



HOCK LIAN SENG
HOLDINGS LIMITED



~of~

**Engineering Excellence,
Reliability & Commitment**

annual report 2018

Our business is built
around our customers,
ensuring we deliver

engineering excellence,
reliability & commitment

to support their success.

ABOUT US

HOCK LIAN SENG HOLDINGS LIMITED

("HOCK LIAN SENG" OR
"THE GROUP") IS ONE OF THE
LEADING CIVIL ENGINEERING
GROUP IN SINGAPORE, WITH
AN ESTABLISHED TRACK
RECORD OF 50 YEARS.
THE GROUP WAS LISTED
ON THE MAINBOARD OF
SINGAPORE EXCHANGE
SECURITIES TRADING LIMITED
("SGX-ST") IN DECEMBER 2009.

Established in 1969, Hock Lian Seng has undertaken and completed a wide range of civil engineering projects for both the public and private sectors in Singapore. We carry out civil engineering works for bridges, expressways, tunnels, Mass Rapid Transit ("MRT"), port facilities, water and sewage facilities and other infrastructure works. The Group has successfully completed Kim Chuan Depot, one of the world's largest underground depots with housing capacity for up to 77 trains, for the Circle Line in 2007.

Major customers include government and government-related bodies of Singapore, such as the Land Transport Authority, Housing Development Board, PSA Singapore Terminals, Public Utility Board and Civil Aviation Authority of Singapore.

The Group is also involved in property development and property investment businesses. The property development projects include industrial and residential developments such as Ark@Gambas, Ark@kb and The Skywoods.

Celebrating 50 years

1969
~ to ~
2019

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KEY MILESTONES

in 50 years

1970s

In the 1970s, our Company started off with projects for general construction of road works, drainage works and bridges. In 1979, we were awarded one of our largest contracts for that period, that is, the construction for part of the coastal road adjacent to Changi International Airport (contract value: \$6.2 million) which we completed in 1981.

1980s

In the 1980s, there was significant infrastructure development in Singapore, including construction of major expressways and the commencement of the construction of the MRT system. The Group's first MRT-related work was awarded in 1986, through a 50% joint venture. The first MRT project (contract value: \$100.8 million) was the construction, completion and maintenance of the viaducts and tunnels at the Bukit Batok and Bukit Gombak MRT stations. The project was completed in 1990.

In 1989, the group secured its first port project for extension works to the berths at Pasir Panjang Wharves (contract value: \$34.9 million). The project was completed in 1991.



PSA Pasir Panjang Wharves Eastern Extension

1990s



Buangkok MRT Station

In 1991, our Company provided technical consultation services for Taipei Metropolitan Area Rapid Transit System's Tamshui Line (contract value: \$79.92 million) and this was completed in 1993. In 1992, our Company successfully tendered for a major contract awarded by the Taipei Municipal Government Office for the construction of the Nankang Line (contract value: \$330 million) and this was completed in 2000.

In 1996, the LTA initiated plans for the construction of the North-East Line. Our Company, in a joint venture with a Japanese construction company, tendered for and was awarded two design and build contracts for different sections of the North-East Line (combined contracts value: \$252.3 million). The projects, which included the construction of tunnels and 3 MRT stations (Buangkok, Punggol and Sengkang), were completed in 2002.



Punggol MRT Station

KEY MILESTONES

2000s



Kim Chuan Depot
Interior

In June 2002, in a joint venture with a local contractor, LTA awarded the joint venture company a contract for the construction of the Kim Chuan Depot (contract value: \$296.6 million). This marked a new milestone for a local joint venture and in our Company's history in securing a large-scale project for MRT related works. In December 2002, our Company took over as the sole main contractor to complete the project.

The Kim Chuan Depot is one of the world's largest underground depots with the capacity to accommodate up to 77 trains. It measures 11 hectares or the size of 17 football fields. Our Company was the only main contractor for the project. The Kim Chuan Depot Project was completed in October 2007.



Kim Chuan Depot

2010s



Ark@Gambas

The Group ventured into property development in 2011 with the award of URA industrial site at Gambas Crescent. The 9-storey B1 multi-user light industrial development, Ark@Gambas, was completed in 2014.

The property development projects completed so far are: Ark@Gambas, Ark@KB, The Skywoods (a residential project by 50% owned joint venture company), Shine@TuasSouth.

The other key infrastructure projects undertaken and completed include: Marina Coastal Expressway (Marina Wharf) and Jalan Gali Batu Depot Project (50% joint venture).



Marina Coastal Expressway

1969 – 2019

LETTER TO SHAREHOLDERS



50 Years of Engineering Excellence, Reliability & Commitment

Dear Shareholders,

Singapore reported 3.2% GDP growth in 2018 but the construction industry contracted by 3.4%, albeit at a more modest pace of decline as compared to 10.2% registered in 2017. The construction industry was mainly supported by public construction demand, however intense competition from local and foreign players, has led to rising operational cost and shortage of manpower, especially qualified and experienced personnel. Nevertheless, the Group stayed its course in FY2018 as we focused on existing projects, while tendering for upcoming potential projects.

LETTER TO SHAREHOLDERS

PERFORMANCE REVIEW

In FY2018, the Group reported a 39% increase in revenue to \$197.8 million, mainly arising from the higher construction activities for the joint venture Changi Airport project. \$5.2 million derived from sales of units at Shine@TuasSouth and Ark@Gambas was recognised from the Property Development segment.

Concurrently, gross profit decreased by 18% to \$20.7 million mainly due to the lower gross profit margin of the Civil Engineering segment as the ongoing construction projects and the cost savings recognised from the completed projects were much lower for the current financial year. Separately, the Property Development segment contributed \$1.5 million with gross profit for sales of unit at Ark@Gambas and Shine@TuasSouth project.

The share of result of joint venture was \$1.2 million mainly due to the cost savings achieved for the Skywoods joint venture project as the final account was settled with the contractor. As such, net profit for FY2018 declined by 19.7% to \$14.0 million. Cash and cash equivalents stood positive at \$94.4 million as at 31 December 2018 with shareholders' equity rising 2.4% to \$202.2 million.

DIVIDENDS

In appreciation of our shareholders, we are proposing a first and final cash dividend of 1.8 cents per ordinary share, subject to approval at the Annual General Meeting (AGM) to be held on 23 April 2019. If approved, the dividend will be paid out on 22 May 2019.

FY2018 BUSINESS DEVELOPMENT

FY2018 was an intensely competitive year with many new big foreign players contending for Singapore government projects. As such, we have yet to add any new infrastructure projects into our order book. We have been focusing on the delivery of our industrial development project, Shine@TuasSouth, which obtained TOP on 1 August 2018 and sold 12 units out of its 179 units. With the nearby Tuas Mega port slated to open progressively from 2021, the Group will increase its marketing efforts on this project. We foresee demand to pick up upon the operation commencement of the port.

During the year, our 45% owned joint venture company, FSKH Development Pte. Ltd. ("FSKH") acquired a 99-year lease residential site at Mattar Road. The site spans 6,230.2 square metres with a maximum gross floor area (GFA) of 18,691 square metres, and can yield an estimated 250 units. Construction is expected to commence by 2Q 2019, while the sales launch is targeted to take place in 3Q 2019.

LETTER TO SHAREHOLDERS

FUTURE OUTLOOK

We expect the operating environment to remain challenging in FY2019. In spite of this, the Group is backed by its strong track record and well-positioned to pursue various infrastructure projects in Singapore. As the Singapore government continues to invest in infrastructure projects like the Jurong Region and Cross Island lines and various Changi Airport Terminal 5 developments, we see support in the public construction arena.

As at 31 December 2018, the Group's order book for on-going projects of the Civil Engineering segment was about \$630 million comprising Maxwell station, 2 Changi Airport projects and Stabling Yard at Gali Batu Depot. Our \$1.07 billion joint venture Changi Airport project has marked a key milestone phase and is due for completion by 2023.

Going forward, keen competition and rising cost will remain persistent features of the local construction landscape, adding pressure to our margins. Meanwhile, various cooling measures and a slowing economy will pose challenges for property developers. In view of this, we will continue to strengthen our core Civil Engineering segment, while focusing on existing projects. We will also tender for infrastructure projects selectively and competitively as we explore viable property development opportunities.

SPECIAL APPRECIATION TO THE HOCK LIAN SENG FAMILY

I would like to take this opportunity to thank Mr Koh Lian Huat, who will be stepping down as Independent Director (ID) in the upcoming AGM. We are grateful for his insightful counsel and guidance to the Board during his term. At the same time, I would like to welcome Mr Hoon Tai Meng who joined us as ID on 1 October 2018.

With the Group celebrating 50 years of stellar construction achievements in Singapore this year, I would like to extend my deepest appreciation to all the members in the Hock Lian Seng family - management, staff, business associates, customers and shareholders - who have fought alongside with us in this fruitful journey since day one. We have endured and persevered together, taking on small projects in our humble beginning years. Affirming our faith and trust in one another every step of the way, we grew from strength to strength to take on bigger public projects, building a trustworthy and reliable reputation for ourselves over the years. Today, we continue to uphold our cherished values of prudence, as well as partners and customers first.

To celebrate our 50th anniversary, we have awarded about 2.1 million shares to about 130 employees on 2 April 2018 for the first time since we listed on the Singapore exchange. This is our way of recognising the invaluable contributions made by our people.

As we move forward, we shall seek to enhance our innovation, technological and project management capabilities. We trust the younger generation in the Group will step up to the challenge to lead us to greater heights!

Ong Seh Hong
Independent Non-Executive Chairman

Chua Leong Hai
Executive Director and CEO

29 March 2019

OPERATIONS AND FINANCIAL REVIEW

FY 2018 COMPARED WITH FY 2017 PERFORMANCE AND SEGMENTAL REVIEW

Revenue

In \$' million	FY 2018	%	FY 2017 (Restated)	%
Civil Engineering	192.1	97.1	137.6	96.6
Property Development	5.5	2.8	4.6	3.2
Investment Properties	0.2	0.1	0.2	0.2
	197.8	100.0	142.4	100.0

Revenue increased by 39% to \$197.8 million, contributed mainly from the much higher construction activities for the Joint Venture Changi Airport project. Revenue of \$5.5 million was mainly recognised for Property Development in relation to the sales of units at Shine@TuasSouth and Ark@Gambas. Revenue for FY2017 was restated in accordance with SFRS(I)15 for both Civil Engineering and Property Development. About 7% of the completed units at Shine@TuasSouth were sold as at to date. Rental income from Investment properties remained insignificant.

Gross Profit

In \$' million	FY 2018	FY 2017 (Restated)
Civil Engineering	19.1	24.1
Property Development	1.5	1.0
Investment Properties	0.1	0.1
	20.7	25.2

Gross profit decreased by \$4.5 million (-18%) to \$20.7 million mainly due to the lower gross profit margin for Civil Engineering segment as the ongoing construction projects and the cost saving recognised from the completed projects were much lower for the current financial year. Property development segment contributed \$1.5 million from sales of unit at Ark@Gambas and Shine@TuasSouth project.

Other income reduced by \$552,000 (-14%), as the interest income and the government grant was lower by about \$600,000 and \$200,000 respectively, offset by the foreign exchange gain of about \$300,000 recognised for the USD holdings.

Administrative expenses were \$4.9 million, about 9% lower than last financial year mainly due to the lower performance bonus accrued for the current year.

Total loss on fair value of investment securities amounted to about \$1.2 million due to lower market price for debts instruments measured at fair value through profit or loss.

Other operating cost was \$1.0 million, about \$0.1 million (-9%) below FY2017. The current year's cost mainly comprised of \$0.6 million cost incurred for the property

related cost at Shine@TuasSouth project after TOP. Other operating cost for FY2017 mainly comprised \$0.7 million foreign exchange loss.

Finance cost of \$251,000 and \$432,000 was recorded for FY2018 and FY2017 respectively. The interest expenses incurred for Shine@TuasSouth project was lower for the current year due to partial principal repayment during the year.

The share of result of joint venture of \$1.2 million was mainly due to the cost saving realized for the Skywoods joint venture project as final account was settled with the contractor.

The effective tax rate was higher than the effective tax rate of 17% of Singapore corporate tax rate due to undeductible expenses.

Profit before taxation decreased by \$3.6 million to \$17.9 million, resulting mainly from the lower gross profit of \$4.5 million offset by the share of profit of joint venture of \$1.2 million.

FINANCIAL POSITION AND CASH FLOW REVIEW

Property, plant and equipment increased by \$2.7 million mainly due to the additional construction cost incurred for the central warehouse which obtained its TOP in December 2018.

Development properties increased by \$7.4 million to \$103 million, with the addition of the final construction cost of Shine@TuasSouth which was offset by the cost transfer to cost of sales with the sales recognition for units sold.

Decrease in investment securities (both current and non-current) by \$0.3 million, was mainly due to the \$12.0 million redemption, \$2.2 million impairment and revaluation loss, offset by the new addition of \$14.0 million corporate bonds or equities. The long term investment securities has reduced substantially as compared to previous year, as most of the investment securities was assessed as financial assets at FVTPL with the adoption of SFRS(I) 9 and reclassified as current asset in FY2018.

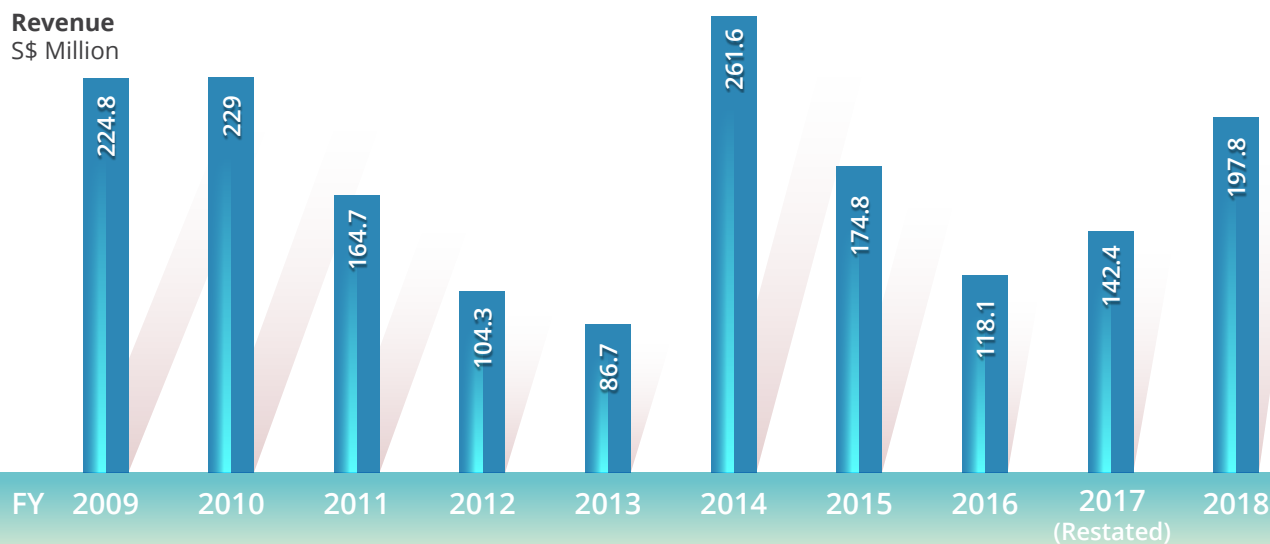
Amount due from joint ventures (+ \$34.7 million) and investment in joint ventures were mainly due to the Mattar Road residential project.

Cash and short term deposits reduced by \$38.0 million to \$94.4 million as at 31 December 2018. The decrease was mainly due to the cash outflow for loan to joint venture company for the acquisition of Mattar Road residential site of \$34 million, dividend payment of \$9.2 million, acquisition of property and equipment of \$8.1 million, repayment of bank loan of \$3.6 million offset by the net cash generated from operations of \$16.4 million.

FINANCIAL HIGHLIGHTS

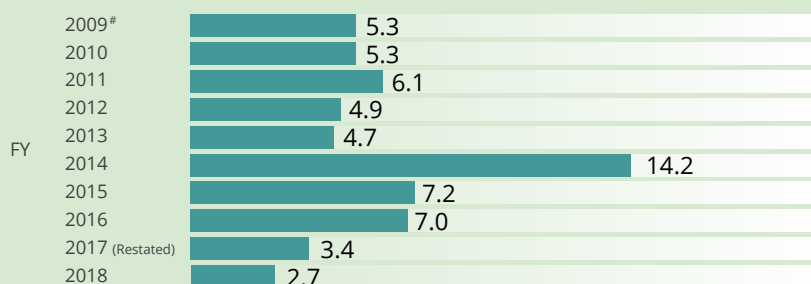
REVENUE & NET PROFIT

Revenue
S\$ Million

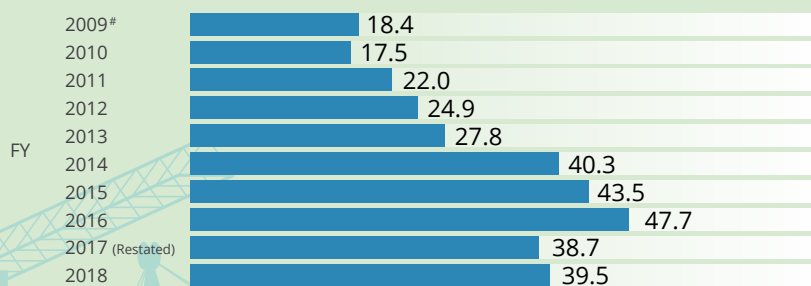


PER SHARE DATA

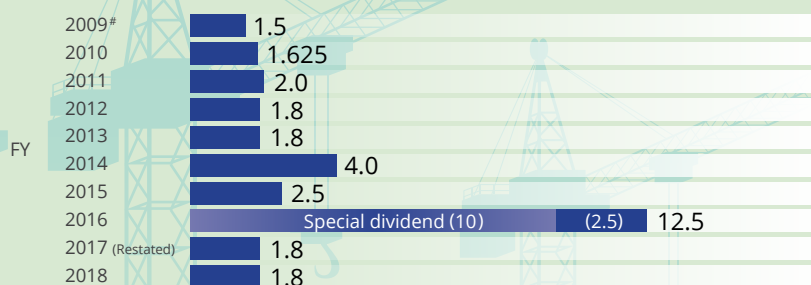
Basic Earnings
per Share
Cents



Net Tangible Assets
per Share
Cents



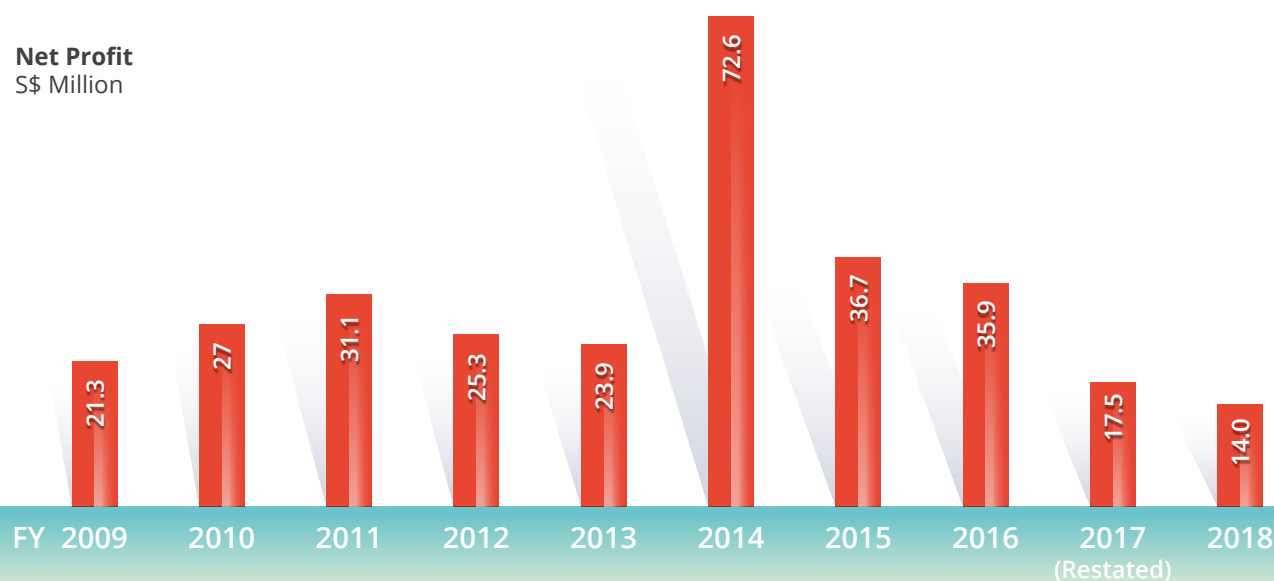
Dividend
per share
Cents



The Group was listed in December 2009, the weighted average number of ordinary shares for year 2009 was 404,294,000 shares

FINANCIAL HIGHLIGHTS

Net Profit S\$ Million



FINANCIAL POSITIONS

\$ In million	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016 (Restated)	FY2017 (Restated)	FY2018
Current Assets	186.7	195.1	243.2	399.9	344.3	354.7	292.6	305.1	272.7	258.0
Non-current Assets	12.0	21.8	32.0	38.2	33.8	44.3	48.9	64.6	63.7	84.7
Current Liabilities	124.5	126.8	163.0	172.2	198.6	192.4	104.4	110.9	123.9	140.4
Non-current Liabilities	-	0.7	0.0	138.7	37.6	1.2	15.5	15.5	15.1	0.1
Equity Attributable to Shareholders	74.2	89.4	112.2	127.2	141.9	205.4	221.6	243.3	197.4	202.2

CASH FLOW STATEMENT

\$ In million	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017 (Restated)	FY2018
Net cash generated from / (used in) operating activities	76.8	34.6	31.8	-186.9	29.0	110.7	13.6	5.6	-0.9	16.7
Net cash (used in) / generated from investing activities	-9.1	-5.0	-10.7	-8.9	-12.1	-6.9	-12.3	56.3	-8.6	-41.9
Net cash generated from / (used in) financing activities	24.7	-7.6	-8.4	128.6	-25.7	-41.1	-9.9	-12.8	-64.2	-12.8
Net increase / (decrease) in cash and cash equivalents	92.4	22.0	12.7	-67.2	-8.8	62.7	-8.6	49.1	-73.7	-38.0
Effect of exchange rate change on cash and cash equivalents	-	-	-	-	-	-	-	-	-0.2	0.3
Cash and cash equivalents at beginning of year	51.1	143.5	165.5	178.2	111.6	102.8	165.5	156.9	206.0	132.1
Cash and cash equivalents at end of year	143.5	165.5	178.2	111.8	102.8	165.5	156.9	206.0	132.1	94.4

Note: FY2018's figures were presented according to SFRS(I)

FY2017's figures were restated with the adoption of SFRS(I) 15

FY2009 - FY2016's figures were presented as per previous audited financial statements

BOARD OF DIRECTORS

ONG SEH HONG

Ong Seh Hong is our independent Non-Executive Chairman. Dr Ong was appointed as Director on 23 September 2011 and as Non-executive Chairman on 1 June 2013.

Dr Ong is currently a practising psychiatrist. Prior to this, Dr Ong was the clinical director and chief operating officer of the Ren Ci Hospital & Medicare Centre, and Ren Ci Community Hospital. He held the position of vice president (corporate services) of GIC Special Investments Private Limited, a unit of the Government of Singapore Investment Corporation. He was a Member of Parliament from 2001 to 2011.

Dr Ong holds a Bachelor of Medicine and Bachelor of Surgery (MBBS) and a Master of Science in Applied Finance from the National University of Singapore. He is a member of the Royal College of Psychiatrists in the United Kingdom and a fellow of The Academy of Medicine, Singapore.

Dr Ong is not related to any existing Director, executive officer or substantial shareholder of the Company or any of its principal subsidiaries.

Dr Ong is currently serving as an Independent Director of Dyna-Mac Holdings Ltd and Zhongmin Baihui Retail Group Ltd, which are listed on the Singapore Exchange.

CHUA LEONG HAI

Chua Leong Hai PBM, is our Executive Director and CEO. Mr Chua is the founder of our Group and is instrumental in growing the company from a small construction outfit to one listed on Singapore's main board. He has more than 40 years of experience in civil engineering works in Singapore and has led the Group in undertaking infrastructure projects in Taipei and Shanghai in the 90's. He was also involved in real estate investments and developments in China, Malaysia and Indonesia. Mr Chua is responsible for the overall management, formulation of business plans, strategic positioning and business expansion of our Group.

Mr Chua is a controlling shareholder of the Company, with direct and deemed interest of 46.08% in the total issued shares of the Company as at 15 March 2019.

Mr Chua is the father of Ms Chua Siok Peng, an executive director of the Company.

KEE GUAN CHUA

Kee Guan Chua was appointed on the board on 26 March 2012 as Executive Director. Mr Kee heads our Contracts and Tenders Department. He has been with our Group since 1983 and his current responsibilities include estimating project cost, project tenders, sourcing

for building materials, evaluation and procurement of contracts for supply and sub-contracting works and variations. Prior to joining our Group, Mr Kee had worked as a technician with the Ministry of the Environment, Singapore (now known as Ministry of the Environment and Water Resources) and PSA and as an assistant quantity surveyor with QS Partnership for approximately 10 years. He has vast experience in site investigations and surveys, preparation of drawings and tender documents. He obtained a Technician Diploma in Building from the Singapore Polytechnic in 1978.

Mr Kee is not related to any existing Director, executive officer or substantial shareholder of the Company or any of its principal subsidiaries.

DAVID CHEW TUAN DONG

David Chew Tuan Dong is our Deputy Chief Executive Officer and was appointed on the Board on 8 August 2014. He joined the Group in December 2013. He is responsible to identify and develop new opportunities for the Group and for the overall management of the development and construction projects. Mr Chew has more than 30 years of experience in the civil engineering and building industry, having worked in Singapore, Malaysia, Taiwan and India. He graduated with a Bachelor of Science in Civil Engineering degree (first class honour) from University of Strathclyde, Master of Science in Civil Engineering from the National University of Singapore, and Graduate Diploma in Financial Management from the Singapore Institute of Management. He is also a registered Professional Engineer in Singapore, a registered Founding Member of Certified Project Manager (CPM), and a Senior Member of the Institution of Engineers Singapore.

Mr Chew is not related to any existing Director, executive officer or substantial shareholder of the Company or any of its principal subsidiaries.

CHUA SIOK PENG

Chua Siok Peng joined the Group in November 2012 and was appointed on the board on 15 December 2015. She is the Head of the Property Development division and is also in charge of business development. Her responsibilities extend from reviewing opportunities and studying feasibilities in property development, to the day-to-day project management and marketing of projects. Siok Peng is a UK registered professional architect with extensive work experience in both UK and Singapore. She holds a Bachelor of Arts (Architecture) from National University of Singapore and a Graduate Diploma in Architecture from The Bartlett School, University College London (2000). She was also conferred Master of Business Administration by the National University of Singapore in 2016.

Ms Chua is the daughter of Mr Chua Leong Hai, the Executive Director and Chief Executive Officer and substantial shareholder of the Group.

BOARD OF DIRECTORS

KOH LIAN HUAT

Koh Lian Huat is our Independent Director and was appointed to the Board on 30 November 2009. He was a partner in charge of statutory audit in Huat Associates from 2007 to 2010. From June 2004 to November 2007, he was a sole proprietor in Huat Associates. From January 2004 to December 2004, Mr Koh was a consultant in Ng, Lee & Associates-DFK, a leading accounting firm which was established in 1948 and a partner in charge of statutory audit in the same firm from January 2000 to December 2003. From September 1982 to December 1999, Mr Koh was a sole proprietor in Koh Lian Huat & Co.

Mr Koh is a Justice of the Peace appointed by the President of Singapore. He was also conferred Singapore's National Day Awards: PBM, BBM and BBM (L) in 1985, 1993 and 2007 respectively. He is an appointed mediator assisting the State and Family Justice Courts in dealing with cases of Magistrate's complaints and maintenance disputes. Mr Koh graduated with a Bachelor of Commerce (Accountancy) from the then Nanyang University, Singapore in 1965. He is also a fellow member of the Association of Chartered Certified Accountants since 2006, a fellow member of CPA Australia since 2004, a fellow member of the Institute of Singapore Chartered Accountants since 2004, and an honorary advisor of the Chartered Management Institute, UK (Singapore Branch).

Mr Koh is not related to any existing Director, executive officer or substantial shareholder of the Company or any of its principal subsidiaries.

Mr Koh is currently an independent director of Zhongmin Baihui Retail Group Ltd, a listed company on the Singapore Exchange.

KHOR POH HWA

Khor Poh Hwa is our Independent Director and was appointed to the Board on 30 November 2009. Mr Khor has extensive experience in infrastructure development projects in transportation, civil engineering and buildings. Mr Khor joined the former Singapore Public Works Department (now CPG Corporation Pte. Ltd.) in 1975 after graduating from the National University of Singapore.

Mr Khor led the corporatisation of Singapore Public Works Department in 1999 and became the Chief Executive Officer of the new entity, CPG Corporation Pte. Ltd. He retired from CPG Corporation Pte Ltd in 2005 and served as its senior adviser until 2008. From 1995 to 1997, he was seconded to the China- Singapore Suzhou Industrial Park Development Co. Ltd. as the Deputy Chief Executive Officer to take charge of the physical development of 70 square kilometres of the park, a flagship project between the governments of Singapore and China.

Mr Khor was previously a member of the Asia Pacific Economic Co-operation (APEC) Business Advisory Council, the Singapore-British Business Council, the Singapore-Shandong Business Council and the Network China Steering Committee. He was also the past President of the Society of Project Managers, Singapore and the Singapore-China Suzhou Club. Mr Khor graduated in 1975 from the then Singapore University with a Bachelor of Engineering (Civil) and subsequently obtained a Master of Science (Civil Engineering) and Professional Engineering (Civil) from the National University of Singapore in 1980.

Mr Khor is not related to any existing Director, executive officer or substantial shareholder of the Company or any of its principal subsidiaries.

Mr Khor is currently a Non-Executive Director of Keppel Telecommunications & Transportation Ltd.

HOON TAI MENG

Hoon Tai Meng is our Independent Director and was appointed to the Board on 1 October 2018. Mr Hoon is currently a Senior Consultant of RHTLaw TaylorWessing LLP. He was the Executive Director of Chip Eng Seng Corporation Ltd from July 2011 to June 2018, assisted the board in their business operations and corporate matters. He was also formerly a partner with M/s Khattar Wong from June 2007 to June 2011.

Besides having around 15 years of experience in legal practice, he also has approximately 20 years of experience in financial planning and management, audit and tax functions.

Mr Hoon graduated with a Bachelor of Commerce (Accountancy) from Nanyang University in 1976 and attained a Bachelor of Laws from the University of London in 1993.

Mr Hoon is a Fellow Member of the Institute of Singapore Chartered Accountants, Fellow Member of the Chartered Institute of Management Accountants (United Kingdom), a Fellow Member of the Association of Chartered Certified Accountants (United Kingdom) and a Barrister-at-Law (Middle Temple, United Kingdom).

Mr Hoon is not related to any existing Director, executive officer or substantial shareholder of the Company or any of its principal subsidiaries.

Mr Hoon is currently an Independent Director of Pavillon Holdings Ltd, Sin Ghee Huat Corporation Ltd and Koufu Group Limited.

EXECUTIVE OFFICERS

CHUA SEY KOK

Chua Sey Kok joined the Group as Technical Director in July 2014. Mr Chua plays a strategic role in planning/development of the infrastructure business and provides guidance and leadership to the construction and tendering team. Mr Chua is currently the Senior Project Director for the Changi JV Project.

He has more than 33 years of experience in the civil engineering and building industry, of which, he has over 17 years of experience in managing engineering teams in large scale infrastructure projects. He had worked in Singapore, China, Indonesia and Vietnam.

He holds a bachelor degree in Civil Engineering (Honours) and Master Degree in Science (Civil Engineering from the National University of Singapore. He is also a registered professional engineer in civil engineering of the Singapore Professional Engineers Board.

FONG KAM WAI

Fong Kam Wai was appointed as a Director of Hock Lian Seng Infrastructure Pte Ltd on 1 November 2012. He joined our Group in October 1985. He is responsible for the overall planning and coordination of projects, ensuring the projects completion within allocated budget and is in charge of schedule and quality standards. Since joining our Group, he has been involved in the Sungei Serangoon Bridge Project and Marina Coastal Expressway Project. He is currently the Project Director for the Changi JV Project. He has extensive experience in the field of engineering and construction works. Mr Fong holds a Bachelor of Engineering from the National University of Singapore.

ONG HONG KIAT

Ong Hong Kiat joined our Group in Apr 2008 as a Construction Manager for LTA Contract 901-Construction and completion of Marina Bay Station including associated tunnels. He was responsible for the planning and construction of the station. He was one of the core team members that played a part in completing the project on time. He then moved on to work as Deputy Project Manager for LTA Contract 911- Design & Construction of Depot for Downtown Line for a 6 month period and help to expedite the main building works which had fallen behind schedule so that the project could achieve Basic Structure Completion on time. Thereafter, he took on the role as Project Manager for Ark@Gambas- 9th storey industrial

building project, Project Manager for LTA Contract T223 -Construction of Maxwell Station and Project Manager for Shine@Tuas South- 6th storey industrial factory development. He is currently the Project Director for the LTA Contract C9061, Design and Construction of Stabling Yard at Gali Batu Depot. He graduated from University of Malaya with a Degree of Bachelor of Civil Engineering (Honours Class 2 Upper Division) in 1986.

THOMAS KHONG TIONG GHEE

Thomas Khong Tiong Ghee is our Senior Contracts Manager. He is responsible for Contract administration which involves reviewing of contract documents, preparing contract and joint venture agreements, drafting correspondences to Clients and contractual parties on contractual issues, contractual claims submission to Clients, management and resolution of disputes with Clients and contractual parties and providing general contractual advices to our project managers. In addition, he reviews documents for sale of property and land biddings. With more than 30 years' experience and equipped with legal training, he has been able to provide contractual frameworks and legal supports for our Contracts Department. He is a Fellow of Chartered Institute of Building (FCIOB) and holds a Diploma in Building from the Singapore Polytechnic and Bachelor of Law (Hons) from the University of Wolverhampton.

ANG KWEE HONG

Ang Kwee Hong is our Contract Manager. She joined our Group as a quantity surveyor from 1991 to 2005 and is primarily responsible for tender works, negotiating pre-contracts and post-contracts and the administration of HLS Infrastructure. She was appointed as the Contract Manager of our Group in 2006. Ms Ang obtained a Technician Diploma in Building from the Singapore Polytechnic in 1982.

CHONG LEE YIN

Chong Lee Yin is our Chief Financial Officer ("CFO"). She joined our Group in March 2008. She is responsible for the accounting, financial and tax related matters of our Group. She has about 20 years of financial and accounting experience working for companies in the chemical and construction industries. She graduated from the National University of Singapore with a Bachelor of Accountancy and is a member of the Institute of Singapore Chartered Accountants.

CORPORATE GOVERNANCE REPORT

The Board of Directors (“**Board**”) and the management (“**Management**”) of Hock Lian Seng Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) are committed to achieve good standard of corporate governance and business conduct in order to protect the interest of shareholders.

This report sets out the Company’s corporate governance practices and activities in respect of the financial year ended 31 December 2018 (“**FY2018**”) in relation to each of the principles of the Singapore Code of Corporate Governance 2012 (the “**Code**”), and where applicable, the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). The Company seeks to comply with the best practices as outlined in the Code where applicable, feasible and practical to the Group any deviations are explained in this report.

On 6 August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance (the “**2018 Code**”) and accompanying Practice Guidance. The 2018 Code supersedes and replaces the Code and will apply to annual reports covering financial years commencing from 1 January 2019. The Group will review and set out the corporate practices in place to comply with the 2018 Code, where appropriate, in the next Annual Report.

Board of Directors

The Board’s Conduct of its 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.

As the date of this report, the Board comprises four executive Directors and four non-executive independent Directors. They are:-

Name of Director	Appointment	Date of appointment / Date of last re-election	Current Directorships in other listed companies and other major appointments	Past Directorships in other listed companies and major appointments over the preceding 3 years
Ong Seh Hong	Independent Non-Executive Chairman (since 1 June 2013) Chairman - Remuneration Committee (“ RC ”) Member - Audit and Risk Management Committee (“ ARMC ”), Nominating Committee (“ NC ”) & Board Safety Committee (“ BSC ”)	23 Sep 2011 / 25 Apr 2018	Director - (1) Dyna- Mac Holdings Ltd (2) Zhongmin Baihui Retail Group Ltd Senior Consultant Psychiatrist - Alexandra Healthgroup	Member of Parliament (2001-2011)
Chua Leong Hai	Executive Director and Chief Executive Officer (“ CEO ”)	20 May 2009 / 26 Apr 2016	Nil	Nil
Chew Tuan Dong	Executive Director and Deputy CEO	8 Aug 2014 / 25 Apr 2018	Nil	Nil
Chua Siok Peng	Executive Director	15 Dec 2015 / 25 Apr 2018	Nil	Nil

CORPORATE GOVERNANCE REPORT

Name of Director	Appointment	Date of appointment / Date of last re-election	Current Directorships in other listed companies and other major appointments	Past Directorships in other listed companies and major appointments over the preceding 3 years
Koh Lian Huat	Independent Director Chairman - ARMC Member - NC, RC and BSC	30 Nov 2009 / 26 Apr 2016	Director - Zhongmin Baihui Retail Group Ltd	Nil
Khor Poh Hwa	Independent Director Chairman - NC and BSC Member - ARMC and RC	30 Nov 2009 / 25 Apr 2017	Non-Executive Director- Keppel Telecommunications & Transportation Ltd	Non-Executive Chairman and Director of Keppel Infrastructure Fund Management Pte Ltd (resigned in 2015) Director-Keppel Land Limited (resigned in 2012)
Kee Guan Chua	Executive Director	26 Mar 2012 / 25 Apr 2017	Nil	Nil
Hoon Tai Meng	Independent Director Member - ARMC, NC, RC and BSC	1 Oct 2018	Director- Pavillon Holdings Ltd Koufu Group Ltd Sin Ghee Huat Corporation Ltd	Chip Eng Seng Corporation Ltd (resigned in 2018)

Role of the Board

The Board's primary role is to protect and enhance long-term shareholder value by establishing a framework of prudent and effective controls in managing risks. To fulfill this role, the Board is responsible for the overall corporate governance of the Group including setting its strategic direction, establishing goals for the Management and monitoring the achievement of these goals. As part of its responsibility in discharging its duty, the Board also performs the following roles:-

- reviewing the performance of Management by establishing Management's goals and monitoring the achievement of those goals;
- setting the Company's values and standards (including ethical standards) to uphold good corporate governance; and
- ensuring that obligations to shareholders and other stakeholders are understood and met in order to achieve sustainability.

All Directors discharge their duties and responsibilities objectively at all times as fiduciaries in the interest of the Company.

Matters Requiring Board Approval

The Board's approval is required for decisions involving areas such as strategic plans, key operational initiatives, material acquisition and disposal of assets, capital-related matters including financial re-structure, market fund-raising, share issuances, interim dividends and any investment or expenditures exceeding set material limit.

While matters relating in particular to the Company's objectives, strategies and policies require Board's direction and approval, the Management is responsible for the day to day operation and administration of the Company in accordance with the objectives, strategies and policies set by the Board.

CORPORATE GOVERNANCE REPORT

Director Orientation and Training

All Directors have many years of corporate experience and are familiar with their duties and responsibilities as Directors. Upon appointment, each Director will receive a letter of appointment explaining his duties and obligations as a member of the Board. In addition, orientation briefings are arranged for newly appointed Directors to familiarize them on the business activities of the Group and its strategic directions, as well as their duties and responsibilities as Directors. Our Directors are provided with extensive background information about our Group's history, mission, values and business operations. The Board is also kept abreast regularly on new laws, regulations and commercial developments by the Management and its appointed professionals. The Chairman will make the necessary arrangements for the briefings, informal discussions or explanations required.

In addition, the Directors of the Company are encouraged to attend appropriate or relevant courses, conferences and seminars conducted by professional organisations. The Company may fund the appropriate training and development programmes for the Directors. Changes to regulations and accounting standards are monitored closely by the Management. The Board has received updates on changes in listing rules, regulatory requirements, corporate governance guidelines and best practices on a regular basis.

Board Processes

To assist the Board in the discharge of its responsibilities, the Board has established four Committees namely, the Audit and Risk Management Committee ("ARMC"), the Remuneration Committee ("RC"), the Nominating Committee ("NC") and the Board Safety Committee ("BSC"). These Committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis.

The schedule of all Board and Board Committee meetings for a calendar year is usually given to all Directors well in advance. Besides the scheduled quarterly Board meetings, the Board meets on an ad-hoc basis as warranted by particular circumstances. Board meetings will be convened when they are deemed necessary, to review the Group's operations, conduct strategic review of the business affairs and address other specific significant matters that arise. The Company's Constitution provides for meetings of the Directors to be held by means of telephone conference or other methods of simultaneous communication by electronic or telegraphic means. The Board also approves transactions through circular resolutions which are circulated to the Board together with all relevant information to the proposed transaction.

The agenda for meetings is prepared in consultation with the Non-Executive Chairman and the CEO. The agenda and documents are circulated in advance of the scheduled meetings. The Board and Board Committee meetings held during the financial year and the attendance of Directors at the meetings are set out as follows:

	Board	Audit and Risk Management Committee	Nominating Committee	Remuneration Committee
Number of Meetings Held	4	4	1	1
	Attendances			
Ong Seh Hong	4	4	1	1
Chua Leong Hai	4	–	1	–
Chew Tuan Dong	4	–	–	–
Chua Siok Peng	4	–	–	–
Kee Guan Chua	3	–	–	–
Koh Lian Huat	4	4	1	1
Khor Poh Hwa	4	4	1	1
Hoon Tai Meng*	1	1	–	–

* Mr Hoon Tai Meng was appointed on the Board on 1 October 2018

CORPORATE GOVERNANCE REPORT

Board Composition and Guidance

Principle 2: There should be a strong independent element on the Board, which is able to exercise objective judgment 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.

As at the date of this report, the Board currently comprises 8 Directors of whom 4 are independent Directors. There is a fairly strong independent element on the Board, with independent Directors constituting half of the Board. No individual or group of individuals dominates the Board's decision making. In addition, the roles of a Chairman and the CEO are assumed by different persons and the Chairman is an Independent Director.

The Board's composition, size and balance and independence of each non-executive Director will be reviewed by the NC annually and periodically where the changes in the operations warrant.

The independence of each Director is reviewed by the NC on an annual basis. Annually, each independence Director is required to complete a checklist to confirm his independence. The checklist is drawn up based on the guidelines provided in the Code. The NC adopts the Code's among other things, whether a Director has business relationships with the Group, its 10% shareholders or its officers, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Group.

There is no existence of a relationship as stated in the Code that would otherwise deem any independent director to be non-independent.

Although Koh Lian Huat ("**Mr Koh**") and Khor Poh Hwa ("**Mr Khor**") have served on the Board for more than nine years from the date of their first appointments, the NC rigorously reviewed their past contributions to the Group and considered that they are independent in character and judgement and there was no circumstance which would likely affect or appear to affect the Directors' judgement.

The opinion was arrived at after careful assessment by the NC and the Board and the rigorous review comprised a review of, but not limited to, the following factors: (a) the length of services of Mr Koh and Mr Khor have not compromised the objectivity of Independent Directors and their commitments and abilities to discharge their duties as Independent Directors; (b) the abilities of Independent Directors to continue exercising independent judgements in the best interests of the Company; (c) the abilities of Independent Directors to express his objectives and independent views during Board and Board Committee meetings; and (d) Independent Directors, through their years of involvements with the Company, has gained valuable insights and understandings of the Group's business and together with his diverse experiences and expertise, have contributed and will continue to contribute effectively as Independent Director by providing impartial and autonomous views at all times. The Group would continue to build on the acquired experience and expertise by preserving continuity and stability within the Group through orderly succession.

The Board comprises Directors who possess the core competencies, experience and knowledge in business, finance and management skills critical to the Group's business and that each Director brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

The Directors, having reviewed the composition of the Board, are satisfied that the present size and composition of the Board is effective for decision making.

Non-Executive and Independent Directors of the Board exercise no management functions but have equal responsibility for the performance of the Group, the role of the Non-Executive and Independent Directors are particularly important in ensuring that the strategies proposed by the Management are constructively challenged, taking into account the long-term interests, not only of the shareholders, but also of employees, customers, suppliers and the communities in which the Group conducts business. The Independent Directors help to develop proposals on strategy and review the performance of Management in meeting agreed goals and objectives and monitor the reporting performance. When necessary, the Independent Non-Executive Director will meet and discuss on the Group's affairs without the presence of the Management.

To-date, none of the independent Directors of the Company has been appointed as Director of the Company's principal subsidiary, which is based in Singapore.

CORPORATE GOVERNANCE REPORT

Chairman and CEO

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

There is clear separation of responsibilities between the Chairman and CEO, which ensures that there is an appropriate balance of power and authority, increased accountability and greater capacity of the Board for independent decision-making. The role of the Chairman is assumed by Ong Seh Hong.

The Independent Non-Executive Chairman, amongst his other duties, schedules and chairs Board meetings and, with the assistance of the Company Secretary and Executive Directors, prepares Board agenda as well as controls the quality, quantity and timeliness flow of information between Management to the Board, promoting effective communication with the Company's shareholders. The Chairman is also responsible for the workings of the Board and ensures the integrity and promoting his standard of corporate governance with full support of the Directors and management.

Chua Leong Hai is the CEO of the Company. He is the founder of the Group and has played an instrumental role in developing the business since its establishment. He has considerable industry experience and business network and has also provided the Group with strong leadership and vision. The CEO and Executive Directors, assisted by the various functional Directors and senior management, manage and are responsible for the Group's day-to-day operations and business.

Board Membership and Performance

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

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.

The NC comprises the following members, the majority of whom are independent and non-executive:-

Khor Poh Hwa	Chairman and Independent Director
Koh Lian Huat	Member and Lead Independent Director
Ong Seh Hong	Member and Independent Director
Hoon Tai Meng	Member and Independent Director
Chua Leong Hai	Member and CEO

The principal functions of the NC include:-

- determining the process for search, nomination, selection and appointment of new board members and being responsible for assessing nominees or candidates for appointment or election to the Board, determining whether or not such nominee has the requisite qualifications and whether or not he/she is independent;
- determining, on an annual basis, if a Director is independent. If the NC determines that a Director, who has one or more of the relationships mentioned under the Code is in fact independent, the Company will disclose in full, the nature of the Director's relationship and bear responsibility for explaining why he should be considered independent. The NC may at its discretion determine a Director as non-independent even if he has no business or, other relationships with the Company, its related companies or its officers;
- recommending Directors who are retiring by rotation to be put forward for re-election, having regard to the Director's contribution and performance;
- reviewing and deciding whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations and having regard to the competing time commitments that are faced by the Director when serving on multiple boards;
- assessing the effectiveness of the Board as a whole, its Board committees and assessing the effective contribution and commitment of each individual Director to the effectiveness of the Board. The results of the performance evaluation will be reviewed by the Chairman and the assessment shall be carried out annually;

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- deciding how the Board's performance may be evaluated and propose objective performance criteria, subject to the approval of the Board, which allow for comparison with industry peers and which address how the Board has enhanced long-term shareholders' value; and
- reviewing and approving any new employment of related persons and the proposed terms of their employment.

The NC meets at least once a year and at other times as required. The Regulation 97 of the Constitution provides that at least one-third of the Directors shall retire from office and are subject to re-election at every Annual General Meeting ("AGM"). All Directors are required to retire from office at least once every three years. A newly appointed Director must also subject himself for retirement and re-election at the next AGM immediately following his appointment in accordance to the Regulation 101 of the Constitution. The shareholders approve the election of Board members at the AGM.

Currently, the Company does not have any alternate Director.

When selecting new Directors, the NC takes into consideration the skills and experience required and the current composition 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 experience.

Despite some of the Directors having multiple Board representations, the NC is satisfied that the Directors are able to and have adequately carried out their duties as Directors of the Company after taking into consideration the number of listed company Board representations and other principal commitments of these Directors. Currently, the NC did not determine the maximum number of listed Board representation which any Director may hold. The Board believes that each individual Director is best placed to determine and ensure that he is able to devote sufficient time and attention to discharge his duties and responsibilities as a Director of the Company, bearing in mind his other commitments. The NC and the Board will review the requirement to determine the maximum number of listed Board representations as and when it deems fit.

Board performance

For FY2018, the NC evaluated the Board as a whole and its Board committees. The areas for the Board and Board committees' performance evaluation cover from Board Structure, Conduct of Meetings, Corporate Strategy and Planning and Risk Management to Internal Control. Although the Directors are not evaluated individually, the factors taken into consideration for the re-nomination of the Directors for the current year are based on the Directors' attendance at meetings held during the year and the contribution made by the Directors at the meetings.

Pursuant to Regulations 97 and 101 of the Constitution of the Company, Chua Leong Hai, Khor Poh Hwa and Koh Lian Huat, shall retire in accordance to Regulation 97 and Hoon Tai Meng shall retire in accordance to Regulation 101 at the forthcoming AGM. In this regard, the NC having considered the directors' overall contributions and performance as well as the attendance and participation of these directors at the Board and Board Committee meetings, has recommended to the Board their re-election. Mr Koh has indicated his intention not to seek for re-election pursuant to Regulation 97 of the Constitution of the Company at the forthcoming AGM of the Company. The retiring Directors, Chua Leong Hai, Khor Poh Hwa and Hoon Tai Meng being eligible, have offered themselves for re-election at the forthcoming AGM. The Board has concurred with the NC's recommendation. The details of the Directors seeking for re-election are found in Table A set out on page 28 to page 32 of this Annual Report.

Each member of the NC shall abstain from voting on any resolutions and making recommendations and/or participating in any deliberations of the NC in respect of the assessment of their respective performance, independence or re-nomination as a Director.

The key information regarding Directors such as academic and professional qualifications, board committees served, Directorships or chairmanships both present and past held over the preceding three years in other listed companies and other major appointments, whether the appointment is executive or non-executive can be found under Principle 1 and the "Board of Directors" section of the Annual Report.

CORPORATE GOVERNANCE REPORT

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.

The Directors are provided with Board papers and related materials, background or explanatory information in advance of each Board Meeting to enable them to be properly informed of matters to be discussed and/or approved, as well as ongoing reports relating to operational and financial performance of the Group. Directors are also informed of any significant developments or events relating to the Group. In addition, the Directors are entitled to request from Management such additional information as needed to make informed decisions. Management ensures that any additional information requested for is provided to the Directors in a timely manner.

Board members have separate and independent access to the Company's senior management and the Company Secretary at all times. The Company Secretary or his representative will attend all meetings of the Board and Board Committees and assists in ensuring that relevant procedures are followed and reviewed such that the Board and Board Committees operate effectively. The decision to appoint or remove the Company Secretary is made by the Board as a whole.

Should Directors, whether as a group or individually, need independent professional advice to enable them to discharge their duties, the Company, subject to the approval of the Board, will appoint a professional advisor to render advice at the cost of the Company.

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 comprises the following members, all of whom are independent non-executive Directors:-

Ong Seh Hong	Chairman and Independent Director
Khor Poh Hwa	Member and Independent Director
Koh Lian Huat	Member and Lead Independent Director
Hoon Tai Meng	Member and Independent Director

The principal responsibilities of the RC are set out in the terms of reference and its key functions include:-

- reviewing and recommending to the Board, a framework of remuneration and to determine the specific remuneration packages and terms of employment for Directors, the CEO, senior management of the Group and employees related to Directors or controlling shareholders of the Group;
- reviewing the service contracts of the executive Directors; and
- administering the Hock Lian Seng ("HLS") Employee Share Option Scheme and HLS Performance Share Plan.

The RC meets at least once a year and at other times as required. No Director is involved in deciding his own remuneration, except in providing information and documents if specifically requested by the RC to assist in its deliberations.

The RC's review covers all aspects of remuneration, including Directors' fees, salaries, allowances, bonuses, share option scheme, share based incentives and awards and benefits-in-kind. The RC's recommendations are submitted for endorsement by the entire Board.

The RC members are knowledgeable in the field of executive compensation and also have access to expert advice from external consultants, where necessary. No external expert advice was engaged by the Company in FY2018.

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In setting out the remuneration packages, the RC would take into consideration pay and employment conditions within the industry and in comparable companies. The remuneration packages should take into account the Company's relative performance and the performance of the individual Directors and key management personnel.

The Directors' fees to be paid for any one (1) year are submitted for shareholders' approval at the AGM.

In reviewing the service agreements of the executive Directors and key management personnel of the Company, the RC will review the Company's obligations arising in the event of termination of these service agreements, to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoids rewarding poor performance.

Level and Mix of Remuneration

Principle 8: The level and the 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 objective of the Group's remuneration policy is to ensure that the level and structure of the remuneration are aligned with the long-term interests and risk policies of the Company, and that the remuneration is able to attract, retain and motivate the Board to provide good stewardship for the Company and Senior Management to successfully manage the Company and the Group as a whole.

Non-executive Directors are paid a fixed fee, taking into account the effort, time spent and responsibilities of each Non-Executive Director. The fees of Non-Executive Directors are subject to shareholders' approval at the AGM. Non-Executive Directors should not be over-compensated to the extent that their independence may be compromised and no Director is involved in deciding his own remuneration.

The Executive Directors do not receive Directors' fees. The remuneration packages of the Executive Directors and the key management personnel are governed by their respective service agreements and comprise primarily a basic salary component and a variable component which is the bonuses and other benefits. Having reviewed and considered the variable components of remuneration of the Executive Directors and key management personnel, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions in the terms of employment to reclaim incentive components of their remuneration in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Group.

Disclosure of Remuneration

Principle 9: Each 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.

Directors of Company	Fixed component ¹	Variable component ²	Directors' Fees	Total Compensation	Number of shares granted during the year ³
	%	%	%	%	
\$ 500,000 to \$750,000					
Chua Leong Hai	63	37	–	100	–
\$250,000 to \$500,000					
Chew Tuan Dong	74	26	–	100	50,000
Chua Siok Peng	73	27	–	100	–

Notes:

¹ Fixed component refers to base salary earned, allowances, benefits in kind and employer CPF.

² Variable component refers to variable bonus, performance bonus and employer CPF.

³ Value of the shares awarded has been included in the "Variable component".

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Directors of Company	Fixed component ¹ %	Variable component ² %	Directors' Fees %	Total Compensation %	Number of shares granted during the year ³
Below \$250,000					
Hoon Tai Meng	–	–	100	100	–
Kee Guan Chua	70	30	–	100	105,000
Khor Phor Hwa	–	–	100	100	–
Koh Lian Huat	–	–	100	100	–
Ong Seh Hong	–	–	100	100	–

Notes:

- ¹ Fixed component refers to base salary earned, allowances, benefits in kind and employer CPF.
- ² Variable component refers to variable bonus, performance bonus and employer CPF.
- ³ Value of the shares awarded has been included in the "Variable component".

In view of confidentiality of remuneration matters, the Board believes that it is in the best interests of the Company and the Group not to disclose the exact remuneration of the Directors in the annual report and the disclosure based on the above remuneration bands is appropriate.

Remuneration of the Key Management Personnel

Remuneration paid or accrued to the top five key executives (who are not Directors nor the CEO) for FY2018 is as follows:-

Key Executives of Company	Fixed component ¹ %	Variable component ² %	Total Compensation %
\$250,000 to \$500,000			
First Executive	81	19	100
Second Executive	74	26	100
Third Executive	73	27	100
Below \$250,000			
Fourth Executive	80	20	100
Fifth Executive	75	25	100

Notes:

- ¹ Fixed component refers to base salary earned, allowances, benefits in kind and employer CPF
- ² Variable component refers to variable bonus, performance shares and employer CPF

Due to the highly competitive industry conditions coupled with the confidentiality and sensitivity of remuneration matters, the names of the top five key management personnel are not disclosed.

The aggregate of the total remuneration paid to the above key management personnel for FY2018 was \$1,406,000.

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Remuneration of Employees related to Directors or the CEO

Employees who are immediate family members of Directors or CEO and remuneration exceeding S\$50,000 are listed below:-

Remuneration Bands	Relationship to Directors or the CEO
S\$100,001 to S\$150,000	
Chua Hua Hong	Brother of Chua Leong Hai and uncle of Chua Siok Peng
S\$50,001 to S\$100,000	
Chua See	Brother of Chua Leong Hai and uncle of Chua Siok Peng

Save as disclosed above, no employee of the Group, whose remuneration exceeded S\$50,000 during FY2018, was an immediate family member of a Director or the CEO.

For FY2018, there were no termination, retirement and post-employment benefits granted to Directors, the CEO and the top key management personnel (who are not Directors or the CEO).

HLS Share-based Incentives

The Company has adopted a share option scheme known as the "HLS Employee Share Option Scheme" ("**Scheme**") and a performance share plan known as the "HLS Performance Share Plan" ("**Plan**"), both of which were approved at an Extraordinary General Meeting ("**EGM**") of the Company's then Shareholders held on 1 December 2009. The RC is responsible for the administration of the share-based remuneration plans.

Both the Scheme and the Plan will provide employees of the Group with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty.

Each of the Scheme and the Plan shall continue in force at the discretion of the RC subject to a maximum period of 10 years commencing on the date it is adopted by the Company in general meeting, provided always that it may continue beyond the above stipulated period with the approval of Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

The Company has not granted any options since the date of approval of the Scheme.

During FY2018, 2,125,000 shares (which vest immediately upon grant) were awarded under the Plan. As at the end of FY2018, awards have been granted under the Plan as follows:

Name of participants	Number of shares comprised in awards during FY2018 (including terms)	Aggregate number of shares comprised in awards from commencement of Plan to end of FY2018	Number of shares comprised in awards which have been issued and/or transferred since commencement of Plan to end of FY2018	Number of shares comprised in awards not vested as at end of FY2018
Director - Chew Tuan Dong	50,000*	50,000	50,000	Nil
Director - Kee Guan Chua	105,000*	105,000	105,000	Nil
Other employees	1,970,000*	1,970,000	1,970,000	Nil

* Vesting immediately upon grant

No grant of awards to controlling shareholders and their associates who are employees or Independent Directors as they are not eligible to participate in the Plan.

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Accountability and Audit

Accountability

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

The Management will provide the members of the Board with management reports regularly. Such reports will keep the Board updated as well as enable the members to have a balanced and objective assessment of the Group's performance, position and prospects. The Management will also assist the Board to provide the Shareholders with a balanced and understandable assessment of the Group's performance, financial position and prospects via the issuance of the Company's annual reports and quarterly announcements of its financial results and disclosure of other relevant information of the Group.

All the Directors and executive officers of the Company have signed the undertaking letters pursuant to the amended Rule 720(1) of the Listing Manual of SGX-ST.

Financial reports and other price-sensitive information are disseminated to shareholders through announcements via SGXNET, press release and/or posted on the Company's website. The Company's Annual Report is sent to all shareholders and accessible on the Company's website.

The Board is updated with significant events that have occurred or material to the Group during the year. The Management provides the Board with financial updates on the performance and position of the Group to keep Board members informed and updated on a monthly basis in order that it may effectively discharge their duties.

Risk Management and Internal Controls

Audit Committee

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.

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

The ARMC (Audit Committee was renamed to Audit and Risk Management Committee in 2012) comprise the following members, all of whom are independent non-executive Directors:-

Koh Lian Huat	Chairman and Lead Independent Director
Khor Poh Hwa	Member and Independent Director
Ong Seh Hong	Member and Independent Director
Hoon Tai Meng	Member and Independent Director

The Board has reviewed and is satisfied that the members of the ARMC are appropriately qualified to discharge their responsibilities, with Koh Lian Huat having the requisite accounting or related financial management expertise or experience. The members of the ARMC are scheduled to meet to review the quarterly results before announcement and may meet at other times as when required. The functions of the ARMC include the following:-

- review with the external auditors the audit plan, audit report, management letter and the Management's corresponding response;
- review with independent internal auditors the internal audit plan and their evaluation of the adequacy of the internal controls of the Company;
- review the internal controls (including financial controls, operational and compliance controls and risk management policies and systems established by the Management) and procedures and ensure co-ordination between the external auditors and the Management, reviewing the assistance given by the Management to the auditors, and discuss problems and concerns, if any, arising from the audits, and any matters which the auditors may wish to discuss (in the absence of our Management where necessary);

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- consider and recommend the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors, review the independence and objectivity of the external auditors annually;
- review transactions falling within the scope of Chapter 9 and Chapter 10 of the SGX-ST (if any);
- review arrangements by which the employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting and to ensure that arrangement are in place for the independent investigations of such matter and for appropriate follow-up;
- 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 Singapore law, rule or regulation which has or is likely to have a material impact on the Company's operating results and/or financial position; and
- determine the company's levels of risk tolerance and risk policies, and oversee Management in the design, implementation and monitoring of the risk management and internal control systems.

In July 2010, the SGX-ST and Accounting and Corporate Regulatory Authority ("**ACRA**") launched the "Guidance to Audit Committees on Evaluation of Quality of Work performed by External Auditors" which aims to facilitate the AC in evaluating the external auditors. Accordingly, the AC had evaluated the performance of the external auditors based on the key indicators of audit quality set out in the Guidance such as performance, adequacy of resources and experience of the audit engagement partner and auditing team assigned to the Group's audit, the size and complexity of the Group.

In addition, in October 2015, with the support from SGX-ST and Singapore Institute of Directors, ACRA had introduced the Audit Quality Indicators ("**AQIs**") Disclosure Framework to assist the AC in evaluating the re-appointment of external auditors based on eight (8) quality markers that correlate closely with audit quality. Accordingly, the AC had evaluated the external auditors based on the eight (8) AQIs at engagement and/or firm-level.

Annually, the ARMC meets with the external auditors, and with the internal auditors, without the presence of the Company's Management. ARMC members keep abreast of changes to accounting standards and important accounting issues with continuing education. In addition, the external auditors update the ARMC on the changes to accounting standards and issues which have a direct impact on financial statements to the Company.

The ARMC and the Board confirmed that in appointing the auditing firms for the Company, subsidiaries and significant associated companies, the Group has complied with Rules 712 and 715 of the Listing Manual issued by SGX-ST in relation to its auditors.

The ARMC has undertaken a review of all non-audit services provided by the external auditors during the financial year, and in the ARMC's opinion, the provision of these services does not impair the independence of the external auditors. The ARMC had recommended to the Board the re-appointment of Messrs Ernst & Young LLP as the external auditors of the Company at the forthcoming AGM.

The fees payable to auditors is separately disclosed in the audited financial statements in this Annual Report.

The Group has implemented a whistle-blowing policy. The policy aims to provide an avenue for employees to raise concerns about misconducts in the Group and at the same time assure them that they will be protected from victimization for whistle blowing in good faith. The ARMC will review any cases for significance and ensure adequacy and independence of investigation actions and resolutions.

CORPORATE GOVERNANCE REPORT

Financial matters

In the review of the financial statements, ARMC has discussed with Management and external auditors the accounting principles that were applied and their judgement of issues that might affect the integrity of the financial statements.

The ARMC reviewed the key audit matters ("KAMs") for FY2018. In assessing the KAMs, the ARMC took into consideration the approach, methodology and key assumptions applied. The ARMC also considered the work performed by the external auditors. The ARMC concluded that Management's accounting treatment and estimates in the KAMs were appropriate. The KAMs are set out in the external auditors' report for FY2018 on pages 37 to 39 of this Annual Report.

Risk Management

The Management regularly reviews its Group's business and operational activities and to identify areas of significant business risk as well as take appropriate measures to manage and mitigate these risks.

The ARMC reviews and guides Management in the formulation of risk policies and processes to identify, evaluate and manage significant risks. The Management reports to the ARMC on control policies and procedures and highlights all significant matters to the ARMC on regular basis. Risks arising from the Group's financial operations are separately disclosed in the audited financial statements of this Annual Report.

The BSC was established in 2012 to oversee and monitor the establishment and maintenance of the safety practices and policies of the Group.

The BSC comprises the following members, all of whom are independent non-executive Directors:-

Khor Poh Hwa	Chairman and Independent Director
Koh Lian Huat	Member and Lead Independent Director
Ong Seh Hong	Member and Independent Director
Hoon Tai Meng	Member and Independent Director

The BSC is supported by the Management and safety officer of the Group. BSC attended site safety meeting, reviewed the safety reports and ensured adequate budget is allocated for safety training.

Internal Controls

The Board acknowledges that it is responsible for the overall internal control framework, but recognizes that no cost effective internal control system will preclude all errors and irregularities. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The ARMC is responsible for ensuring that a review of the adequacy of the Company's internal financial controls, operational and compliance controls, as well as risk management policies and systems established by the Management is conducted at least annually.

The Board has received assurance from the CEO and CFO that:-

- 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
- The system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risks in the Group.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by the Management, ARMC and the Board, the Board with the concurrence of the ARMC is of the opinion that the systems of the internal controls is adequate and effective in addressing the financial, operational, compliance risks, information technology controls and risk management system for FY2018.

CORPORATE GOVERNANCE REPORT

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 Board recognizes the importance of maintaining an internal audit function to provide an independent assurance over the soundness of the system of internal controls within the Group to safeguard shareholders' investments and the Company's assets. The ARMC has the responsibility to review the adequacy of the internal audit function annually, review the internal audit program and ensure co-ordination between internal auditors, external auditors and Management, and ensure that the internal auditors meets or exceeds the standards set by nationally or internationally recognized professional bodies. The ARMC also reviews and approves the hiring, removal and evaluates its outsourced internal auditors.

The Group has outsourced its internal audit function to RSM Risk Advisory Pte. Ltd. The Internal Auditor has adopted the Standards for Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The Internal Auditors primary reported to the ARMC Chairman.

The Internal Auditor plans its audit schedules in consultation with the Management and its plans are submitted to the ARMC for approval. The ARMC reviews and approves the internal audit plans and resources annually. Based on their review, the ARMC believes that the Internal Auditor is independent and has the appropriate standing to perform its functions effectively. Based on the information provided to the ARMC, nothing has come to the ARMC's attention to cause the ARMC to believe that the internal control system is inadequate.

Shareholder Rights and Responsibilities

Shareholder Rights, Communications with Shareholders and Conduct of Shareholder Meetings

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.

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.

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.

The Company recognises the need to communicate with shareholders on all material matters affecting the Group and does not practice selective disclosure. Financial results and other material information are communicated to shareholders on equal and timely basis through SGXNET.

The Company also communicates through its corporate website at <http://www.hlsgroup.com.sg> which provides shareholders with corporate announcements, press releases, annual reports and profile of the Group.

All the shareholders are entitled to receive the Annual Report together with the notice of AGM by post, published in a newspaper and via SGXNET within the mandatory period. Besides that, all the shareholders also will receive the relevant circular together with the notice of EGM by post, published in a newspaper and via SGXNET.

The AGM of the Company provides a principal forum for dialogue and interaction with shareholders. Members of the Board, including the chairman of the ARMC, NC and RC, and the Company's external auditors are present to address questions raised by shareholders at AGM.

CORPORATE GOVERNANCE REPORT

Issues or matters requiring shareholders' approval are tabled in the form of separate and distinct resolutions for each substantially separate issue. Where the resolutions are interdependent and linked so as to form one significant proposal, the resolutions may be "bundled" but with an explanation from the Company of the reasons and material implications.

The Company prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management. These minutes are available to shareholders upon their request.

The Company's Constitution allows corporations and members of the Company to appoint one (1) or two (2) proxies to attend and vote at general meetings. A Relevant Intermediary¹ may appoint more than 2 proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified). An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (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.

Resolutions are put to vote by poll and the detailed results of each resolution are announced via SGXNet after the general meetings.

Dividend Policy

The Company is committed to enhancing value for its shareholders and strives to achieve an efficient capital structure that balances the returns to shareholders with the Company's capital needs for investment and growth.

The dividend that the Board may recommend in respect of each financial year is subject to various factors such as the level of available cash, financial performance and projected capital expenditures and investment plans. Over the past five years, annual dividends paid out by the Group (excluding special dividends) was about 30% of the Group's total net profit after tax.

Dealings in Securities

The Company has adopted an internal code on dealings in securities to govern dealings in its shares by the Directors and the employees of the Group. This internal code is made in compliance with Rule 1207(19) of the Listing Manual of the SGX-ST relating to dealings in securities and has been disseminated to the Directors and the employees of the Group informing them of the implications on insider trading.

The internal code prohibits the dealing in securities of the Company by Directors and employees while in possession of price-sensitive information, and during the period commencing two weeks before the announcement of the quarterly results or the period of one month in the case of the announcement of the full year results, and ending on the date of the announcement. Directors are required to report securities dealings to the Company and the necessary announcements are made as required. In addition, Directors and employees are reminded to observe insider trading rules at all times and not to deal with the Company's securities on short-term considerations.

Material Contracts

Except as disclosed in the financial statements, there was no material contracts entered into by the Company or its subsidiary companies, involving the interests of any Director or controlling shareholder subsisting at the end of the FY2018.

¹ A Relevant Intermediary is:

- a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- b) a person holding a capital markets services license to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

CORPORATE GOVERNANCE REPORT

Interested Person Transactions

The Company has established procedures to ensure that transactions with interested persons are properly reviewed and approved and are conducted at arm's length basis.

The Company will seek a general mandate from its shareholders if necessary for those recurrent transactions of revenue or trading nature or those necessary for its day-to-day operations.

During the year, there was no interested person transactions in value of \$100,000 or above that had entered into with a firm in which a Director is a member and has a substantial financial interest.

The Company does not have a general shareholders' mandate for interested person transactions pursuant to Rule 920 of the SGX-ST Listing Manual.

Sustainability Report

The Sustainability report of the Company will be released via SGXNET at a later date and a copy will be made available on the Company's website at www.hlsgroup.com.sg.

Table A:

To provide the information as set out in Appendix 7.4.1 relating to the candidate who is proposed to be appointed for the first time or re-elected to the board at a general meeting, in the notice of meeting, annual report or relevant circular distributed to shareholders prior to the general meeting.

The Directors named below are retiring and being eligible, offer themselves for re-election at the upcoming AGM:-

Name of Director	Chua Leong Hai	Khor Poh Hwa	Hoon Tai Meng
Date of Appointment	20 May 2009	30 November 2009	1 October 2018
Date of last re-appointment (if applicable)	26 April 2016	25 April 2017	N.A.
Age	77	69	68
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company is of the opinion that Mr Chua can continue to contribute positively to the Company after reviewing the NC's recommendation and Mr Chua's extensive experience.	After having considered the experience and skills of Mr Khor, the Board with the recommendation of the Nominating Committee, approved the appointment of Mr Khor as Independent Director of the Company.	The Nominating Committee of the Company has reviewed the qualification, experience of Mr Hoon and has recommended his appointment to the Board as an Independent Non-Executive Director of the Company. The Board is of the view that Mr Hoon will contribute positively to the Group.
Whether appointment is executive, and if so, the area of responsibility	Executive	Non-Executive and Independent	Non-Executive and Independent

CORPORATE GOVERNANCE REPORT

Name of Director	Chua Leong Hai	Khor Poh Hwa	Hoon Tai Meng
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director and Chief Executive Officer, Member of Nominating Committee	Independent Director, Chairman of Nominating and Board Safety Committees, Member of Remuneration and Audit and Risk Management Committees	Independent Director, Member of Nominating, Remuneration, Audit and Risk Management and Board Safety Committees
Professional qualifications	Diploma in Management Studies	Bachelor of Engineering (Civil); Master of Science (Civil Engineering) and Professional Engineering (Civil)	LLB (Hons) Chartered Accountant (Singapore)
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	1. Father of Chua Siok Peng 2. Brother of Chua Hua Hong 3. Brother of Chua See	None	None
Conflict of interest (including any competing business)	None	None	None
Working experience and occupation(s) during the past 10 years	CEO and Executive Director of Hock Lian Seng Holdings Limited	1999 -2005: CPG Corporation Pte Ltd – Chief Executive Officer 2005-2008 : CPG Corporation Pte Ltd - Senior Adviser	July 2007 to June 2011: M/s Khattar Wong Advocates & Solicitors, Partner - Handling mainly corporate matters and civil litigation July 2011 to June 2018: Chip Eng Seng Corporation Ltd, Executive Director - Assisting the Board in the business operation and corporate matters July 2018 to present: RHTLaw Taylor Wessing Ltd, Senior Consultant - Corporate & Capital Market, Private Wealth & Real Estate
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes

CORPORATE GOVERNANCE REPORT

Name of Director	Chua Leong Hai	Khor Poh Hwa	Hoon Tai Meng
Shareholding interest in the listed issuer and its subsidiaries	Direct interest - 193,871,547 shares Indirect interest - 42,118,037 shares	N.A.	N.A.
Other Principal Commitments* Including Directorships#	Past (for the last 5 years) None	Past (for the last 5 years) 1. Non-Executive Chairman and Director of Keppel Infrastructure Fund Management Pte Ltd 2. Director of Keppel Land Limited Present 1. Non-Executive Director of Keppel Telecommunications & Transportation Ltd	Past (for the last 5 years) 1. Executive Director of Chip Eng Seng Corporation Ltd Present 1. Sin Ghee Huat Corporation Ltd 2. Cocoaorient Pte Ltd 3. Pavillon Holdings Ltd. 4. Koufu Group Limited 5. Ee Hoe Hean Club
* "Principal Commitments" has the same meaning as defined in the Code			
# These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)			

Information required

Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.

Question	Chua Leong Hai	Khor Poh Hwa	Hoon Tai Meng
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No

CORPORATE GOVERNANCE REPORT

Question	Chua Leong Hai	Khor Poh Hwa	Hoon Tai Meng
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-			
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No

CORPORATE GOVERNANCE REPORT

Question	Chua Leong Hai	Khor Poh Hwa	Hoon Tai Meng
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No	No
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?			
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No
Disclosure applicable to the appointment of Director only.			
Any prior experience as a director of an issuer listed on the Exchange?	No	Yes	Yes
If yes, please provide details of prior experience	N.A.	1. Director of Keppel Land Limited 2. Non-Executive Chairman and Director of Keppel Infrastructure Fund Management Pte Ltd (the Trust-Manager of Keppel Infrastructure Trust)	1. Executive Director of Chip Eng Seng Corporation Ltd
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	Has been a director of the Company for many years	N.A.	N.A.
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Has been a director of the Company for many years	Has been a director of several public listed companies for many years	Has been a director of several public listed companies for many years

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Hock Lian Seng Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2018.

1. Opinion of the directors

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company 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 31 December 2018 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

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

Chua Leong Hai @ Chua Leang Hai
Kee Guan Chua
Koh Lian Huat
Khor Poh Hwa
Ong Seh Hong
Chew Tuan Dong
Chua Siok Peng
Hoon Tai Meng

3. Arrangements to enable directors to acquire shares and debentures

Except as disclosed in the Corporate Governance report – HLS Share-based incentives, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

4. Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

Name of Director	Direct interest		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
<i>Hock Lian Seng Holdings Limited</i>				
Ordinary shares				
Chua Leong Hai @ Chua Leang Hai	193,871,547	193,871,547	42,118,037	42,118,037
Chua Siok Peng	8,319,265	8,319,265	-	-
Kee Guan Chua	450,000	555,000	-	-
Chew Tuan Dong	-	50,000	-	-

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2019.

By virtue of Section 7 of the Singapore Companies Act, Cap. 50, Chua Leong Hai @ Chua Leang Hai is deemed to have interests in the shares held by the Company in its subsidiaries.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning, or at the end of the financial year.

5. Share options

No share options have been granted by the Company since its incorporation.

DIRECTORS' STATEMENT

6. Audit and Risk Management Committee

The Audit and Risk Management Committee ("ARMC") comprises the following four Independent Directors:

Koh Lian Huat (Chairman)
Khor Poh Hwa
Ong Seh Hong
Hoon Tai Meng

The ARMC performs the functions in accordance with section 201B (5) of the Singapore Companies Act, Cap. 50, including the following:

- Reviews the audit plans of the internal and external auditors of the Group and the Company and reviews the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group's and the Company's management to the external and internal auditors;
- Reviews the quarterly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors;
- Reviews the adequacy and effectiveness of the Group's and the Company's material internal controls, including financial, operational, compliance and information technology controls and risk management systems via reviews carried out by the internal auditor;
- Meets with the external auditor, other committees and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the ARMC;
- Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programs and any reports received from regulators;
- Reviews the cost effectiveness and the independence and objectivity of the external auditor;
- Reviews the nature and extent of non-audit services provided by the external auditor;
- Recommends to the board of directors the external auditor to be nominated, approves the compensation of the external auditor, and reviews the scope and results of the audit;
- Reports actions and minutes of the ARMC to the board of directors with such recommendations as the ARMC considers appropriate; and
- Reviews interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's ("SGX-ST's") Listing Manual.

The ARMC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The ARMC has also conducted a review of interested person transactions.

The ARMC convened four meetings during the year. The ARMC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the ARMC are disclosed in the Report on Corporate Governance.

DIRECTORS' STATEMENT

7. Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors,

Chua Leong Hai @ Chua Leang Hai
Director

Chew Tuan Dong
Director

Singapore
29 March 2019

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOCK LIAN SENG HOLDINGS LIMITED

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the 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 Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and 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 period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Revenue recognition from civil engineering construction projects

The Group recognised revenue for civil engineering construction projects over time by reference to the stage of completion of the contract activity at the end of each reporting period. The stage of completion is measured by reference to the proportion of contract cost incurred to date to the estimated total contract costs (input method). The accounting for such civil engineering construction projects is complex due to high level of estimation uncertainty in determining the costs to complete. This uncertainty is due to the nature of the operations, which may be impacted by the technical complexity of projects and the precision of cost estimation as at balance sheet date. The uncertainty and subjectivity could result in estimation variances which will affect the determination of revenue, and hence may have a significant impact on the results of the Group. Accordingly, revenue recognition from civil engineering construction projects is identified as a key audit matter.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Key Audit Matters (cont'd)

Revenue recognition from civil engineering construction projects (cont'd)

As part of our audit, we:

- Reviewed terms and conditions of contracts with customers and suppliers, the contractual sums and checked project revenues and costs incurred against underlying supporting documents.
- Conducted site visits, perused customers and subcontractor correspondences and discussed the progress of the projects with project managers for indications of any potential disputes, variation order claims, known technical issues or significant events that could impact the estimated costs or revenues.
- Analysed changes in estimates of costs from prior periods and assessed the consistency of these changes with progress of the projects during the year.
- Examined approved project cost budgets and reviewed management's estimates for total contract costs and forecasted cost to complete, considering the historical accuracy of such estimates.
- Reviewed the projects' completion percentages in light of costs incurred.
- Assessed the adequacy of the Group's disclosures made in Note 4 to the financial statements.

Provision for maintenance and warranties for civil engineering construction projects

The Group assessed the provision for maintenance and warranties for civil engineering construction projects based on the estimated rectification costs to be incurred for the projects during the defect liability and warranty periods. The costs are estimated based on historical claim experiences and takes into consideration factors specific to each project such as the duration of the warranty period, extent of the affected areas to be repaired, and expected costs to be incurred. Given its magnitude and the significant judgement involved in management's assessment, the provision for maintenance and warranties is identified as a key audit matter in our audit.

During our audit, among other procedures, we:

- Assessed the reasonableness of the provision for maintenance and warranties by comparing with the average historical claim rates of the respective projects, where available, or of other similar projects, and discussing the basis of the provisions with the project teams in respect of anticipated rectification works.
- Tested the key estimates against contracts with subcontractors and suppliers' invoices, as well as materials and labour costs estimates prepared by the project teams and re-computed management's calculation of the provision for warranty costs.
- Tested management's provision computation against the contracts terms and conditions on a sample basis, perused customers and subcontractor correspondences, reviewed project files and reviewed Board's minutes for significant contracts entered into during the year for completeness check.
- Assessed the adequacy of the Group's disclosures relating to provision for maintenance and warranties which is included in Note 24 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Key Audit Matters (cont'd)

Carrying value of development properties

As at 31 December 2018, the completed development properties held-for-sale amounted to S\$103,052,000, which represented 30% of the Group's total assets at that date. These properties are stated at the lower of cost and net realisable value ("NRV"). The determination of the NRV of these properties requires estimations, including expected future selling prices and costs necessary to complete the sale of these properties, and is assessed by management with reference to the independent valuations carried out by the external property valuers for certain properties. As such, we have identified this to be a key audit matter.

As part of our audit, we:

- Inquired management on existence of any indicators that the NRV is lower than the cost of development properties.
- Reviewed management's impairment assessment and/or the external valuation reports from the professional valuers for remaining unsold units of development properties.
- Assessed the reasonableness of the estimated selling prices, taking into considering the market prices for similar properties in the respective markets, where applicable.
- Evaluated the objectivity, competence and capabilities of the external appraisers and appropriateness of methodology used.
- Assess the adequacy of the Group's disclosures relating to development properties which is included in Note 15 to the financial statements.

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Nelson Chen.

Ernst & Young LLP

Public Accountants and
Chartered Accountants

Singapore
29 March 2019

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

(Amounts in Singapore dollars)

		Group	
	Note	2018	Restated 2017
		S\$'000	S\$'000
Revenue	4	197,793	142,400
Cost of sales		(177,090)	(117,219)
Gross profit		20,703	25,181
Other income	5	3,498	4,050
Distribution and selling costs		(152)	(143)
Finance costs		(251)	(432)
Administrative costs		(4,860)	(5,333)
Other operating costs		(2,318)	(2,348)
Share of results of joint ventures		1,234	490
Profit before taxation	6	17,854	21,465
Income tax expense	7	(3,806)	(3,961)
Profit for the year		14,048	17,504
Profit attributable to:			
Owners of the Company		14,048	17,504
Earnings per share (cents)			
Basic	8	2.7	3.4
Diluted	8	2.7	3.4

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

(Amounts in Singapore dollars)

	Group	
	2018	Restated 2017
	S\$'000	S\$'000
Profit for the year	14,048	17,504
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Net loss on fair value changes of financial assets at fair value through other comprehensive income	(375)	-
Items that may be reclassified subsequently to profit or loss		
Net gain on fair value changes of available-for-sale financial assets	-	363
Other comprehensive income for the year, net of tax	(375)	363
Total comprehensive income for the year	13,673	17,867
Total comprehensive income attributable to:		
Owners of the Company	13,673	17,867

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

BALANCE SHEETS

AS AT 31 DECEMBER 2018

(Amounts in Singapore dollars)

		Group			Company		
	Note	2018	Restated 31 December 2017	Restated 1 January 2017	2018	31 December 2017	1 January 2017
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets							
Property, plant and equipment	9	37,694	35,049	15,629	-	-	-
Investment properties	10	2,850	2,900	3,100	-	-	-
Investment in joint ventures	13	1,711	1,303	15,313	-	-	-
Amount due from joint venture	22	34,537	-	-	-	-	-
Investments in subsidiaries	11	-	-	-	37,814	37,814	37,814
Investment securities	14	7,021	23,013	26,765	-	-	-
Deferred tax assets	26	973	1,435	3,771	-	-	-
		84,786	63,700	64,578	37,814	37,814	37,814
Current assets							
Contract assets	4	6,681	11,993	7,694	-	-	-
Development properties	15	103,052	95,625	71,337	-	-	-
Trade receivables	16	18,487	19,457	13,661	-	-	-
Other receivables	17	7,177	1,432	429	58,038	49,258	56,469
Amount due from joint ventures	22	151	72	157	-	-	-
Prepayments and deposits	18	3,114	2,718	1,427	-	-	-
Investment securities	14	24,977	9,330	4,460	-	-	-
Cash and short term deposits	19	94,376	132,081	205,984	1,357	5,245	42,285
		258,015	272,708	305,149	59,395	54,503	98,754
Current liabilities							
Trade and other payables	20	69,196	62,860	50,322	496	474	508
Amounts due to joint venture partners	21	63	69	9	-	-	-
Amount due to joint venture	22	-	2	-	-	-	-
Contract liabilities	4	36,526	40,422	32,214	-	-	-
Advance received from customer	23	5,277	5,277	-	-	-	-
Provisions	24	13,985	13,058	26,797	-	-	-
Loans and borrowings	25	11,490	-	13	-	-	-
Provision for taxation		3,899	2,190	1,562	76	138	130
		140,436	123,878	110,917	572	612	638
Net current assets		117,579	148,830	194,232	58,823	53,891	98,116

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

BALANCE SHEETS

AS AT 31 DECEMBER 2018

(Amounts in Singapore dollars)

			Group			Company	
	Note	2018	Restated 31 December 2017	Restated 1 January 2017	2018	31 December 2017	1 January 2017
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Non-current liabilities							
Deferred income		138	–	–	–	–	–
Loans and borrowings	25	–	15,090	15,490	–	–	–
		138	15,090	15,490	–	–	–
Net assets		202,227	197,440	243,320	96,637	91,705	135,930
Equity attributable to owners of the Company							
Share capital	27	59,954	58,956	58,956	59,954	58,956	58,956
Capital reserve	28	1,000	1,000	1,000	–	–	–
Fair value adjustment reserve	29	165	540	177	–	–	–
Accumulated profits		157,347	153,183	199,426	36,683	32,749	76,974
Merger deficit	30	(16,239)	(16,239)	(16,239)	–	–	–
Total equity		202,227	197,440	243,320	96,637	91,705	135,930

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 31 DECEMBER 2018

(Amounts in Singapore dollars)

		Attributable to owners of the Company							
2018 Group	Note	Share capital (Note 27)	Capital reserve (Note 28)	Fair value adjustment reserve (Note 29)	Accumulated profits	Merger deficit (Note 30)	Total reserves	Total equity	
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
At 1 January 2018 (FRS framework)		58,956	1,000	540	157,160	(16,239)	142,461	201,417	
Cumulative effects of adopting SFRS(I)	2.2	-	-	-	(4,644)	-	(4,644)	(4,644)	
At 1 January 2018 (SFRS(I) framework)		58,956	1,000	540	152,516	(16,239)	137,817	196,773	
Profit for the year		-	-	-	14,048	-	14,048	14,048	
<u>Other comprehensive income</u>									
Net loss on fair value changes of financial assets at fair value through other comprehensive income		-	-	(375)	-	-	(375)	(375)	
Total comprehensive income for the year		-	-	(375)	14,048	-	13,673	13,673	
<u>Contributions and distributions to owners</u>									
Dividends on ordinary shares (Note 32)		-	-	-	(9,217)	-	(9,217)	(9,217)	
Issuance of ordinary shares during the year		998	-	-	-	-	-	998	
Total transactions with owners in their capacity as owners		998	-	-	(9,217)	-	(9,217)	(8,219)	
At 31 December 2018		59,954	1,000	165	157,347	(16,239)	142,273	202,227	

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 31 DECEMBER 2018 (CONT'D)

(Amounts in Singapore dollars)

2017 Group	Note	Attributable to owners of the Company					Total reserves	Total equity
		Share capital (Note 27)	Capital reserve (Note 28)	Fair value adjustment reserve (Note 29)	Accumulated profits	Merger deficit (Note 30)		
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 January 2017 (FRS framework)		58,956	1,000	177	201,130	(16,239)	186,068	245,024
Cumulative effects of adopting SFRS(I)	2.2	-	-	-	(1,704)	-	(1,704)	(1,704)
At 1 January 2017 (SFRS(I) framework)		58,956	1,000	177	199,426	(16,239)	184,364	243,320
Profit for the year		-	-	-	17,504	-	17,504	17,504
<u>Other comprehensive income</u>								
Net gain on fair value changes of available-for-sale financial assets		-	-	363	-	-	363	363
Total comprehensive income for the year		-	-	363	17,504	-	17,867	17,867
<u>Contributions and distributions to owners</u>								
Dividends on ordinary shares (Note 32)		-	-	-	(63,747)	-	(63,747)	(63,747)
Total transactions with owners in their capacity as owners		-	-	-	(63,747)	-	(63,747)	(63,747)
At 31 December 2017		58,956	1,000	540	153,183	(16,239)	138,484	197,440

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 31 DECEMBER 2018 (CONT'D)

(Amounts in Singapore dollars)

2018 Company	Share capital (Note 27) S\$'000	Accumulated profits S\$'000	Total equity S\$'000
At 1 January 2018 (FRS framework and SFRS(I) framework)	58,956	32,749	91,705
Profit, representing total comprehensive income, for the year	–	13,151	13,151
<u>Contributions by and distributions to owners</u>			
Dividends on ordinary shares (Note 32)		(9,217)	(9,217)
Issuance of ordinary shares during the year	998	–	998
Total transactions with owners in their capacity as owners	998	(9,217)	(8,219)
At 31 December 2018	59,954	36,683	96,637

2017 Company	Share capital (Note 27) S\$'000	Accumulated profits S\$'000	Total equity S\$'000
At 1 January 2017	58,956	76,974	135,930
Profit, representing total comprehensive income, for the year	–	19,522	19,522
<u>Contributions by and distributions to owners</u>			
Dividends on ordinary shares (Note 32)	–	(63,747)	(63,747)
Total transactions with owners in their capacity as owners	–	(63,747)	(63,747)
At 31 December 2017	58,956	32,749	91,705

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

(Amounts in Singapore dollars)

	2018 S\$'000	Restated 2017 S\$'000
Cash flows from operating activities		
Profit before taxation	17,854	21,465
Adjustments for:		
Depreciation of property, plant and equipment	5,348	3,975
Dividend income from investment securities	(111)	(101)
Gain on disposal of property, plant and equipment	(181)	(190)
Fair value loss on investment properties (net)	50	200
Fair value loss/(gain) on investment securities	1,232	(125)
Impairment loss on held-to-maturity debt instruments	-	1,132
Interest income	(2,706)	(3,315)
Share of results of joint ventures	(1,234)	(490)
Share-based compensation expenses	998	-
Unrealised (gain)/loss on foreign exchange	(328)	182
Operating cash flows before changes in working capital	20,922	22,733
Decrease/(increase) in:		
Contract assets	5,312	(4,299)
Trade receivables	970	(5,796)
Development properties	(7,427)	(24,288)
Other receivables	(5,797)	(991)
Prepayments and deposits	(396)	(1,291)
Increase/(decrease) in:		
Trade and other payables and provisions	7,263	(1,201)
Contract liabilities	(3,896)	8,208
Advance received from customer	-	5,277
Deferred income	138	-
Cash flows from/(used in) operations	17,089	(1,648)
Interest received – loans and receivables	1,261	1,717
Income tax paid	(1,635)	(997)
Net cash flows from/(used in) operating activities	16,715	(928)

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

(Amounts in Singapore dollars)

	2018	Restated 2017
	S\$'000	S\$'000
Cash flows from investing activities		
Acquisition of interest in joint venture company	(1,350)	–
Dividend income from investment securities	111	101
Advances to joint venture	(34,161)	–
(Increase)/decrease in amounts due from joint ventures	(79)	85
(Decrease)/increase in amount due to joint venture	(2)	2
(Decrease)/increase in amounts due to joint venture partners	(6)	60
Proceeds from disposal of property, plant and equipment	269	345
Proceeds from maturity of investment securities	12,050	6,031
Purchases of property, plant and equipment	(8,081)	(23,550)
Purchases of investment securities	(13,996)	(7,656)
Dividend received from a joint venture	1,800	14,500
Interest received – investment securities	1,514	1,449
Net cash flows used in investing activities	(41,931)	(8,633)
Cash flows from financing activities		
Dividends paid on ordinary shares	(9,217)	(63,747)
Repayment of bank loans	(3,600)	(400)
Repayment of obligation under finance lease	–	(13)
Net cash flows used in financing activities	(12,817)	(64,160)
Net decrease in cash and cash equivalents	(38,033)	(73,721)
Effect of exchange rate changes on cash and cash equivalents	328	(182)
Cash and cash equivalents at the beginning of year	132,081	205,984
Cash and cash equivalents at the end of year (Note 19)	94,376	132,081

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 31 DECEMBER 2018

1. Corporate information

Hock Lian Seng Holdings Limited (the “Company”) is a limited liability company, which is incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The registered office and the principal place of business of the Company is located at 80 Marine Parade Road, #16-08 Parkway Parade, Singapore 449269.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries, joint operations and joint ventures are disclosed in Notes 11, 12 and 13 respectively.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I”).

For all periods up to and including the year ended 31 December 2017, the Group prepares its financial statements in accordance with Financial Reporting Standards in Singapore (“FRS”). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for the information on how the Group adopted SFRS(I).

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (“SGD” or “S\$”) and all values are rounded to the nearest thousand (“S\$’000”), except when otherwise indicated.

2.2 First-time adoption of SFRS(I)

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group’s and the Company’s opening balance sheets were prepared as at 1 January 2017, the Group and the Company’s date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

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

- The comparative information does not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments: Disclosures* to the extent the disclosures relate to items within the scope of SFRS(I) 9.

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of SFRS(I) (cont'd)

SFRS(I) 9 Financial Instruments

On 1 January 2018, the Group adopted SFRS(I) 9 *Financial instruments*, which is effective for annual periods beginning on or after 1 January 2018. The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

(a) Classification and measurement

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVTPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retrospectively to those financial assets that were not de-recognised before 1 January 2018.

For debt instruments that were measured at amortised cost previously, the Group has performed a reassessment on their business model and has accordingly measured at FVTPL when it applies SFRS(I) 9 because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as mandatorily measured under FVTPL under SFRS(I) 9. The impact arising from this change resulted in a decrease in carrying value of S\$667,000 to the quoted debt instruments with a corresponding adjustment to the accumulated profits as at 1 January 2018.

SFRS(I) 9 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses on initial recognition, to present fair value changes in other comprehensive income.

For quoted equity securities, the Group will continue to measure its currently held-for-trading equity securities at FVTPL. The Group will irrevocably elect to measure its currently held available-for-sale equity securities through FVOCI. In addition, gains and losses in OCI are not recycled on disposal and there will be no impairment accounting. There is no significant impact arising from measurement of these instruments under SFRS(I) 9.

(b) Impairment

SFRS(I) 9 requires the Group to record expected credit losses ("ECL") on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

There is no impairment impact arising from assessment of these financial assets under SFRS(I) 9.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of SFRS(I) (cont'd)

SFRS(I) 9 Financial Instruments (cont'd)

The Group has assessed which business model apply to the financial assets held by the Group as at 1 January 2018 and has classified its financial instruments into the appropriate categories in accordance with SFRS(I) 9. The effects, before tax impact are as follows:

Measurement category	Group				
	FRS 39 carrying amount on 31 December 2017 S\$'000	Re- classification S\$'000	Re- measurement S\$'000	SFRS(I) 9 carrying amount on 1 January 2018 S\$'000	Accumulated profits effect on 1 January 2018 S\$'000
FVTPL	1,334	-	-	1,334	-
Reclassified from held- to-maturity (current)	-	7,996	(27)	7,969	(27)
Reclassified from held- to-maturity (non- current)	-	17,621	(640)	16,981	(640)
FVTPL balance, re- classifications and remeasurements at 1 January 2018	1,334	25,617	(667)	26,284	(667)
At amortised cost	25,617	-	-	25,617	-
Reclassified to FVTPL	-	(25,617)	-	(25,617)	-
At amortised cost balance, re- classifications and remeasurements at 1 January 2018	25,617	(25,617)	-	-	-

The initial application of SFRS(I) 9 does not have any reclassification effect to the Company's financial statements.

SFRS(I) 15 Revenue from Contracts with Customers

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018.

The Group is in the businesses of civil engineering, properties development and properties investment. The key impact of adopting SFRS(I) 15 is detailed as follows:

SFRS(I) 15 supersedes FRS 11 *Construction Contracts*, FRS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. SFRS(I) 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

SFRS(I) 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of SFRS(I) (cont'd)

SFRS(I) 15 Revenue from Contracts with Customers (cont'd)

The Group applied SFRS(I) 15 retrospectively and has elected to apply the exemption in SFRS(I) 1 to apply the following practical expedients in accordance with the transition provisions in SFRS(I) 15:

- For completed contracts, the Group has not restated contracts that begin and end within the same year or are completed contracts at 1 January 2017. Had the Group elected not to apply this practical expedient, the amount of revenue recorded for the prior year would have been lower;
- For the comparative year ended 31 December 2017, the Group has not disclosed the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the corresponding revenue is expected to be recognised.

The cumulative effect of initial applying SFRS(I) 15 is recognised at the date of initial application as an adjustment to the opening balance of accumulated profits.

a) Civil engineering

The Group previously recognised revenue from civil engineering projects using the percentage-of-completion method by reference to the professional surveys of performance completed to-date. Under SFRS(I) 15, revenue is recognised using the percentage-of-completion method by reference to the proportion of construction cost incurred to-date to the estimated total construction costs method ("input method").

The Group has determined that a cost-based input method provides a faithful depiction of the Group's performance in transferring control to the customers, as it reflects the Group's effort incurred to date relative to the total inputs expected to be incurred for the construction project.

Upon adoption of SFRS(I) 15, the Group de-recognised contract assets and recognised contract liabilities of S\$14,000 and S\$1,818,000 respectively and increased deferred tax assets of S\$282,000 as at 1 January 2017. As a result of these adjustments, accumulated profits as at 1 January 2017 decreased by S\$1,550,000.

The Group's balance sheet as at 31 December 2017 was restated, resulting in a de-recognition of contract assets and recognition of contract liabilities of S\$168,000 and S\$3,915,000 respectively, increase in deferred tax assets of S\$631,000 and decrease in accumulated profits of S\$3,452,000. The profit or loss for the year ended 31 December 2017 was also restated, resulting in a decrease in revenue and cost of sales of S\$11,977,000 and S\$9,725,000, and an increase in tax expense of S\$349,000.

b) Properties development

The Group previously recognised revenue from the sales of development properties under construction using completed contract method. Under SFRS(I) 15, for its residential and commercial developments, performance obligations for the sale of development properties are satisfied over time where the Group is restricted contractually from directing the properties for another use as they are being developed and has an enforceable right to payment for performance completed to date.

The Group has determined that for certain sale of properties where revenue was recognised upon completion previously, its performance does not create an asset with alternative use to the Group and it has concluded that it has an enforceable right to payment for performance completed to date. Therefore, revenue is recognised over time under SFRS(I) 15.

Arising from the tentative agenda decision issued by the IFRS Interpretation Committee (IFRIC) relating to the capitalisation of borrowing costs for the construction of development properties where revenue is recognised over time, the Group has ceased capitalisation of borrowing costs on its development properties when the properties are ready for its intended sale.

As a result, the Group will recognise an adjustment to decrease contract liabilities by S\$444,000, de-recognise development property of S\$567,000 with a corresponding decrease in deferred tax assets of S\$31,000 and accumulated profits of S\$154,000 on 1 January 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of SFRS(I) (cont'd)

SFRS(I) 15 Revenue from Contracts with Customers (cont'd)

b) Properties development (cont'd)

The Group's balance sheet as at 31 December 2017 was restated, resulting in the recognition of contract asset of S\$2,172,000, de-recognition of contract liabilities by S\$1,566,000, decrease in development properties of S\$4,100,000, decrease in deferred tax assets of S\$163,000, as well as a corresponding adjustment to accumulated profits of S\$525,000. The statement of profit or loss for the year ended 31 December 2017 was also restated, resulting in increases in revenue and cost of sales of S\$3,294,000 and S\$2,969,000 respectively, an increase in distribution and selling costs of S\$131,000, an increase in finance cost of S\$432,000, and a decrease in tax expense of S\$132,000.

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 1 January 2017 to the balance sheet of the Group.

	Group		
	1 January 2017 (FRS)	SFRS(I) 15 adjustments	1 January 2017 (SFRS(I))
	S\$'000	S\$'000	S\$'000
Non-current assets			
Other non-current assets	60,807	–	60,807
Deferred tax assets	3,520	251	3,771
	64,327	251	64,578
Current assets			
Contract assets	7,708	(14)	7,694
Development properties	71,904	(567)	71,337
Other current assets	226,118	–	226,118
	305,730	(581)	305,149
Current liabilities			
Contract liabilities	30,840	1,374	32,214
Other current liabilities	78,703	–	78,703
	109,543	1,374	110,917
Net current assets	196,187	(1,955)	194,232
Non-current liabilities	15,490	–	15,490
Net assets	245,024	(1,704)	243,230
Equity attributable to owners of the Company			
Share capital	58,956	–	58,956
Accumulated profits	201,130	(1,704)	199,426
Other reserves	(15,062)	–	(15,062)
Total equity	245,024	(1,704)	243,230

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of SFRS(I) (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 31 December 2017 and 1 January 2018 to the balance sheet of the Group.

	Group				
	31 December 2017 (FRS)	SFRS(I) 15 adjustments	31 December 2017 (SFRS(I))	SFRS(I) 9 adjustments	1 January 2018 (SFRS(I))
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets					
Other non-current assets	39,252	-	39,252	-	39,252
Investment securities	23,013	-	23,013	(17,621)	5,392
Deferred tax assets	967	468	1,435	-	1,435
	63,232	468	63,700	(17,621)	46,079
Current assets					
Contract assets	9,989	2,004	11,993	-	11,993
Development properties	99,725	(4,100)	95,625	-	95,625
Investment securities	9,330	-	9,330	16,954	26,284
Other current assets	155,760	-	155,760	-	155,760
	274,804	(2,096)	272,708	16,954	289,662
Current liabilities					
Contract liabilities	38,073	2,349	40,422	-	40,422
Other current liabilities	83,456	-	83,456	-	83,456
	121,529	2,349	123,878	-	123,878
Net current assets	153,275	(4,445)	148,830	16,954	165,784
Non-current liabilities	15,090	-	15,090	-	15,090
Net assets	201,417	(3,977)	197,440	(667)	196,773
Equity attributable to owners of the Company					
Share capital	58,956	-	58,956	-	58,956
Accumulated profits	157,160	(3,977)	153,183	(667)	152,516
Other reserves	(14,699)	-	(14,699)	-	(14,699)
Total equity	201,417	(3,977)	197,440	(667)	196,773

The adoption of SFRS(I) does not have any impact to the balance sheet and profit or loss of the Company as at 1 January 2017 and 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of SFRS(I) (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) and application of the new accounting standards to the comprehensive income the Group for the year ended 31 December 2017.

	Group		
	2017 (FRS)	SFRS(I) 15 adjustments	2017 (SFRS(I))
	S\$'000	S\$'000	S\$'000
Revenue	151,083	(8,683)	142,400
Cost of sales	(123,975)	6,756	(117,219)
Gross profit	27,108	(1,927)	25,181
Other items in income	4,050	–	4,050
Other items in expense			
Distribution and selling costs	(12)	(131)	(143)
Finance costs	–	(432)	(432)
Others	(7,681)	–	(7,681)
Share of results of joint venture	490	–	490
Profit before taxation	23,955	(2,490)	21,465
Income tax expense	(4,178)	217	(3,961)
Profit for the year	19,777	(2,273)	17,504
Other comprehensive income	363	–	363
Total comprehensive income	20,140	(2,273)	17,867
Total comprehensive income attributable to:			
Owners of the Company	20,140	(2,273)	17,867
Earnings per share (cents)			
Basic	3.9	(0.5)	3.4
Diluted	3.9	(0.5)	3.4

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards that have been issued but not yet effective:

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
SFRS(I) 16 <i>Leases</i>	1 January 2019
SFRS(I) INT 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to SFRS(I) 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to SFRS(I) 1-28 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019
Amendments to FRS 110 and FRS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined

The directors expect that the adoption of the above standards will have no material impact on the financial statements in the year of initial application.

2.4 Functional and foreign currency

The Group's consolidated financial statements are presented in SGD, which is also the Company's and its subsidiaries' functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

2.5 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.6 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or accumulated profits, as appropriate.

(b) Business combinations

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.6 Basis of consolidation and business combinations (cont'd)

(b) Business combinations (cont'd)

Business combinations involving entities under common control are accounted for by applying the pooling of interest method which involves the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company.
- No adjustments are made to reflect the fair values on the date of combination, or recognised any new assets or liabilities.
- No additional goodwill is recognised as a result of the combination.
- Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within the equity as merger deficit.
- The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place.
- Comparatives are restated to reflect the combination as if it had occurred from the beginning of the earliest period presented in the financial statements or from the date the entities had come under common control, if later.

2.7 Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

(a) Joint operations

The Group recognises in relation to its interest in a joint operation,

- (i) its assets, including its share of any asset held jointly;
- (ii) its liabilities, including its share of any liabilities incurred jointly;
- (iii) its share of the revenue of the joint operation; and
- (iv) its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the accounting policies applicable to the particular assets, liabilities, revenues and expenses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.7 Joint arrangements (cont'd)

(b) Joint ventures

The Group accounts for its investments in joint ventures using the equity method from the date on which it becomes a joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities represents goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint ventures. The profit or loss reflects the share of results of the operations of the joint ventures. Distributions received from joint ventures reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and joint venture are eliminated to the extent of the interest in the joint ventures.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the joint ventures are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.19. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

Building	-	4 to 17 years
Office premises	-	62 years
Machinery and equipment	-	10 years
Motor vehicles	-	5 years
Office equipment	-	3 years
Furniture and fittings	-	10 years

Capital work-in-progress included in plant and equipment are not depreciated as these assets are not yet available for use.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.8 *Property, plant and equipment (cont'd)*

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit or loss in the year in which the asset is de-recognised.

2.9 *Investment properties*

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are initially measured at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Investment properties are de-recognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.8 up to the date of change in use.

2.10 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.10 Impairment of non-financial assets (cont'd)

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.11 Financial instruments

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

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

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three categories for classification of debt instruments are:

(a) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are de-recognised or impaired, and through amortisation process.

(b) Fair value through other comprehensive income

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

(c) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.11 Financial assets (cont'd)

Subsequent measurement (cont'd)

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in other comprehensive income, changes in fair value are recognised in profit or loss.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and fixed deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.13 Impairment of financial assets

The Group recognised an allowance for ("ECL") for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months ("a 12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default ("a lifetime ECL").

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognised a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at FVOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without due cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when the contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.14 Development properties

Development properties are properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for the Group's own use, rental or capital appreciation.

Development properties are held as inventories and are measured at the lower of cost and net realisable value.

The costs of development properties include:

- Leasehold rights for land;
- Amounts paid to contractors for construction, and
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

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

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

2.15 Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On de-recognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.16 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 an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.16 Provisions (cont'd)

Provisions for maintenance and warranties

The Group provides for maintenance and warranty claims on contractual items with customers after the substantial completion of projects.

The provisions for maintenance and warranties represent the best estimate of the Group's legal or constructive obligations at the balance sheet date. The majority of the costs is expected to be incurred over the applicable warranty periods. The assumptions used to estimate maintenance and warranties provisions are reviewed periodically in light of actual experience.

2.17 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.18 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of expected credit loss determined in accordance with the policy set out in Note 2.13 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

2.19 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.20 Employee benefits

(i) Defined contribution plans

The Group makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.20 Employee benefits (cont'd)

(iii) Equity-settled share-based payment transactions

Selected employees of the Group received remuneration in the form of shares as consideration for services rendered.

The cost of equity-settled share-based payment transactions is measured by reference to the fair value of the shares at the grant date and is recognised in profit or loss with recognition of a corresponding equity.

2.21 Leases

(i) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(ii) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 2.22(iii). Contingent rents are recognised as revenue in the period in which they are earned.

2.22 Revenue

(i) Revenue from civil engineering construction projects

The Group enters into civil engineering construction contracts with customers. Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. The Group is restricted contractually from directing the construction project for another use as they are being constructed, and has enforceable rights to payment for performance completed to date. The revenue is recognised over time, based on the construction costs incurred to date as a proportion of estimated total construction costs to be incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.22 Revenue (cont'd)

(i) Revenue from civil engineering construction projects (cont'd)

Progress billings to the customer is based on certified progress on the construction project. A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered. Other contract costs are expensed as incurred.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the capitalised contract costs exceeds the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the contract costs relates less the costs that relate directly to providing the goods and that have not been recognised as expenses.

(ii) Sales of completed development properties and development properties under construction

Revenue is recognised when control over the property has been transferred to the customer, either over time or at a point in time, depending on the contractual terms and the practices in the legal jurisdictions.

For development properties whereby the Group is restricted contractually from directing the properties for another use as they are being developed and has an enforceable right to payment for performance completed to date, revenue is recognised over time, based on the construction and other costs incurred to date as a proportion of the estimated total construction and other costs to be incurred.

For development properties whereby the Group does not have an enforceable right to payment for performance completed to date, revenue is recognised when the customer obtains control of the asset.

Progress billings to the customers are based on a payment schedule in the contract and are typically triggered upon achievement of specified construction milestones. A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered. Other contract costs are expensed as incurred.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the capitalised contract costs exceeds the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the contract costs relates less the costs that relate directly to providing the goods and that have not been recognised as expenses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.22 Revenue (cont'd)

(iii) *Rental income*

Rental income arising from operating leases on investment properties are recognised on a straight-line basis over the period of the lease.

(iv) *Interest income*

Interest income is recognised using the effective interest method.

(v) *Dividend income*

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

(vi) *Supply of labour and services provided*

The Group supplies labour, management and accounting services. Revenue from supply of labour and services provided is recognised upon service rendered.

2.23 Taxes

(a) **Current income tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) **Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.23 Taxes (cont'd)

(b) Deferred tax (cont'd)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be recognised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.24 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (cont'd)

2.25 Contingencies

A contingent liability is:

- a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. Significant accounting estimates and judgments

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period.

3.1 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 are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

- **Accounting for civil engineering construction projects**

The accounting for such civil engineering construction projects is complex due to high level of estimation uncertainty in determining the costs to complete. This uncertainty is due to the nature of the operations, which may be impacted by the technical complexity of projects and the precision of cost estimation as at balance sheet date. The uncertainty and subjectivity could result in estimation variances which will affect the determination of revenue.

The estimated total construction and other related costs are based on contracted amounts and, in respect of amounts not contracted for, management relies on past experience and knowledge of the project engineers to make estimates of the amounts to be incurred.

The carrying amount of assets and liabilities arising from construction contracts at the end of each reporting periods are disclosed in Note 4c to the financial statements. If the estimated total contract cost had been 1% higher than management estimate, the carrying amount of the assets and liabilities arising from construction contracts would have been S\$4,751,000 (2017: S\$2,854,000) lower.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. Significant accounting estimates and judgments (cont'd)

3.1 Key sources of estimation uncertainty (cont'd)

- ***Provision for maintenance and warranties***

The Group provides for maintenance and warranties based on the estimated rectification costs to be incurred for projects during the defect liability and warranty periods.

Significant estimate is required in determining the expected cost to be incurred for the maintenance and warranties. In making the estimate, the Group rely on actual claim experiences and its best estimates of the expenditures expected to be incurred over the remaining warranty periods.

The carrying amount of the provision for maintenance and warranties for construction contracts at the end of each reporting period is disclosed in Note 24. If the estimated total maintenance and warranty costs had been 5% higher than management estimate, the carrying amount of the provision for maintenance and warranties arising from construction contracts would have been S\$699,000 (2017: S\$653,000) higher.

- ***Carrying value of development properties***

Development properties are stated at the lower of cost and net realisable value ("NRV").

The determination of the NRV requires estimates, including expected future selling prices and costs necessary to complete the sales of these properties, and is assessed by the management with reference to the independent valuations carried out by the external property valuers for certain properties.

The carrying amounts of the development properties stated at cost are disclosed in Note 15.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. Revenue

	Group	
	2018	Restated 2017
	S\$'000	S\$'000
Revenue from contracts with customers	197,613	142,214
Rental income from investment properties	180	186
	<u>197,793</u>	<u>142,400</u>

(a) Disaggregation of revenue

Segments	Civil engineering		Properties development		Total revenue	
	2018	Restated 2017	2018	Restated 2017	2018	Restated 2017
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Major revenue streams						
Contract revenue	191,768	136,940	–	–	191,768	136,940
Sales of commercial properties	–	–	5,421	4,604	5,421	4,604
Supply of labour and services provided	346	670	78	–	424	670
Total revenue	<u>192,114</u>	<u>137,610</u>	<u>5,499</u>	<u>4,604</u>	<u>197,613</u>	<u>142,214</u>
Timing of transfer of goods and services						
At a point in time	–	–	1,190	1,230	1,190	1,230
Over time	<u>192,114</u>	<u>137,610</u>	<u>4,309</u>	<u>3,374</u>	<u>196,423</u>	<u>140,984</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. Revenue (cont'd)

(b) Judgement and methods used in estimating revenue

Recognition of revenue from civil engineering construction projects and development properties over time

For the contract revenue and sale of development properties where the Group satisfies its performance obligations over time, management has determined that a cost-based input method provides a faithful depiction of the Group's performance in transferring control of the construction and development properties to the customers, as it reflects the Group's efforts incurred to date relative to the total inputs expected to be incurred for the construction projects and development properties. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to completion.

The estimated total construction and other related costs are based on contracted amounts and, in respect of amounts not contracted for, management relies on past experience and knowledge of the project engineers to make estimates of the amounts to be incurred. In making these estimates, management takes into consideration the historical trends of the amounts incurred in its other similar projects or properties for the past 3 to 5 years.

(c) Contract assets and contract liabilities

Information about receivables, contract assets and contract liabilities from contracts with customers is disclosed as follows:

	2018	Group Restated 31 December 2017	Restated 1 January 2017
	S\$'000	S\$'000	S\$'000
Receivables from contracts with customers (Note 16)	18,487	19,457	13,661
Contract assets	6,681	11,993	7,694
Capitalised contract costs	–	53	205
Contract liabilities	(36,526)	(40,422)	(32,214)

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date for revenue from civil engineering construction projects and sales of development properties. Contract assets are transferred to receivables when the rights become unconditional.

The changes in contract assets are due to the differences between the agreed payment schedule and progress of the civil engineering construction work.

Contract liabilities primarily relate to progress billings in excess of the Group's right to the consideration, and the Group's obligation to transfer goods or services to customers for which the Group has received advances from customers for revenue from civil engineering construction projects and sales of development properties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. Revenue (cont'd)

(c) Contract assets and contract liabilities (cont'd)

Contract liabilities are recognised as revenue as the Group performs under the contract. The significant changes in the contract liabilities during the year are as follows:

	Group	
	2018	2017
	S\$'000	S\$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	40,422	32,214

(d) Transaction price allocated to remaining performance obligation

The aggregate amount of transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 31 December 2018 is S\$630,900,000. This will be recognised as revenue by reference to percentage of completion, which is expected to complete over the next five years. The amount disclosed above does not include any estimated amounts of variable consideration that is constrained.

(e) Capitalised contract costs

	Group	
	2018	2017
	S\$'000	S\$'000
Capitalised incremental costs of obtaining contract - commission costs paid to property agents		
At 1 January	6	23
Additions	-	114
Amortisations	(6)	(131)
At 31 December	-	6
Capitalised fulfilment costs relating to sale of development property		
At 1 January	47	182
Additions	1,003	734
Amortisations	(1,050)	(869)
At 31 December	-	47

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5. Other income

	Group	
	2018	2017
	S\$'000	S\$'000
Gain on disposal of property, plant and equipment	181	190
Gain on foreign exchange	328	-
Fair value gain of investment securities (Fair value through profit or loss)	-	125
Dividend income from investment securities (Fair value through profit or loss/available-for-sale)	111	101
Interest income from:		
- Fixed deposits	1,261	1,717
- Investment securities (Fair value through profit or loss/held-to-maturity)	1,445	1,598
Sundry income	172	319
	<u>3,498</u>	<u>4,050</u>

6. Profit before taxation

The following items have been included in arriving at profit before taxation:

	Group	
	2018	2017
	S\$'000	S\$'000
Depreciation of property, plant and equipment	5,348	3,975
Fair value loss on investment securities (Fair value through profit or loss)	1,232	-
Impairment loss on investment securities (Held-to-maturity)	-	1,132
Fair value loss on investment properties (net)	50	200
Unrealised loss on foreign exchange	-	182
Net fair value loss on derivatives	-	530
Operating lease expenses	291	279
Employee benefits expense (Note A)	35,251	30,679
Audit fees paid to:		
- Auditor of the Company	193	183
Non-audit fees paid to:		
- Auditor of the Company	30	33
	<u>30</u>	<u>33</u>

Note A: Employee benefits expense

Employee benefit expense (including directors):

Salaries, bonus and other benefits	29,217	26,711
Defined contribution plans	5,036	3,968
Share-based compensation expenses	998	-
	<u>35,251</u>	<u>30,679</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

	Group	
	2018	Restated 2017
	S\$'000	S\$'000
Consolidated income statement:		
Current income tax:		
- current income taxation	3,645	1,665
- over provision in respect of previous years	(301)	(40)
Deferred income tax:		
- origination and reversal of temporary differences	462	2,336
Income tax expense recognised in profit or loss	<u>3,806</u>	<u>3,961</u>

Relationship between income tax expense and accounting profit

The reconciliation between income tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2018 and 2017 are as follows:

	Group	
	2018	2017
	S\$'000	S\$'000
Profit before taxation	<u>17,854</u>	<u>21,465</u>
Tax at Singapore statutory tax rate of 17% (2017: 17%)	3,035	3,649
Adjustments:		
Non-deductible expenses	408	418
Income not subject to taxation	(250)	(59)
Effect of partial tax exemption	(100)	(96)
Effect of tax at concessionary rate of 10%	(96)	(61)
Over provision in respect of previous years	(301)	(40)
Share of results of joint ventures	(210)	(83)
Tax incentive under Productivity and Innovation credit	-	(247)
Corporate income tax rebates	(34)	(30)
Benefits from previously unrecognised tax losses	-	28
Deferred tax assets not recognised	1,354	482
Income tax expense recognised in profit or loss	<u>3,806</u>	<u>3,961</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year that is attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share amounts are calculated by dividing the profit for the year that is attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. There were no potential dilutive ordinary shares existing during the respective financial years.

The following table reflects the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2018	Restated 2017
Profit for the year, attributable to owners of the Company for basic and diluted earnings per share (S\$'000)	14,048	17,504
Weighted average number of ordinary shares on issue applicable to basic and diluted earnings per share ('000)	512,104	509,979

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

9. Property, plant and equipment

Group	Capital work-in- progress	Building	Office premises	Machinery and equipment	Motor vehicles	Office equipment	Furniture and fittings	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Cost								
At 1 January 2017	3,935	-	-	17,698	6,061	648	176	28,518
Additions	2,742	4,847	6,751	3,658	5,229	134	189	23,550
Reclassification	-	-	-	(6)	6	-	-	-
Disposals	-	-	-	(1,828)	(153)	(33)	(156)	(2,170)
At 31 December 2017 and 1 January 2018	6,677	4,847	6,751	19,522	11,143	749	209	49,898
Additions	6,140	-	-	1,617	306	18	-	8,081
Reclassification	(12,817)	12,817	-	-	-	-	-	-
Disposals	-	-	-	(1,801)	(44)	(22)	-	(1,867)
At 31 December 2018	-	17,664	6,751	19,338	11,405	745	209	56,112
Accumulated depreciation								
At 1 January 2017	-	-	-	9,889	2,469	387	144	12,889
Charge for the year	-	156	110	1,774	1,759	158	18	3,975
Disposals	-	-	-	(1,697)	(152)	(33)	(133)	(2,015)
At 31 December 2017 and 1 January 2018	-	156	110	9,966	4,076	512	29	14,849
Charge for the year	-	1,015	109	1,987	2,069	147	21	5,348
Disposals	-	-	-	(1,713)	(44)	(22)	-	(1,779)
At 31 December 2018	-	1,171	219	10,240	6,101	637	50	18,418
Net carrying amount								
At 31 December 2018	-	16,493	6,532	9,098	5,304	108	159	37,694
At 31 December 2017	6,677	4,691	6,641	9,556	7,067	237	180	35,049
At 1 January 2017	3,935	-	-	7,809	3,592	261	32	15,629

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10. Investment properties

	Group	
	2018	2017
	S\$'000	S\$'000
Balance sheet:		
At 1 January	2,900	3,100
Net loss from fair value adjustments recognised in profit or loss	(50)	(200)
At 31 December	2,850	2,900
Income statement:		
Rental income from investment properties:		
- Minimum lease payments	426	265
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating properties	(46)	(97)

The investment properties held by the Group as at 31 December 2018 are as follows:

Description and location	Existing use	Tenure	Unexpired lease term
Office premises, 80 Marine Parade Road, #09-07, Singapore (99 years lease)	Office	Leasehold	60 years
Light industry workshop, #60 Kaki Bukit Avenue 6, Singapore (30 years lease)	Workshop	Leasehold	24 years

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Valuation of investment properties

The leasehold office premises and light industry workshop in Singapore are stated at fair value, which has been determined based on valuation performed as at 31 December 2018, 31 December 2017 and 1 January 2017. The valuations were performed by Colliers International Consultancy & Valuation (S) Pte Ltd, an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the properties being valued. The valuations are based on the Direct Comparison Method that makes reference to market evidence of transaction prices for similar properties in the open market.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. Investments in subsidiaries

	2018	Company 31 December 2017	1 January 2017
	S\$'000	S\$'000	S\$'000
Shares, at cost	37,814	37,814	37,814

Details of subsidiaries as at 31 December 2018, 31 December 2017 and 1 January 2017 are as follows:

Name of subsidiary	Country of incorporation and place of business	Principal activities	Proportion (%) of ownership interest		
			2018	31 December 2017	1 January 2017
Hock Lian Seng Infrastructure Pte Ltd	Singapore	Provision of civil engineering works and rental of workers' dormitory	100	100	100
Hock Lian Seng Properties Pte Ltd	Singapore	Rental of property, property development and property related activities	100	100	100
HLS Development Pte Ltd	Singapore	Property development and property related activities	100	100	100
First Shine Properties Pte Ltd	Singapore	Investment holding and property related activities	100	100	100
First Shine Management Services Pte Ltd	Singapore	Lodging and accommodation related activities	100	100	100
Beacon Properties Pte Ltd	Singapore	Property development and property related activities	100	100	100

All subsidiaries are audited by Ernst & Young LLP, Singapore.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. Investments in joint operations

The Group has interests in two unincorporated joint arrangements. The Group has classified the joint arrangements as joint operations and recognised in relation to its interests in the joint operations, its share of assets held jointly and liabilities incurred jointly. The details of the joint operations as at 31 December 2018, 31 December 2017 and 1 January 2017 are as follows:

Name of subsidiary	Country of incorporation and place of business	Principal activities	Proportion (%) of ownership interest		
			2018	31 December 2017	1 January 2017
GS Engineering & Construction – Hock Lian Seng Infrastructure Joint Venture	Singapore	Provision of civil engineering and infrastructure works	50	50	50
Hock Lian Seng Infrastructure – Sembcorp Design and Construction JV	Singapore	Provision of civil engineering works	60	60	60

All joint operations are audited by Ernst & Young LLP, Singapore.

13. Investment in joint ventures

The Group's investment in joint ventures is summarised below:

	2018	Group 31 December 2017	1 January 2017
	S\$'000	S\$'000	S\$'000
Bukit Timah Green Development Pte Ltd	758	1,303	15,313
FSKH Development Pte Ltd	953	–	–
	1,711	1,303	15,313

The Group jointly controls the ventures with other partners under contractual agreements which require unanimous consent for all major decisions over the relevant activities. The details of the joint ventures as at 31 December 2018, 31 December 2017 and 1 January 2017 are as follows:

Name of subsidiary	Country of incorporation and place of business	Principal activities	Proportion (%) of ownership interest		
			2018	31 December 2017	1 January 2017
Bukit Timah Green Development Pte Ltd	Singapore	Property development and property related activities	50	50	50
FSKH Development Pte Ltd	Singapore	Property development and property related activities	45	–	–

The joint ventures are audited by Ernst & Young LLP, Singapore.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. Investment in joint ventures (cont'd)

Summarised financial information in respect of the two joint ventures based on its SFRS(I) financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheets

	Bukit Timah Green Development Pte Ltd			FSKH Development Pte Ltd
	2018	31 December 2017	1 January 2017	2018
	S\$'000	S\$'000	S\$'000	S\$'000
Development property	–	–	–	235,377
Cash and cash equivalents	2,018	10,040	11,735	467
Trade receivables	–	117	34,611	–
Other receivables	–	29	29	–
Prepayments and deposits	–	–	–	73
Current assets	2,018	10,186	46,375	235,917
Trade and other payables	(32)	(7,467)	(9,099)	(341)
Provision for tax	(470)	(114)	(6,650)	–
Current liabilities	(502)	(7,581)	(15,749)	(341)
Loan due to corporate shareholders	–	–	–	(76,693)
Long term bank loan	–	–	–	(155,929)
Non-current liabilities	–	–	–	(232,622)
Net assets	1,516	2,605	30,626	2,954
Proportion of the Group's ownership	50%	50%	50%	45%
Group's share of net assets	758	1,303	15,313	1,329
Adjustment: Elimination of unrealised interest income on advance to joint venture	–	–	–	(376)
Carrying amount of the investment	758	1,303	15,313	953

FSKH Development Pte Ltd is incorporated on 5 March 2018 and has no comparative amounts for year ended 31 December 2017 and 1 January 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. Investment in joint ventures (cont'd)

Summarised statement of comprehensive income

	Bukit Timah Green Development Pte Ltd		FSKH Development Pte Ltd
	2018	31 December 2017	2018
	S\$'000	S\$'000	S\$'000
Revenue	-	-	-
Cost of sales	3,031	1,107	-
Gross profit	3,031	1,107	-
Other income	-	-	-
Operating expenses	(14)	(18)	(45)
Profit before tax	3,017	1,089	(45)
Tax expense	(507)	(109)	-
Profit after tax and total comprehensive income	2,510	980	(45)

Dividends of S\$1,800,000 (2017: S\$14,500,000) were received from Bukit Timah Green Development Pte Ltd.

FSKH Development Pte Ltd is incorporated on 5 March 2018 and has no comparative amounts for year ended 31 December 2017.

14. Investment securities

(a) Financial instruments as at 31 December 2018

	Group 2018
	S\$'000
Non-current	
At fair value through other comprehensive income	
- Equity instruments (quoted)	7,021
	<u>7,021</u>
Current	
At fair value through profit or loss	
- Debt instruments (quoted)	21,018
- Debt instruments (unquoted)	2,747
- Equity instruments (quoted)	1,212
	<u>24,977</u>

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. Investment securities (cont'd)

(a) Financial instruments as at 31 December 2018 (cont'd)

Investments in debt instrument at fair value through profit or loss

Debt investment in quoted corporate bonds were made for varying coupon rates ranging from 3% to 7.5% per annum, with maturity dates ranging from 2019 to 2028.

During the year, the Group acquired a structure note amounting to US\$2,000,000 (S\$2,730,000), which has been redeemed at cost subsequent to year end.

Reclassification of financial assets at amortised cost to fair value

On 1 January 2018, the Group reclassified its investment in debt instruments that was previously measured at amortised cost of S\$25,617,000 to investments measured at fair value through profit or loss because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as mandatorily measured under FVTPL under SFRS(I) 9.

Investments in equity instruments designated at fair value through other comprehensive income

The fair value of investments in quoted equity instruments designated at fair value through other comprehensive income at the end of the reporting period is as follows:

	Group 2018
	S\$'000
At fair value through other comprehensive income	
- Equity instruments (quoted)	
HSBC Holdings PLC	998
UBS Group Funding (Switzerland) AG	1,746
United Overseas Bank Limited	1,550
Others	2,727
	<u>7,021</u>

The Group has elected to measure these equity securities at FVOCI due to the Group's intention to hold these equity instruments for long-term appreciation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. Investment securities (cont'd)

(b) Financial instruments as at 31 December 2017 and 1 January 2017

	Group	
	31 December 2017	1 January 2017
	S\$'000	S\$'000
Non-current		
Held-to-maturity investments (quoted)	17,621	22,524
Available-for-sale financial assets		
Equity instruments (quoted)	5,392	4,241
	<u>23,013</u>	<u>26,765</u>
Current		
Held-to-maturity investments (quoted)	7,996	3,251
Financial assets at fair value through profit or loss		
Equity instruments (quoted)	1,334	1,209
	<u>9,330</u>	<u>4,460</u>

Held-to-maturity investment in quoted corporate bonds were made for varying coupon rates ranging from 3.0% to 7.5% per annum in 2017, with maturity dates ranging from 2018 to 2027.

15. Development properties

	2018	Group Restated 31 December 2017	Restated 1 January 2017
	S\$'000	S\$'000	S\$'000
Completed properties, at cost	103,052	8,461	9,113
Properties under construction:			
Leasehold land	–	31,136	31,136
Development costs	–	56,028	31,088
	<u>103,052</u>	<u>95,625</u>	<u>71,337</u>
At 1 January	95,625	71,337	46,710
Construction costs incurred	11,449	28,096	24,755
Interest capitalised	–	–	221
Disposals (recognised in cost of sales)	(4,022)	(3,808)	(349)
At 31 December	<u>103,052</u>	<u>95,625</u>	<u>71,337</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. Development properties (cont'd)

The cost of the properties amounting to S\$103,052,000 (2017: S\$87,164,000) is expected to be recovered more than twelve months after the reporting period.

The carrying amount of the development properties under construction has been pledged as security for a bank loan (Note 25).

List of development properties

Description and location	% owned	Site area (square metre)	Approximate saleable floor area (square metre)	Stage of completion as at date of annual report (expected year of completion)
Industrial property at Tuas South Avenue 7	100	25,700	49,507	100% (2018)
Industrial property at Gambas Avenue	100	21,427	49,046	100% (2014)

16. Trade receivables

	2018	Group 31 December 2017	1 January 2017
	S\$'000	S\$'000	S\$'000
Trade receivables	18,561	19,531	13,735
Allowance for impairment	(74)	(74)	(74)
	18,487	19,457	13,661

Trade receivables

Trade receivables are non-interest bearing and are generally on 14-56 days' credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Receivables that are past due but not impaired

The Group does not have trade receivables that are past due but not impaired at the end of the reporting periods.

NOTES TO THE FINANCIAL STATEMENTS

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16. Trade receivables (cont'd)

Receivables that are impaired

The Group's trade receivables that are impaired at the end of reporting period and the movement of the allowance account used to record the impairment is as follows:

	Group	
	Individually impaired	
	31 December 2017	1 January 2017
	S\$'000	S\$'000
Trade debtors – nominal amounts	74	74
Less: Allowance for impairment	(74)	(74)
	-	-
Movement in allowance account:		
At 1 January	74	74
Charge for the year	-	-
At 31 December	74	74

Trade receivables that are individually determined to be impaired at the end of reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

As at 31 December 2017 and 1 January 2017, the Group has provided an allowance of S\$74,000 for impairment of an amount due from an external trade debtor relating to a back-charge as the debtor has defaulted on payments.

Expected credit losses

The movement in allowance for expected credit losses of trade receivables and contract assets computed based on lifetime ECL are as follows:

	Group 2018
	S\$'000
Movement in allowance account:	
At 1 January	74
Charge for the year	-
At 31 December	74

NOTES TO THE FINANCIAL STATEMENTS

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17. Other receivables

	2018	Group 31 December 2017	1 January 2017	2018	Company 31 December 2017	1 January 2017
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Other debtors	49	77	25	-	-	-
Advances to subcontractors	3,518	-	-	-	-	-
Recoverables from subcontractors	3,246	939	-	-	-	-
Interest receivables	364	416	404	-	-	-
Dividend receivables from a subsidiary	-	-	-	-	-	36,220
Amounts due from subsidiaries	-	-	-	1,000	1,294	1,162
Loans due from subsidiaries	-	-	-	57,038	47,964	19,087
	7,177	1,432	429	58,038	49,258	56,469

Advances to subcontractors relate to advances made to them for maintenance of materials on site, and are non-interest bearing. The advances are recognised at their original invoice amounts, which represents their fair value on initial recognition.

Recoverables from subcontractors are non-interest bearing, and are recognised at their original invoice amounts, which represents their fair values on initial recognition.

Amounts due from subsidiaries are non-trade related, non-interest bearing, unsecured, repayable on demand and is to be settled in cash. The amounts relate to management fee and payroll costs of seconded staff charged to subsidiaries.

Loans due from subsidiaries are unsecured, bear interest at 1.73% (31 December 2017: 1.43%; 1 January 2017: 1.37%) per annum, repayable on demand and are to be settled in cash.

18. Prepayments and deposits

	2018	Group 31 December 2017	1 January 2017
	S\$'000	S\$'000	S\$'000
Prepayments	2,716	2,175	1,014
Deposits	398	543	413
	3,114	2,718	1,427

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19. Cash and short term deposits

	2018	Group 31 December 2017	1 January 2017	2018	Company 31 December 2017	1 January 2017
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Cash at banks and on hand	51,297	26,250	28,362	278	260	465
Short term deposits	43,079	105,831	177,622	1,079	4,985	41,820
Cash and short term deposits	94,376	132,081	205,984	1,357	5,245	42,285

Short term deposits are made for varying periods of between 1 month to 3 months depending on the immediate cash requirements of the Group and the Company, and earn interest at the respective short-term deposit rates. The average effective interest rates as at 31 December 2018 for the Group and the Company were 1.37% (31 December 2017: 0.88%; 1 January 2017: 1.06%) per annum and 1.28% (31 December 2017: 0.97%; 1 January 2017: 1.39%) per annum respectively.

Cash and short-term deposits denominated in foreign currencies at 31 December are as follows:

	2018	Group 31 December 2017	1 January 2017
	S\$'000	S\$'000	S\$'000
United States Dollar	13,060	14,091	-

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

	2018	Group 31 December 2017	1 January 2017
	S\$'000	S\$'000	S\$'000
Cash at banks and on hand	51,297	26,250	28,362
Short term deposits	43,079	105,831	177,622
	94,376	132,081	205,984

NOTES TO THE FINANCIAL STATEMENTS

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20. Trade and other payables

	2018	Group 31 December 2017	1 January 2017	2018	Company 31 December 2017	1 January 2017
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Current						
Trade payables	6,908	8,414	7,305	1	4	1
Accrued operating expenses	59,651	53,165	42,554	471	428	431
Deposits received	348	172	47	–	–	–
GST payables	1,872	988	413	21	40	75
Other payables	417	121	3	3	2	1
	69,196	62,860	50,322	496	474	508

Trade payables

Trade payables are non-interest bearing and are normally settled on 30-60 days' terms.

Other payables

Other payables are non-interest bearing and have an average term of 2 months.

21. Amounts due to joint venture partners

Amounts due to joint venture partners are trade related, unsecured, non-interest bearing, repayable upon demand and are to be settled in cash.

22. Amounts due from/(to) joint ventures

	2018	Group 31 December 2017	1 January 2017
	S\$'000	S\$'000	S\$'000
Current			
Amounts due from joint ventures – trade	151	72	157
Non-current			
Amount due from joint venture – non trade	34,537	–	–
	34,688	72	157
Amount due to joint venture – trade	–	2	–

NOTES TO THE FINANCIAL STATEMENTS

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22. Amounts due from/(to) joint ventures (cont'd)

The current amounts due from joint ventures relate to payroll costs of seconded staff to the joint ventures, are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

The non-current amount due from joint venture relates to advances to the joint venture during the year, is unsecured, bears interest at 2% per annum, is not expected to be repaid within the next 12 months and is to be settled in cash.

23. Advance received from customer

Advance received from customer comprises the value of the materials on construction site but not incorporated in the works, which would subsequently be paid out to the subcontractors when they submit progress claims for the work done using those materials to the Group.

24. Provision for maintenance and warranties

	2018	Group 31 December 2017	1 January 2017
	S\$'000	S\$'000	S\$'000
At 1 January	13,058	26,797	45,388
Utilised	(1,098)	(2,478)	(3,742)
Current year provision	5,580	-	-
Write-back	(3,555)	(11,261)	(14,849)
At 31 December	13,985	13,058	26,797

Maintenance and warranties

The Group provides for maintenance and warranties claims on contracted items with customers after the substantial completion of projects. The amount of the provisions for maintenance and warranties are based on past experience of the level of maintenance and rectification work. The estimation basis is reviewed on an ongoing basis and revised when appropriate.

During the financial year, based on the warranty claims experience, management concluded that the provision for maintenance and warranties exceeded the amount necessary to cover maintenance and warranty claims on contract works. Accordingly, S\$3,555,000 (31 December 2017: S\$11,261,000; 1 January 2017: S\$14,849,000) of the maintenance and warranty provisions have been reversed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

25. Loans and borrowings

	Maturity	2018 S\$'000	Group 31 December 2017 S\$'000	1 January 2017 S\$'000
Non-current:				
Bank loan	2019	-	15,090	15,490
At 31 December		-	15,090	15,490
Current:				
Bank loan	2019	11,490	-	-
Obligation under finance lease	2016	-	-	13
At 31 December		11,490	-	13

Bank loan

The bank loan is arranged at floating interest rate and is reset at intervals of 6 months based on changes to the bank's cost of funds. The interest rates range from 2.96% to 3.13% (31 December 2017: 2.61% to 2.72%; 1 January 2017: 2.71% to 2.97%) per annum for reporting periods. The bank loan has been repaid in full in January 2019.

A reconciliation of liabilities arising from financing activities is as follows:

	1 January 2018 S\$'000	Cash flows S\$'000	Non-cash changes Reclassification of non-current to current S\$'000	31 December 2018 S\$'000
Loans and borrowings				
- current	-	(3,600)	15,090	11,490
- non-current	15,090	-	(15,090)	-
Total	15,090	(3,600)	-	11,490

	1 January 2017 S\$'000	Cash flows S\$'000	31 December 2017 S\$'000
Loans and borrowings			
- current	13	(13)	-
- non-current	15,490	(400)	15,090
Total	15,503	(413)	15,090

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. Deferred taxation

Deferred tax as at 31 December relates to the following:

	Group			Consolidated Income statement	
	Consolidated balance sheet				
	2018	Restated 31 December 2017	Restated 1 January 2017	2018	Restated 2017
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Gross deferred tax assets					
Provisions	2,436	2,254	4,545	(182)	2,291
Others	305	760	417	455	(343)
	2,741	3,014	4,962		
Gross deferred tax liabilities					
Excess of net carrying value of property, plant and equipment over tax written down value	(1,768)	(1,579)	(1,191)	189	388
	(1,768)	(1,579)	(1,191)		
Net deferred tax assets	973	1,435	3,771		
Deferred tax expense				462	2,336

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately S\$12,466,800 (31 December 2017: S\$4,502,700; 1 January 2017: S\$1,667,900) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. The tax losses have no expiry date.

Tax consequences of proposed dividends

There are no income tax consequences (31 December 2017 and 1 January 2017: S\$Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 32).

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27. Share capital

	Group and Company			
	2018	2018	2017	2017
	No. of shares '000	S\$'000	No. of shares '000	S\$'000
Issued and fully paid ordinary shares				
At 1 January	509,979	58,956	509,979	58,956
Issuance of shares during the year	2,125	998	–	–
At 31 December	512,104	59,954	509,979	58,956

Share awards were granted during the financial year pursuant to the HLS Performance Share Plan, approved and adopted by the shareholders of the Company at the Extraordinary General Meeting held on 1 December 2009.

During the financial year, the Group awarded 2,125,000 new shares which vested immediately upon grant to its employees, amounting to S\$998,000.

The fair value of the shares awarded to employees of the Group was S\$0.47 (2017: S\$Nil) which was the average market price of the Company's shares over the five consecutive trading days immediately preceding the grant date.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

28. Capital reserve

Capital reserve records the costs of share-based payments, in the form of 4,000,000 shares transferred from the former shareholders to certain selected employees of the Group as consideration for their services received, which is measured by reference to the fair value of the shares at the grant date.

29. Fair value adjustment reserve

Fair value adjustment reserve records the cumulative fair value changes, net of tax, of financial assets at fair value through other comprehensive income/available-for-sale financial assets until they are disposed of or impaired.

	2018	Group 31 December 2017	1 January 2017
	S\$'000	S\$'000	S\$'000
At 1 January	540	177	(41)
Gain on fair value changes of available-for-sale financial assets during the year	–	363	218
Loss on fair value changes of financial assets at fair value through other comprehensive income during the year	(375)	–	–
At 31 December	165	540	177

30. Merger deficit

The merger deficit records the difference between the purchase consideration and the share capital of a subsidiary acquired from an entity under common control.

NOTES TO THE FINANCIAL STATEMENTS

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31. Commitments

Operating lease commitments – as lessor

The Group has entered into commercial property leases on its investment properties.

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

	2018	Group 31 December 2017	1 January 2017
	S\$'000	S\$'000	S\$'000
Not later than one year	180	160	176
Later than one year but not later than five years	220	60	–
	400	220	176

32. Dividends

	Group and Company 2018	2017
	S\$'000	S\$'000

Declared and paid during the financial year:

Dividends on ordinary shares:

Final tax-exempt (one-tier) dividend for 2018: S\$0.018 (2017: S\$0.125)
per share

9,217 63,747

Proposed but not recognised as a liability as at 31 December :

Dividends on ordinary shares, subject to shareholders' approval at the AGM:

Final tax-exempt (one-tier) dividends for 2018: S\$0.018 (2017: S\$0.018)
per share

9,217 9,180

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33. Related party transactions

(a) Sales and purchase of services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group	
	2018	2017
	S\$'000	S\$'000
Rental paid to:		
- A company related to a director	291	109

(b) Compensation of key management personnel

	Group	
	2018	2017
	S\$'000	S\$'000
Salaries and other remuneration	3,172	3,971
Defined contribution plans	135	153
Share-based payment	237	-
Directors' fees	205	192
Total compensation paid to key management personnel	3,749	4,316
Comprise amounts paid to:		
- Directors of the Company	1,819	2,182
- Other key management personnel	1,930	2,134
	3,749	4,316

The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

34. Contingent liabilities

The Company has provided financial guarantee to a bank in respect of bank loan of a joint venture and subsidiary with a carrying amount of S\$70,251,000 and S\$Nil respectively (31 December 2017: S\$Nil and S\$15,090,000 respectively; 1 January 2017: S\$Nil and S\$15,490,000). The fair value of such financial guarantees is not expected to be material as the loan is collateralised against the respective entities' development properties. Accordingly, the fair value of the financial guarantees has not been recognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, credit risk, market price risk, liquidity risk and foreign currency risk. The board of directors reviews and agrees policies and procedures for the management of these risks. It is, and has been throughout the years under review, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken. The Group and the Company do not apply hedge accounting.

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) 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's and the Company's exposure to interest rate risk arises primarily from the Group's floating rate loans and borrowings and cash and short term deposits.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 100 (2017: 100) basis points higher/lower with all other variables held constant, the Group's profit net of tax would have been S\$794,000 (31 December 2017: S\$1,472,000; 1 January 2017: S\$1,586,000) higher/lower, arising mainly as a result of higher/lower interest income on cash and short term deposits, and the carrying amount of the Group's development properties as at 31 December 2018 would have been S\$Nil (31 December 2017: S\$445,000; 1 January 2017: S\$322,000) higher/lower, arising mainly as a result of higher/lower interest expense on floating rate loans and borrowings that were capitalised in development properties.

(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 and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities and cash and short term deposits), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group trades only with recognised and creditworthy third parties or government authorities. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 180 days when they fall due, which are derived based on Group's historical information. The Group also considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. Financial risk management objectives and policies (cont'd)

(b) Credit risk (cont'd)

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- Actual or expected significant changes in the operating results of the borrower
- Significant increases in credit risk on other financial instruments of the same borrower
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments for more than 180 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage appropriate enforcement activities to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

Debt instruments at amortised cost

The Group uses three categories of internal credit risk ratings for debt instruments and loans which reflect their credit risk and how the loss provision is determined for each of those categories. The Group assesses the qualitative and quantitative factor that are indicative of the risk of default based on experienced credit judgement. The Group computes expected credit loss for this group of financial assets using the probability of default approach. In calculating the expected credit loss rates, the Group considers implied probability of default from external rating agencies where available and historical loss rates for each category of counterparty, and adjusts for forward looking macroeconomic data such as GDP growth and central bank base rates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. Financial risk management objectives and policies (cont'd)

(b) Credit risk (cont'd)

Debt instruments at amortised cost (cont'd)

A summary of the Group's internal grading category in the computation of the Group's expected credit loss model for the debt instruments and loans is as follows:

Category	Definition of category	Basis for recognition of ECL provision	Basis for calculating interest revenue
Level 1	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12-month ECL	Gross carrying amount
Level 2	Loans for which there is a significant increase in credit risk	Lifetime ECL	Gross carrying amount
Level 3	Interest and/or principal repayment are 180 days past due.	Lifetime ECL	Amortised cost of carrying amount (net of credit allowance)

There are no significant changes to estimation techniques or assumptions made during the reporting period.

The Group assessed the qualitative and quantitative factor that are indicative of the risk of default based on experienced credit judgement. These exposures are considered to have low credit risk. Therefore, impairment on these balances has been measured on the 12-month expected credit loss basis. There was no loss allowance provision made on debt instruments carried at amortised cost.

The gross carrying amount of debt instruments and loans of the Group and Company as at 31 December 2018, without taking into account of any collaterals held of other credit enhancements which represents the maximum exposure to loss, is S\$155,126,000 and S\$59,395,000 respectively.

Trade receivables and contract assets

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. Financial risk management objectives and policies (cont'd)

(b) Credit risk (cont'd)

Trade receivables and contract assets (cont'd)

Summarised below is the information about the credit risk exposure on the Group's trade receivables and contract assets:

31 December 2018	Contract assets	Current	Past Due				Total
			1-30 days	31-60 days	60-90 days	More than 90 days	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Gross carrying amount	6,681	18,487	–	–	–	74	25,242
Loss allowance provision	–	–	–	–	–	(74)	(74)

Information regarding loss allowance movement of trade receivables is disclosed in Note 16.

During the year, there were no loss allowance provision made on trade receivables and contract assets.

Cash and bank balances

The cash and bank balances are held with banks and financial institution counterparties, which are rated at least A, based on Standard & Poor's ratings. Impairment on cash and bank balances has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and bank balances have low credit risk based on the external credit ratings of the counterparties. There were no loss allowance provision made on cash and bank balances.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Exposure to credit risk

As at the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets.

Since the Group trades only with recognised and creditworthy third parties or government authorities, there is no requirement for collateral.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. Financial risk management objectives and policies (cont'd)

(b) Credit risk (cont'd)

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and short term deposits and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 16 (Trade receivables).

Credit risk concentration profile

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

	2018		Group 31 December 2017		1 January 2017	
	S\$'000	% of total	S\$'000	% of total	S\$'000	% of total
By country:						
Singapore	18,487	100.0	19,457	100.0	13,661	100.0
By industry sector:						
Civil engineering	13,930	75.4	18,595	95.5	13,539	99.1
Properties development	4,557	24.6	862	4.5	122	0.9
	18,487	100.0	19,457	100.0	13,661	100.0

At the end of the reporting period, approximately:

- 75% (2017: 96%) of the Group's trade receivables were due from government authorities of Singapore or government linked entities who are located in Singapore.
- None of the Group's trade receivables were due from related parties.

(c) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group has investments in quoted securities which is exposed to equity price risk. These investments are classified as fair value through profit or loss and fair value through other comprehensive income financial assets. The Group does not have exposure to commodity price risk.

The Group's objective is to manage investment returns and equity price risk using a mix of investment grade shares with steady dividend yield and non-investment grade shares with higher volatility.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. Financial risk management objectives and policies (cont'd)

(c) Market price risk (cont'd)

Sensitivity analysis for equity price risk

At the end of the reporting period, if the underlying quoted securities prices had been 1% (2017: 1%) higher/lower with all other variables held constant, the Group's profit before taxation would have been S\$220,000 (2017: S\$13,000) higher/lower, as a result of higher/lower fair value gains on quoted investment securities classified as fair value through profit or loss, and the Group's other comprehensive income would have been S\$70,000 (2017: S\$42,000) higher/lower, as a result of higher/lower fair value gains on quoted investment securities classified as fair value through other comprehensive income.

(d) 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 arises primarily from mismatches of the maturities of financial assets and liabilities. 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.

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

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 repayment obligations.

	2018			
	One year or less	One to five years	Over five years	Total
Group	S\$'000	S\$'000	S\$'000	S\$'000
Financial assets:				
Investment securities (current)	3,957	16,257	7,190	27,404
Trade receivables	18,487	-	-	18,487
Other receivables (exclude GST receivables)	7,177	-	-	7,177
Amounts due from joint ventures	151	37,271	-	37,422
Deposits	398	-	-	398
Cash and short term deposits	94,376	-	-	94,376
Total undiscounted financial assets	124,546	53,528	7,190	185,264
Financial liabilities:				
Trade and other payables (exclude GST payables)	(67,324)	-	-	(67,324)
Amounts due to joint venture partners	(63)	-	-	(63)
Advance received from customer	(5,277)	-	-	(5,277)
Loans and borrowings	(11,490)	-	-	(11,490)
Total undiscounted financial liabilities	(84,154)	-	-	(84,154)
Total net undiscounted financial assets	40,392	53,528	7,190	101,110

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. Financial risk management objectives and policies (cont'd)

(d) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

Group	31 December 2017				1 January 2017			
	One year or less	One to five years	Over five years	Total	One year or less	One to five years	Over five years	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Financial assets:								
Investment securities (non-current)	-	14,778	6,359	21,137	-	16,719	9,879	26,598
Investment securities (current)	9,330	-	-	9,330	4,460	-	-	4,460
Trade receivables	19,457	-	-	19,457	13,661	-	-	13,661
Other receivables (exclude GST receivables)	1,432	-	-	1,432	429	-	-	429
Amounts due from joint ventures	72	-	-	72	157	-	-	157
Deposits	543	-	-	543	413	-	-	413
Cash and short term deposits	132,081	-	-	132,081	205,984	-	-	205,984
Total undiscounted financial assets	162,915	14,778	6,359	184,052	225,104	16,719	9,879	251,702
Financial liabilities:								
Trade and other payables (exclude GST payables)	(61,872)	-	-	(61,872)	(49,909)	-	-	(49,909)
Amounts due to joint venture partners	(69)	-	-	(69)	(9)	-	-	(9)
Amounts due to a joint venture	(2)	-	-	(2)	-	-	-	-
Advance received from customer	(5,277)	-	-	(5,277)	-	-	-	-
Loans and borrowings	-	(15,569)	-	(15,569)	(13)	(16,367)	-	(16,380)
Total undiscounted financial liabilities	(67,220)	(15,569)	-	(82,789)	(49,931)	(16,367)	-	(66,298)
Total net undiscounted financial assets/ (liabilities)	95,695	(791)	6,359	101,263	175,173	352	9,879	185,404

At 31 December 2018, the Group entered into a foreign exchange forward contract with gross inflow amounting to S\$Nil (31 December 2017: S\$1,375,500; 1 January 2017: S\$Nil) and gross outflow amounting S\$Nil (31 December 2017: S\$1,336,600; 1 January 2017: S\$Nil) with contracted gross cash flows due within 1 year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. Financial risk management objectives and policies (cont'd)

(d) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

	2018 One year or less	Group 31 December 2017 One year or less	1 January 2017 One year or less
Company	S\$'000	S\$'000	S\$'000
Financial assets:			
Other receivables	58,038	49,258	56,469
Cash and short term deposits	1,357	5,245	42,285
Total undiscounted financial assets	59,395	54,503	98,754
Financial liabilities:			
Trade and other payables (exclude GST payable)	(475)	(434)	(433)
Total undiscounted financial liabilities	(475)	(434)	(433)
Total undiscounted financial assets	58,920	54,069	98,321

The contractual expiry by maturity of the Company's contingent liabilities. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantees could be called.

	One year or less	2018 One to five years	Total	One year or less	31 December 2017 One to five years	Total	One year or less	1 January 2017 One to five years	Total
Company	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Financial guarantees	-	70,251	70,251	-	15,090	15,090	-	15,490	15,490

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. Financial risk management objectives and policies (cont'd)

(e) Foreign currency risk

The Group holds cash and short-term deposits denominated in a currency other than the functional currency of the Group, which is SGD. At the end of the reporting period, the foreign currency balances are denominated in USD. The Group is also exposed to currency translation risk arising from its cash and short-term deposits denominated in USD.

The Group utilises forward foreign exchange contracts in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the group's purchases. At the end of the reporting period, the Group has an outstanding forward foreign exchange contract with a notional amount of S\$Nil (31 December 2017: S\$1,375,500; 1 January 2017: S\$Nil). The fair value of the derivative is negligible at year end.

The forward foreign exchange contract matured on 12 January 2018.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD exchange rates against the functional currency of the Group (SGD), with all other variables held constant.

	2018 S\$'000	2017 S\$'000
	Profit before tax	
USD/SGD		
- Strengthened 3% (2017: 3%)	388	422
- Weakened 3% (2017: 3%)	(388)	(422)

36. Fair value of assets and liabilities

(a) Fair value hierarchy

The Group categorises fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. Fair value of assets and liabilities (cont'd)

(b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets measured at fair value at the end of the reporting period:

	Group 2018			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1) S\$'000	Significant observable inputs other than quoted prices (Level 2) S\$'000	Significant unobservable inputs (Level 3) S\$'000	Total S\$'000
Assets measured at fair value				
Financial assets:				
Financial assets at fair value through profit or loss (Note 14)				
- Debt instruments (quoted)	21,018	-	-	21,018
- Equity instruments (quoted)	1,212	-	-	1,212
- Debt instruments (unquoted)	-	2,747	-	2,747
Financial assets at fair value through other comprehensive income (Note 14)				
- Equity instruments (quoted)	7,021	-	-	7,021
Financial assets as at 31 December 2018	29,251	2,747	-	31,998
Non-financial assets:				
Investment properties (Note 10)				
- Office premises	-	-	1,450	1,450
- Workshop	-	-	1,400	1,400
Non-financial assets as at 31 December 2018	-	-	2,850	2,850

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. Fair value of assets and liabilities (cont'd)

(b) Assets and liabilities measured at fair value (cont'd)

The following table shows an analysis of each class of assets measured at fair value at the end of the reporting period:

	Group 31 December 2017 Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1) S\$'000	Significant observable inputs other than quoted prices (Level 2) S\$'000	Significant unobservable inputs (Level 3) S\$'000	Total S\$'000
Assets measured at fair value				
Assets:				
Financial assets:				
Financial assets at fair value through profit or loss (Note 14)				
- Equity instruments (quoted)	1,334	-	-	1,334
Available-for-sale financial assets (Note 14)				
- Equity instruments (quoted)	5,392	-	-	5,392
Financial assets as at 31 December 2017	6,726	-	-	6,726
Non-financial assets:				
Investment properties (Note 10)				
- Office premises	-	-	1,400	1,400
- Workshop	-	-	1,500	1,500
Non-financial assets as at 31 December 2017	-	-	2,900	2,900

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. Fair value of assets and liabilities (cont'd)

(b) Assets and liabilities measured at fair value (cont'd)

The following table shows an analysis of each class of assets measured at fair value at the end of the reporting period:

	Group 1 January 2017 Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1) S\$'000	Significant observable inputs other than quoted prices (Level 2) S\$'000	Significant unobservable inputs (Level 3) S\$'000	Total S\$'000
Assets measured at fair value				
Assets:				
Financial assets:				
Financial assets at fair value through profit or loss (Note 14)				
- Equity instruments (quoted)	1,209	-	-	1,209
Available-for-sale financial assets (Note 14)				
- Equity instruments (quoted)	4,241	-	-	4,241
Financial assets as at 1 January 2017	5,450	-	-	5,450
Non-financial assets:				
Investment properties (Note 10)				
- Office premises	-	-	1,400	1,400
- Workshop	-	-	1,700	1,700
Non-financial assets as at 1 January 2017	-	-	3,100	3,100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. Fair value of assets and liabilities (cont'd)

(c) Level 3 fair value measurements

Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value at 31 December 2018	Valuation techniques	Significant unobservable inputs	Range (weighted average)
	S\$'000			
Recurring fair value measurements				
Investment properties:				
- Office premises	1,450	Market comparable approach	Market price per square metre*	S\$13,000 to S\$19,400 per square metre
- Workshop	1,400	Market comparable approach	Market price per square metre*	S\$2,700 to S\$3,800 per square metre
Description	Fair value at 31 December 2017	Valuation techniques	Significant unobservable inputs	Range (weighted average)
	S\$'000			
Recurring fair value measurements				
Investment properties:				
- Office premises	1,400	Market comparable approach	Market price per square metre*	S\$14,000 to S\$25,650 per square metre
- Workshop	1,500	Market comparable approach	Market price per square metre*	S\$2,870 to S\$4,150 per square metre

* Adjustments are made for any difference in the nature, location or condition of the specific property.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. Fair value of assets and liabilities (cont'd)

(c) Level 3 fair value measurements (cont'd)

Information about significant unobservable inputs used in Level 3 fair value measurements (cont'd)

Description	Fair value at 1 January 2017	Valuation techniques	Significant unobservable inputs	Range (weighted average)
	S\$'000			
Recurring fair value measurements				
Investment properties:				
- Office premises	1,400	Market comparable approach	Market price per square metre*	S\$15,600 to S\$16,400 per square metre
- Workshop	1,700	Market comparable approach	Market price per square metre*	S\$3,820 to S\$5,860 per square metre

* Adjustments are made for any difference in the nature, location or condition of the specific property.

For office premises and workshop, a significant increase (decrease) in market price per square metre based on external valuation expert's assumptions would result in a significantly higher (lower) fair value measurement.

While the Group believes that its estimate of fair value is appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

The Group believes that there are no reasonably possible alternative assumptions that will result in a significant change in fair value of the investment properties for the years ended 31 December 2018 and 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. Fair value of assets and liabilities (cont'd)

(c) Level 3 fair value measurements (cont'd)

Movement in Level 3 assets measured at fair value

	Group
	S\$'000
Fair value measurements using significant unobservable inputs (Level 3)	
Investment properties:	
At 1 January 2018	2,900
Net loss from fair value adjustments recognised in profit or loss	(50)
At 31 December 2018	<u>2,850</u>
At 1 January 2017	3,100
Net loss from fair value adjustments recognised in profit or loss	(200)
At 31 December 2017	<u>2,900</u>
	Group
	2018
	S\$'000
	2017
	S\$'000

Fair value measurements using significant unobservable inputs (Level 3)

Investment properties:

Total gains and losses for the period in

- Fair value loss on investment properties (net)

50	200
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. Fair value of assets and liabilities (cont'd)

(c) Level 3 fair value measurements (cont'd)

Valuation policies and procedures

It is the Group's policy to engage external valuation experts to perform valuation. The management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and SFRS(I) 13 *Fair Value Measurement* guidance to perform the valuation.

The Group revalues its properties and the valuation techniques used is the comparison method that considers the sales of similar properties that have been transacted in the open market with adjustments made for differences in factors that affect value.

The appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of the inputs used in the valuations.

(d) Assets and liabilities not carried at fair value for which fair value is disclosed

The following table shows an analysis of the Group's assets not measured at fair value, for which fair value is disclosed:

Group 2018				
Fair value measurements at the end of the reporting period using				
Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total	Carrying amount
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Assets:				
Amount due from joint venture	-	-	34,343	34,537

Group 31 December 2017				
Fair value measurements at the end of the reporting period using				
Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total	Carrying amount
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Assets:				
Held-to-maturity investments (quoted)	24,985	-	-	25,617

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. Fair value of assets and liabilities (cont'd)

(d) Assets and liabilities not carried at fair value for which fair value is disclosed (cont'd)

	Group 1 January 2017				
	Fair value measurements at the end of the reporting period using				
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total	Carrying amount
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Assets:					
Held-to-maturity investments (quoted)	24,188	–	–	24,188	25,775

Determination of fair value

For amount due from joint venture, the fair value as disclosed in the table above is estimated by discounting expected future cash flows at market incremental lending rate at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

37. Financial instruments by category

Set out below is the carrying amount of each of the categories of the Group's and the Company's financial instruments that are carried in the financial statements:

	Note	Debt at amortised cost	Equity instruments at FVTPL	Equity instruments at FVOCI	Debt instruments at FVTPL	Liabilities at amortised cost
Group		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 31 December 2018						
Assets						
Investment securities (non-current)	14	-	-	7,021	-	-
Investment securities (current)	14	-	3,959	-	21,018	-
Trade receivables	16	18,487	-	-	-	-
Other receivables	17	7,177	-	-	-	-
Amounts due from joint ventures	22	34,688	-	-	-	-
Deposits	18	398	-	-	-	-
Cash and short term deposits	19	94,376	-	-	-	-
Liabilities						
Trade and other payables (exclude GST payables)	20	-	-	-	-	67,324
Amounts due to joint venture partners	21	-	-	-	-	63
Advance received from customer	23	-	-	-	-	5,277
Loans and borrowings	25	-	-	-	-	11,490
		155,126	3,959	7,021	21,018	84,154

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

37. Financial instruments by category (cont'd)

	Note	Loans and receivables	Financial assets at fair value through profit or loss	Available-for- sale	Held-to- maturity	Liabilities at amortised cost
Group		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 31 December 2017						
Assets						
Investment securities (non-current)	14	-	-	5,392	17,621	-
Investment securities (current)	14	-	1,334	-	7,996	-
Trade receivables	16	19,457	-	-	-	-
Other receivables	17	1,432	-	-	-	-
Amount due from joint venture	22	72	-	-	-	-
Deposits	18	543	-	-	-	-
Cash and short term deposits	19	132,081	-	-	-	-
Liabilities						
Trade and other payables (exclude GST payables)	20	-	-	-	-	61,872
Amounts due to joint venture partners	21	-	-	-	-	69
Amounts due to joint venture	22	-	-	-	-	2
Advance received from customer	23	-	-	-	-	5,277
Loans and borrowings	25	-	-	-	-	15,090
		153,585	1,334	5,392	25,617	82,310

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

37. Financial instruments by category (cont'd)

	Note	Loans and receivables S\$'000	Financial assets at fair value through profit or loss S\$'000	Available-for- sale S\$'000	Held-to- maturity S\$'000	Liabilities at amortised cost S\$'000
Group						
At 1 January 2017						
Assets						
Investment securities (non-current)	14	-	-	4,241	22,524	-
Investment securities (current)	14	-	1,209	-	3,251	-
Trade receivables	16	13,661	-	-	-	-
Other receivables	17	429	-	-	-	-
Amount due from joint venture	22	157	-	-	-	-
Deposits	18	413	-	-	-	-
Cash and short term deposits	19	205,984	-	-	-	-
Liabilities						
Trade and other payables (exclude GST payables)	20	-	-	-	-	49,909
Amounts due to joint venture partners	21	-	-	-	-	9
Loans and borrowings	25	-	-	-	-	15,503
		220,644	1,209	4,241	25,775	65,421

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

37. Financial instruments by category (cont'd)

	Note	Assets at amortised cost S\$'000	Liabilities at amortised cost S\$'000
Company			
At 31 December 2018			
Assets			
Other receivables	17	58,038	-
Cash and short term deposits	19	1,357	-
Liabilities			
Trade and other payables (exclude GST payable)	20	-	475
		<u>59,395</u>	<u>475</u>
At 31 December 2017			
Assets			
Other receivables	17	49,258	-
Cash and short term deposits	19	5,245	-
Liabilities			
Trade and other payables (exclude GST payable)	20	-	434
		<u>54,503</u>	<u>434</u>
At 1 January 2017			
Assets			
Other receivables	17	56,469	-
Cash and short term deposits	19	42,285	-
Liabilities			
Trade and other payables (exclude GST payable)	20	-	433
		<u>98,754</u>	<u>433</u>

38. Capital management

Capital includes debt and equity items as disclosed in the table below.

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

The Group manages its capital structure and makes adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

38. Capital management (cont'd)

The Group monitors its capital structure as follows:

	Note	Group 2018 S\$'000	2017 S\$'000
Loans and borrowings	24	11,490	15,090
Less: Cash and short term deposits	19	(94,376)	(132,081)
Net cash		(82,886)	(116,991)
Equity attributable to owners of the Company		202,227	197,440

The Group will continue to be guided by prudent financial policies of which gearing is an important aspect.

39. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

- Civil engineering: Infrastructure construction and civil engineering works for bridges, expressways, tunnels and other related infrastructure works.
- Properties development: Development of properties in the residential and industrial sectors.
- Properties investment: Investment properties held to earn rentals and/or for capital appreciation and others.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

The three operating segments are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who review the segment results every quarter for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit margins of the products and services.

Corporate overheads, taxes and investment securities are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

39. Segment information (cont'd)

At 31 December 2018	Civil engineering	Properties development	Properties investment	Adjustments	Notes	Per consolidated financial statements
	S\$'000	S\$'000	S\$'000	S\$'000		S\$'000
Revenue:						
External customers	192,114	5,499	180	-		197,793
Inter-segment	519	-	-	(519)	A	-
Total revenue	192,633	5,499	180	(519)		197,793
Results:						
Depreciation	5,348	-	-	-		5,348
Fair value loss on investment properties	-	-	50	-		50
Dividend income from investment securities	-	-	-	111		111
Fair value gain on investment securities	-	-	-	1,232		1,232
Interest income	-	-	-	2,706		2,706
Share of results of joint ventures	-	1,234	-	-		1,234
Segment profit/(loss)	19,168	2,308	24	(3,646)	B	17,854
Assets:						
Investment in joint ventures	-	1,711	-	-		1,711
Additions to non-current assets	8,081	-	-	-	C	8,081
Segment assets	157,950	146,447	3,722	34,682	D	342,801
Segment liabilities	123,019	13,628	28	3,899	E	140,574

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

39. Segment information (cont'd)

Restated At 31 December 2017	Civil engineering	Properties development	Properties investment	Adjustments	Notes	Per consolidated financial statements
	S\$'000	S\$'000	S\$'000	S\$'000		S\$'000
Revenue:						
External customers	137,610	4,604	186	-		142,400
Inter-segment	606	-	-	(606)	A	-
Total revenue	138,216	4,604	186	(606)		142,400
Results:						
Depreciation	3,975	-	-	-		3,975
Fair value loss on investment properties	-	-	200	-		200
Dividend income from investment securities	-	-	-	101		101
Impairment of financial assets	-	-	-	1,132		1,132
Interest income	-	-	-	3,315		3,315
Share of results of joint venture	-	490	-	-		490
Segment profit/(loss)	24,149	843	(122)	(3,405)	B	21,465
Assets:						
Investment in joint venture	-	1,303	-	-		1,303
Additions to non-current assets	23,550	-	-	-	C	23,550
Segment assets	195,896	101,910	3,521	35,081	D	336,408
Segment liabilities	121,106	15,644	28	2,190	E	138,968

Restated At 1 January 2017	Civil engineering	Properties development	Properties investment	Adjustments	Notes	Per consolidated financial statements
	S\$'000	S\$'000	S\$'000	S\$'000		S\$'000
Assets:						
Investment in joint venture	-	15,313	-	-		15,313
Additions to non-current assets	9,108	-	-	-	C	9,108
Segment assets	219,941	80,002	19,475	50,309	D	369,727
Segment liabilities	108,086	16,046	713	1,562	E	126,407

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

39. Segment information (cont'd)

Nature of adjustments to arrive at amounts reported in the consolidated financial statements

- A. Inter-segment revenues are eliminated on consolidation.
- B. The following items are added to/(deducted from) segment profit to arrive at "Profit before taxation" presented in the consolidated income statement:

	Group	
	2018	Restated 2017
	S\$'000	S\$'000
Other income	3,498	4,050
Corporate overheads	(4,860)	(5,333)
Other operating costs	(2,268)	(2,148)
Elimination of inter-segment sale	(16)	26
	(3,646)	(3,405)

- C. Additions to non-current assets consist of additions to property, plant and equipment.
- D. The following items are added to segment assets to arrive at total assets reported in the consolidated balance sheet:

	2018	Group Restated 31 December 2017	Restated 1 January 2017
	S\$'000	S\$'000	S\$'000
Investment securities	31,998	32,343	31,225
Deferred tax assets	973	1,435	3,771
Investments in joint ventures	1,711	1,303	15,313
	34,682	35,081	50,309

- E. The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

	2018	Group 31 December 2017	1 January 2017
	S\$'000	S\$'000	S\$'000
Provision for taxation	3,899	2,190	1,562

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

39. Segment information (cont'd)

Geographical information

The Group derives all of its revenues from external customers based in Singapore and its non-current assets are solely located in Singapore for the years ended 31 December 2018 and 2017.

Information about major customers

Revenue from one major customer amounted to S\$131,171,000 (2017: S\$68,079,000) for various civil engineering projects.

40. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 29 March 2019.

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2019

ISSUED AND FULLY PAID	:	S\$59,954,272
NUMBER OF SHARES	:	512,103,991
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHTS	:	1 VOTE PER SHARE
NUMBER OF TREASURY SHARES AND SUBSIDIARY HOLDINGS HELD	:	NIL

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	4	0.16	56	0.00
100 – 1,000	90	3.72	70,125	0.01
1,001 – 10,000	928	38.35	6,340,600	1.24
10,001 – 1,000,000	1,366	56.45	82,703,318	16.15
1,000,000 & ABOVE	32	1.32	422,989,892	82.60
TOTAL	2,420	100.00	512,103,991	100.00

TWENTY LARGEST SHAREHOLDERS	NO. OF SHARES	%
CHUA LEONG HAI @CHUA LEANG HAI	193,871,547	37.86
ENG AH GOH	42,118,037	8.22
CHUA AIK KHOON (CAI YIQUN)	29,847,663	5.83
CHUA SIOK HONG	19,898,442	3.89
PEH TIEW HOI OR CHUA YEN JOO (CAI YANRU)	12,874,292	2.51
CHUA BOE	11,750,036	2.29
NG SING	9,451,760	1.85
CHUA HUA LEONG	8,915,376	1.74
CHUA SIOK PENG (CAI SHUPING)	8,319,265	1.62
CHUA SIOK KHENG (CAI SHUQING)	7,969,532	1.56
TAN AH CHON	7,243,032	1.41
CHUA HOO SAI OR TI POH CHOO	7,203,236	1.41
DBS NOMINEES PTE LTD	6,993,434	1.37
CITIBANK NOMINEES SINGAPORE PTE LTD	6,446,566	1.26
CHUA SEE	6,407,501	1.25
PEH LING PING (PEH MENG HOONG)	4,477,150	0.87
PEH MENG HING	4,477,149	0.87
PEH PECK HOON (BAI BIYUN) @BAI SHI CI	4,216,550	0.82
PEH CHANG YEW @PEH BENG KIAT	4,087,149	0.80
RAFFLES NOMINEES (PTE) LIMITED	3,991,300	0.78
	400,559,017	78.21

Based on the information available to the Company as at 15 March 2019, approximately 35.3 % of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Limited is complied with.

SUBSTANTIAL SHAREHOLDERS	NO. OF SHARES	%	NO. OF SHARES Deemed Interest	%
CHUA LEONG HAI @CHUA LEANG HAI	193,871,547	37.86	42,118,037	8.22
ENG AH GOH*	42,118,037	8.22	193,871,547	37.86
CHUA AIK KHOON (CAI YIQUN)	29,847,663	5.83	–	–

* Eng Ah Goh is the spouse of Chua Leong Hai and they are deemed to be interested in the shares held by each other.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **HOCK LIAN SENG HOLDINGS LIMITED** (the “Company”) will be held at Hotel Re! @ Pearl’s Hill, Level 2, Re! Union, 175A Chin Swee Road, Singapore 169879 on Tuesday, 23 April 2019 at 9.30 a.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2018 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect the following Directors of the Company who are retiring pursuant to Regulation 97 and 101 of the Constitution of the Company:-
 - (i) Mr Chua Leong Hai - Regulation 97 **(Resolution 2)**
 - (ii) Mr Khor Poh Hwa - Regulation 97 **(Resolution 3)**
 - (iii) Mr Hoon Tai Meng - Regulation 101 **(Resolution 4)**

[See Explanatory Note (i)]
3. To note the retirement of Mr Koh Lian Huat, a Director who is retiring pursuant to Regulation 97 of the Constitution of the Company and will not be seeking for re-election.

Upon the retirement of Mr Koh Lian Huat, he will be relinquishing his position as Independent Director, Chairman of the Audit and Risk Management Committee and a member of Nominating, Remuneration and Board Safety Committees.
4. To declare a first and final dividend (tax exempt one-tier) of 1.8 Singapore cents per ordinary share for the financial year ended 31 December 2018. **(Resolution 5)**
5. To approve the payment of Directors’ fees of S\$205,000 for the financial year ended 31 December 2018 (FY2017: S\$192,000). **(Resolution 6)**
6. To re-appoint Messrs Ernst & Young LLP, Certified Public Accountants, as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**
7. To transact any other ordinary business which may be properly 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:-

8. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), the Directors of the Company be authorised and empowered to:-

- (A) (i) issue shares in the Company (“**shares**”) whether by way of rights, bonus or otherwise;
- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares;
- (iii) issue additional Instrument arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues;

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

NOTICE OF ANNUAL GENERAL MEETING

- (B) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares pursuant to any Instrument made or granted by the Directors of the Company while this Resolution was in force,

provided that:-

- (1) the aggregate number of shares (including shares to be issued pursuant to the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) and subsidiary holdings in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a *pro rata* basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) and subsidiary holdings in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the number of issued shares (excluding treasury shares) and subsidiary holdings in the capital of the Company at the time of the passing of this Resolution, after adjusting for:-
 - (a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the rules, guidelines and measures issued by the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (4) unless revoked or varied by the Company in General Meeting, the authority conferred by this Resolution shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

(Resolution 8)

[See Explanatory Note (ii)]

9. Authority to (i) offer and grant options and to issue shares pursuant to the HLS Employee Share Option Scheme; and (ii) offer and grant awards and to issue shares pursuant to the HLS Performance Share Plan.

“that approval be and is hereby given to the Directors to:-

- (i) Offer and grant options in accordance with the provisions of the HLS Employee share Option Scheme (the “**Scheme**”) and to allot and issue from time to time, such number of shares as may be required to be issued pursuant to the exercise of options under the Scheme; and
- (ii) Offer and grant awards in accordance with the provisions of the HLS Performance Share Plan (the “**Plan**”) and to allot and issue from time to time such number of shares as may be required to be issued pursuant to the release of awards under the Plan.

NOTICE OF ANNUAL GENERAL MEETING

Provided always that the aggregate number of shares to be issued pursuant to the Scheme and the Plan shall not exceed 15% of the total number of issued shares (excluding treasury shares) and subsidiary holdings in the capital of the Company at any time."

(Resolution 9)

[See Explanatory Note (iii)]

By Order of the Board

Chew Kok Liang
Company Secretary
Singapore

8 April 2019

Explanatory Notes:-

- (i) Mr Chua Leong Hai will, upon re-election as a Director of the Company, remain as Executive Director and Chief Executive Officer and will be considered non-independent. Please refer to Table A of the Corporate Governance Report on page 28 to page 32 in the Annual Report for the detailed information required pursuant to 720(6) of the Listing Manual of the SGX-ST.

Mr Khor Poh Hwa will, upon re-election as a Director of the Company, remain as the Independent Director and will remain as a Chairman of the Nominating and Board Safety Committees and a member of both Remuneration and Audit and Risk Management Committees and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST. Please refer to Table A of the Corporate Governance Report on page 28 to page 32 in the Annual Report for the detailed information required pursuant to 720(6) of the Listing Manual of the SGX-ST.

Mr Hoon Tai Meng will, upon re-election as a Director of the Company, remain as the Independent Director and will remain as a Chairman of the Audit and Risk Management Committee and a member of Nominating, Remuneration and Board Safety Committees and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST. Please refer to Table A of the Corporate Governance Report on page 28 to page 32 in the Annual Report for the detailed information required pursuant to 720(6) of the Listing Manual of the SGX-ST.

- (ii) Resolution 8, in item 8 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a *pro rata* basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

- (iii) Resolution 9, in item 9 above, if passed, will empower the Directors to issue shares up to an amount in aggregate not exceeding 15%, of the issued share capital (excluding treasury shares) of the company pursuant to the HLS Share Option Scheme (the "**Scheme**") and the HLS Performance Share Plan (the "**Plan**") which was approved at the Extraordinary General Meeting of the Company on 1 December 2009. A copy of the respective Rules of the Scheme and of the Plan is available for inspection by shareholders during normal office hours at the Company's Registered Office.

NOTICE OF ANNUAL GENERAL MEETING

Notes:-

1. A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting (the “**Meeting**”) is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified.)
3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 80 Marine Parade Road, #16-08 Parkway Parade, Singapore 449269 not less than seventy-two (72) hours before the time appointed for holding the Meeting.

* A Relevant Intermediary is:-

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal data privacy:-

By submitting an instrument appointing a proxy(ies) and / or representative(s) to attend, speak and vote at the Meeting and / or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “**Purposes**”), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), 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 or service providers) of the personal data of such proxy(ies) and / or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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HOCK LIAN SENG HOLDINGS LIMITED
(Company Registration No. 200908903E)
(Incorporated In the Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:-

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (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.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We _____ (Name) _____ (NRIC/Passport No.)
of _____ (Address)
being a member/members of **HOCK LIAN SENG HOLDINGS LIMITED** (the "**Company**"), hereby appoint:-

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at Hotel Re! @ Pearl's Hill, Level 2, Re! Union, 175A Chin Swee Road, Singapore 169879 on Tuesday, 23 April 2019 at 9.30 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

No.	Resolutions relating to:-	No. of votes 'For'	No. of votes 'Against'
Ordinary Business			
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2018		
2	Re-election of Mr Chua Leong Hai as a Director		
3	Re-election of Mr Khor Poh Hwa as a Director		
4	Re-election of Mr Hoon Tai Meng as a Director		
5	Declaration of First and Final Dividend for the financial year ended 31 December 2018		
6	Approval of Directors' fees amounting to S\$205,000 for the financial year ended 31 December 2018		
7	Re-appointment of Messrs Ernst & Young LLP as Auditors and to authorise the Directors of the Company to fix their remuneration		
Special Business			
8	Authority to allot and issue shares and convertible securities		
9	Authority to offer and grant options/awards and to issue shares pursuant to the HLS Share Option Scheme and HLS Performance Share Plan		

* If you wish to exercise all your votes 'For' or 'Against', please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2019

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature of Shareholder(s)
and, Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES ON THE REVERSE

Notes:-

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).
5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 80 Marine Parade Road, #16-08 Parkway Parade, Singapore 449269 not less than 72 hours before the time appointed for the Meeting.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorized. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
8. A corporation which is a member may authorise by resolution of its Directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
9. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (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.

* A Relevant Intermediary is:-

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal Data Privacy:-

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 8 April 2019.

General:-

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ong Seh Hong (Chairman)
Chua Leong Hai
Chew Tuan Dong
Chua Siok Peng
Hoon Tai Meng
Kee Guan Chua
Khor Poh Hwa
Koh Lian Huat

AUDIT AND RISK MANAGEMENT COMMITTEE

Koh Lian Huat (Chairman)
Hoon Tai Meng
Khor Poh Hwa
Ong Seh Hong

NOMINATING COMMITTEE

Khor Poh Hwa (Chairman)
Hoon Tai Meng
Koh Lian Huat
Ong Seh Hong
Chua Leong Hai

REMUNERATION COMMITTEE

Ong Seh Hong (Chairman)
Hoon Tai Meng
Khor Poh Hwa
Koh Lian Huat

BOARD SAFETY COMMITTEE

Khor Poh Hwa (Chairman)
Hoon Tai Meng
Koh Lian Huat
Ong Seh Hong

COMPANY SECRETARY

Chew Kok Liang

REGISTERED OFFICE

80 Marine Parade Road
#16-08 Parkway Parade
Singapore 449269
Website: www.hlsgroup.com.sg
Email: info@hlsgroup.com.sg

SHARE REGISTRAR

B.A.C.S. Private Limited
8 Robinson Road
#03-00 ASO Building
Singapore 048544

INDEPENDENT AUDITOR

Ernst & Young LLP
Public Accountants and Chartered Accountants
One Raffles Quay
North Tower, Level 18
Singapore 048583
(Partner-in-charge: Nelson Chen
appointed since financial year ended 31 December 2018)

PRINCIPAL BANKERS

United Overseas Bank Limited
Oversea-Chinese Banking Corporation Limited
Malayan Banking Berhad
Hong Kong Shanghai Banking Corporation Limited
Bank of Singapore Limited

COMPANY REGISTRATION NUMBER

200908903E



HOCK LIAN SENG HOLDINGS LIMITED
Company Registration No.: 200908903E

www.hlsgroup.com.sg

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