoon[7] | – | – | 159,203,979 | 10.38 |

**Notes:**

(1) By virtue of Section 4 of the Securities and Futures Act (Chapter 289) of Singapore ("SFA"), TMF Trustees Singapore Limited ("TMF Trustees") is deemed interested in the shares held by Phileo Capital Limited ("Phileo Capital"), which is 100% held by TMF Trustees.

(2) By virtue of Section 4 of the SFA, Mr Tong Kooi Ong ("Mr Tong") is deemed interested in the shares held by Phileo Capital as Mr Tong is the sole ultimate beneficial owner of Phileo Capital through TMF Trustees, the trustee of a family trust of which Mr Tong is the sole beneficiary.

(3) By virtue of Section 4 of the SFA, Tan Sri Wan Azmi bin Wan Hamzah is deemed interested in the shares held by Golden Ring Worldwide Ltd ("Golden Ring") and Halfmoon Bay Capital Limited ("Halfmoon Bay") as he holds 100% and 28.57% of shares in Golden Ring and Halfmoon Bay, respectively.

(4) By virtue of Section 4 of the SFA, Tan Sri Lee Oi Hian is deemed interested in the shares held by Champion Brave Sdn. Bhd. ("Champion Brave") as he is a 99.99% majority shareholder of Champion Brave.

(5) The entire shares are held in the name of UOB Kay Hian Pte Ltd for Metra Nominees Sdn Bhd, appointed nominee for Casi Management Sdn Bhd ("Casi").

(6) By virtue of Section 4 of the SFA, Hanton Capital Limited ("Hanton") is deemed interested in the shares held by Casi as it holds more than 50% of the issued and paid-up share capital of Casi.

(7) By virtue of Section 4 of the SFA, Tan Sri Dato' Surin Upatkoon is deemed interested in the shares held by Casi and Hanton as Casi is 92.72% owned by Hanton and Tan Sri Dato' Surin Upatkoon is the ultimate beneficial owner.

# STATISTICS OF **WARRANTHOLDINGS**

AS AT 1 MARCH 2018

## DISTRIBUTION OF WARRANTHOLDERS BY SIZE OF WARRANTHOLDINGS AS AT 1 MARCH 2018

| SIZE OF WARRANTHOLDINGS | NO. OF WARRANTHOLDERS | % | NO. OF WARRANTS | % |
|---|---|---|---|---|
| 1 – 99 | 0 | 0.00 | 0 | 0.00 |
| 100 – 1,000 | 7 | 4.22 | 6,800 | 0.00 |
| 1,001 – 10,000 | 17 | 10.24 | 70,330 | 0.01 |
| 10,001 – 1,000,000 | 118 | 71.08 | 19,805,084 | 2.58 |
| 1,000,001 AND ABOVE | 24 | 14.46 | 746,881,280 | 97.41 |
| | 166 | 100.00 | 766,763,494 | 100.00 |

## TWENTY LARGEST WARRANTHOLDERS AS AT 1 MARCH 2018

| | WARRANTHOLDER'S NAME | NO. OF WARRANTS | % |
|---|---|---|---|
| 1 | UOB KAY HIAN PTE LTD | 400,064,748 | 52.18 |
| 2 | CHAMPION BRAVE SDN BHD | 159,203,980 | 20.76 |
| 3 | DBS NOMINEES PTE LTD | 81,102,454 | 10.58 |
| 4 | CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. | 52,078,998 | 6.79 |
| 5 | MAYBANK KIM ENG SECURITIES PTE LTD | 7,108,134 | 0.93 |
| 6 | PHILLIP SECURITIES PTE LTD | 6,801,098 | 0.89 |
| 7 | RAFFLES NOMINEES (PTE) LTD | 4,975,600 | 0.65 |
| 8 | CITIBANK NOMINEES SINGAPORE PTE LTD | 4,099,932 | 0.53 |
| 9 | LIM & TAN SECURITIES PTE LTD | 3,605,932 | 0.47 |
| 10 | GOH GUAN SIONG (WU YUANXIANG) | 3,500,572 | 0.46 |
| 11 | TAN AI NEO GRACIE | 3,333,332 | 0.43 |
| 12 | VASHDEV DADLANI | 2,500,000 | 0.33 |
| 13 | PAY AH SIN | 2,001,400 | 0.26 |
| 14 | OCBC SECURITIES PRIVATE LTD | 2,000,000 | 0.26 |
| 15 | RAMESH S/O PRITAMDAS CHANDIRAMANI | 2,000,000 | 0.26 |
| 16 | TAN WEIREN VINCENT (CHEN WEIREN VINCENT) | 1,900,000 | 0.25 |
| 17 | LIM CHER KHIANG | 1,522,200 | 0.20 |
| 18 | LOW PECK HIANG ELIZABETH | 1,500,000 | 0.20 |
| 19 | PENG CHEE SENG (PENG ZHICHENG) | 1,400,000 | 0.18 |
| 20 | TING BEE WAH | 1,400,000 | 0.18 |
| | **TOTAL:** | **742,098,380** | **96.79** |

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of 3Cnergy Limited (the "**Company**") will be held at Nordic Conference Room, 1st Floor, No. 3 International Business Park, Nordic European Centre, Singapore 609927 on Tuesday, 10 April 2018 at 10.00 a.m. (the "**AGM**") for the following purposes:

**Ordinary Business**

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2017 together with the Auditors' Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' fees of S$140,000/- for the financial year ending 31 December 2018 [2017: S$140,000], to be paid half yearly in arrears. **(Resolution 2)**

3. To re-elect Mr Loh Chen Peng who is retiring pursuant to Article 103 of the Company's Constitution. **(Resolution 3)** [see Explanatory Note (i)]

4. To re-elect Mr Ong Pai Koo @ Sylvester who is retiring pursuant to Article 99 of the Company's Constitution. **(Resolution 4)** [see Explanatory Note (ii)]

5. To re-appoint Messrs Deloitte & Touche LLP as the Company's auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**

6. To transact any other ordinary business which may properly be transacted at an annual general meeting.

**Special Business**

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. **Authority to allot and issue shares**

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "**Act**") and Rule 806 of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") ("**Rules of Catalist**"), the Directors of the Company be authorised and empowered to:

(I) (a) allot and issue shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

(b) 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) warrants, debentures, convertible securities 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 may, in their absolute discretion, deem fit; and

# NOTICE OF ANNUAL GENERAL MEETING

(II) notwithstanding that 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 while this resolution was in force, provided that:

(a) the aggregate number of Shares to be allotted and issued (including Shares to be issued in pursuance of Instruments made or granted) pursuant to this resolution, shall not exceed one hundred per cent (100%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of Shares to be allotted and issued (including Shares to be issued in pursuance of Instruments made or granted) other than on a pro rata basis to the existing shareholders of the Company shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (b) below);

(b) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this resolution) that may be issued under sub-paragraph (a) above, the percentage of the total number of issued Shares (excluding treasury shares) shall be based on the Company's total number of issued Shares (excluding treasury shares) at the time this resolution is passed, after adjusting for:

(i) new Shares arising from the conversion or exercise of any convertible securities;

(ii) new Shares arising from exercising of share options or vesting of share awards which are outstanding and/or subsisting at the time of the passing of this resolution, provided the share options or share awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalist; and

(iii) any subsequent bonus issue, consolidation or subdivision of Shares;

(c) in exercising the authority conferred by this resolution, the Company shall comply with the provisions of the Rules of Catalist for the time being in force (unless such compliance has been waived by the SGX-ST), and all applicable legal requirements under the Act and the Constitution for the time being of the Company;

(d) the authority conferred by this resolution shall, unless revoked or varied by the Company in general meeting, continue to be in force until the conclusion of the Company's next annual general meeting or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier.

**(Resolution 6)**

[see Explanatory Note (iii)]

# NOTICE OF ANNUAL GENERAL MEETING

8. **Authority to issue shares under the 3Cnergy Performance Share Plan ("Plan")**

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, authority be and is hereby given to the Directors of the Company to allot and issue from time to time such number of shares in the capital of the Company ("**Shares**") as may be required to be issued pursuant to the vesting of awards under the Plan, provided that the aggregate number of Shares to be allotted and issued pursuant to the Plan, when added to the new Shares issued or issuable in respect of all awards granted under the Plan and any other share-based incentive schemes of the Company, shall not exceed fifteen per cent (15%) of the total number of issued Shares of the Company on the date preceding such vesting date.

**(Resolution 7)**
[see Explanatory Note (iv)]

9. **Approval for Renewal of Shareholders' Mandate for Interested Party Transactions**

That:

(I) approval be and is hereby given, for the purposes of Chapter 9 of Section B: Rules of the Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") ("**Chapter 9**") for the Company, its subsidiaries and associated companies that are entities at risk (as defined in Chapter 9), or any of them, to enter into any of the transactions falling within the types of interested person transactions described in the Addendum with the class of interested persons described in the Addendum, provided that such transactions are made on normal commercial terms, will not be prejudicial to the interests of the Company and its minority shareholders, and are in accordance with the review procedures for such interested person transactions (the "**IPT Mandate**");

(II) the IPT Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next annual general meeting of the Company;

(III) the Audit Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of the review procedures and/or to modify or implement such review procedures as may be necessary to take into consideration any amendment to Chapter 9 which may be prescribed by the SGX-ST from time to time; and

(IV) the Board of Directors of the Company and any of them be and are hereby authorised to complete and do all such acts and things (including without limitation, executing all such documents as may be required) as they or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by the IPT Mandate and/or this resolution.

**(Resolution 8)**
[see Explanatory Note (v)]

By Order of the Board

**Selena Leong Siew Tee**
Company Secretary

Singapore, 26 March 2018

# NOTICE OF ANNUAL GENERAL MEETING

**Explanatory Notes:**

(i) In relation to Ordinary Resolution 3

Mr Loh Chen Peng will, upon re-election as a Director of the Company, remain as the Lead Independent Director, Chairman of the Audit Committee and member of the Nominating and Remuneration Committees. Mr Loh is considered an independent non-executive Director. His detailed information can be found under 'Board of Directors' and 'Report on Corporate Governance' in the Company's Annual Report 2017. Save as disclosed in those sections, there are no relationships including immediate family relationships between Mr Loh and the other Directors, the Company or its 10% shareholders.

(ii) In relation to Ordinary Resolution 4

Mr Ong Pai Koo @ Sylvester will, upon re-election as a Director of the Company, remain as the Chairman of the Nominating and Remuneration Committees and member of the Audit Committee. Mr Ong is considered an independent non-executive Director. His detailed information can be found under 'Board of Directors' and 'Report on Corporate Governance' in the Company's Annual Report 2017. Save as disclosed in those sections, there are no relationships including immediate family relationships between Mr Ong and the other Directors, the Company or its 10% shareholders.

(iii) Ordinary Resolution 6, if passed, will empower the Directors of the Company, effective until 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 allot and issue Shares, make or grant Instruments and to issue Shares pursuant to such Instruments, without seeking any further approval from shareholders in general meeting but within the limitation imposed by this resolution, for such purposes as the Directors of the Company may consider would be in the best interests of the Company. The aggregate number of Shares (including Shares to be made in pursuance of Instruments made or granted pursuant to this resolution) to be allotted and issued would not exceed one hundred per cent (100%) of the total number of issued Shares (excluding treasury shares) at the time of passing of this resolution. For issue of Shares (including Shares to be made in pursuance of instruments made or granted pursuant to this resolution) other than on a pro-rata basis to all shareholders shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares) at the time of the passing of this resolution.

(iv) Ordinary Resolution 7, if passed, will empower the Directors of the Company to allot and issue new Shares pursuant to the vesting of awards under the Plan, which was approved by shareholders of the Company at the extraordinary general meeting held on 19 January 2011. The aggregate number of new Shares which may be issued pursuant to the Plan and any other share-based incentive schemes of the Company shall not exceed fifteen per cent (15%) of the total number of issued Shares (excluding treasury shares) on the date preceding the vesting date.

(v) Ordinary Resolution 8, if passed, renews the IPT Mandate, which was given by shareholders on 20 April 2017 allowing the Company, its subsidiaries and associated companies that are entities at risk to enter into transactions with interested persons as defined in Chapter 9. The Audit Committee confirms that the methods or procedures for determining the prices of interested party transactions ("**IPT**") have not changed since last shareholders' approval and such methods and procedures are sufficient to ensure that the IPT will be carried out in normal commercial terms and will not be prejudicial to the interest of the Company and/or its minority shareholders.

**NOTES:**

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting in his/her stead. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak 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. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181(6) of the Companies Act, Chapter 50.

2. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be under the hand of the appointor or by 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 common seal or under the hand of its attorney or a duly authorised officer.

4. The instrument appointing a proxy or proxies, duly executed, must be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road, #11-02 Singapore 068898 not less than 48 hours before the time appointed for holding the AGM.

# NOTICE OF ANNUAL GENERAL MEETING

**Personal data privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company:

(a) 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 AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (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");

(b) 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

(c) 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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**3CNERGY LIMITED**

(Company Registration No.: 197300314D)

(Incorporated in the Republic of Singapore)

# ANNUAL GENERAL MEETING PROXY FORM

*(Please refer to notes overleaf before completing this Form)*

**Important:**

1. Relevant intermediaries as defined in Section 181(6) of the Companies Act, Chapter 50 may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF monies to buy 3Cnergy Limited's shares, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks if they have any queries regarding their appointment as proxies.

*I/We ______________________________

*NRIC/Passport/Co. Registration No. ______________________________

of ______________________________

being a *member/members of 3Cnergy Limited (the "Company"), hereby appoint

| Name | Address | NRIC/Passport Number | Proportion of Shareholdings | |
|---|---|---|---|---|
| | | | No. of Shares | % |
| | | | | |

* and/or

| Name | Address | NRIC/Passport Number | Proportion of Shareholdings | |
|---|---|---|---|---|
| | | | No. of Shares | % |
| | | | | |

or failing *him/her/them, the Chairman of the Annual General Meeting ("AGM"), as *my/our *proxy/proxies to attend, speak and vote for *me/us on *my/our behalf at the AGM of the Company to be held at Nordic Conference Room, 1st Floor, No. 3 International Business Park, Nordic European Centre, Singapore 609927 on Tuesday, 10 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 Ordinary Resolutions to be proposed at the AGM as indicated with a "√" in the spaces provided hereunder. If no specific directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as *he/she/they may on any other matter arising at the AGM.

*(Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick [√] within the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant resolution, please indicate the number of shares in the boxes provided.)*

| No. | Resolutions | For | Against |
|---|---|---|---|
| | **ORDINARY BUSINESS** | | |
| 1. | To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2017 together with the Auditors' Report thereon. | | |
| 2. | To approve the payment of Directors' fees of S$140,000/- for the financial year ending 31 December 2018, to be paid half yearly in arrears. | | |
| 3. | To re-elect Mr Loh Chen Peng as Director. | | |
| 4. | To re-elect Mr Ong Pai Koo @ Sylvester as Director. | | |
| 5. | To re-appoint Messrs Deloitte & Touche LLP as the Company's auditors and to authorise the Directors to fix their remuneration. | | |
| | **SPECIAL BUSINESS** | | |
| 6. | To authorise Directors to allot and issue shares. | | |
| 7. | To authorise Directors to issue shares under the 3Cnergy Performance Share Plan. | | |
| 8. | To approve renewal of shareholders' mandate for interested person transactions. | | |

Dated this ____________ day of ______________________ 2018.

| Total No. of Shares in | No. of Shares |
|---|---|
| CDP Register | |
| Register of Members | |

______________________________

Signature of Member(s) or Common Seal

* *Delete accordingly*

**IMPORTANT: Please Read Notes for this Proxy Form**

**NOTES:**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of shares. If you have shares registered in your name in the Register of Members (maintained by or on behalf of the Company), 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) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting in his/her stead. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak 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. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning as ascribed to it in Section 181(6) of the Companies Act, Chapter 50 of Singapore (the "Act").

3. A proxy need not be a member of the Company.

4. The instrument appointing a proxy or proxies must be under the hand of the appointer 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 a director or an officer or attorney duly authorised.

5. Where an instrument appointing a proxy or proxies is signed on behalf of the appointer by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

6. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road, #11-02 Singapore 068898 not less than 48 hours before the time appointed for holding the AGM. If a shareholder submits a proxy form and subsequently attends the AGM in person and votes, the appointment of the proxy should be revoked.

7. 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 AGM, in accordance with Section 179 of the Act.

8. An investor who buys shares using CPF monies and/or SRS monies ("CPF and SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

**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 appointer are not ascertainable from the instructions of the appointer specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointer, 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 AGM, 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) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company:

(a) 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 AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (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");

(b) 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

(c) 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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# CORPORATE INFORMATION

**DIRECTORS**
**Mr Tong Kooi Ong**
Non-Independent
Non-Executive Chairman

**Ms Tong Kooi Lian**
Managing Director and Chief
Executive Officer

**Mr Loh Chen Peng**
Lead Independent Director
(Appointed on 8 August 2017)

**Mr Ong Pai Koo @ Sylvester**
Independent Non-Executive Director

**AUDIT COMMITTEE**
**Mr Loh Chen Peng,**
Chairman
**Mr Ong Pai Koo @ Sylvester**
**Mr Tong Kooi Ong**

**NOMINATING COMMITTEE**
**Mr Ong Pai Koo @ Sylvester,**
Chairman
**Mr Loh Chen Peng**
**Mr Tong Kooi Ong**

**REMUNERATION COMMITTEE**
**Mr Ong Pai Koo @ Sylvester,**
Chairman
**Mr Loh Chen Peng**
**Mr Tong Kooi Ong**

**COMPANY SECRETARY**
**Ms Selena Leong Siew Tee**
(Appointed on 8 August 2017)

**REGISTERED OFFICE**
150 Cecil Street
#08-01
Singapore 069543
Tel: (65) 6232 8898
Fax: (65) 6232 8899
Web: www.3cnergy.com.sg

**SPONSOR**
**CIMB Bank Berhad, Singapore Branch**
50 Raffles Place
#09-01 Singapore Land Tower
Singapore 048623

**SHARE REGISTRAR**
**Tricor Barbinder Share**
**Registration Services**
80 Robinson Road
#11-02
Singapore 068898

**AUDITORS**
**Deloitte & Touche LLP**
6 Shenton Way,
OUE Downtown 2
#33-00
Singapore 068809

**AUDIT PARTNER-IN-CHARGE**
**Mr Michael Kee Cheng Kong**
Partner-in-charge since financial year
ended 31 December 2015

**BANKERS**
**CIMB Bank Berhad**
**United Overseas Bank Limited**
**Public Bank Berhad**

**COMPANY REGISTRATION**
No. 197300314D

**3CNERGY LIMITED**
150 Cecil Street #08-01 Singapore 069543
Tel (65) 6232 8898 Fax (65) 6232 8899

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