

An aerial photograph of a winding asphalt road that snakes through a dense, lush green forest. The road has white lane markings and curves gracefully through the trees. The sunlight filters through the canopy, creating a dappled light effect on the road and the surrounding foliage. The overall scene conveys a sense of harmony between nature and infrastructure.

# REALISING POTENTIAL CREATING VALUE

ANNUAL REPORT 2018

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## CREATIVE RATIONALE

One of the key functions of engineering is to develop infrastructure that enables and enhance human activities. This concept focuses on how nature could be tamed through human prowess and create value where before it poses an obstacles. A road through a pine forest, a path that leads up to higher ground - these are apt analogies for KBE's various achievements in engineering that have empowered and enabled many customers. The idea of a pathway greatly synergises with KBE's swift advancement over the years and the use of nature resonates with its focus on sustainability.

Visit us or download the  
Annual Report at [www.kohbrotherseco.com](http://www.kohbrotherseco.com)

Listed on the Singapore Exchange ("SGX") in 2006, **Koh Brothers Eco Engineering Limited** ("KBE" or "the Company", and together with its subsidiaries "the Group") is a sustainable engineering solutions group that provides engineering, procurement and construction ("EPC") services for infrastructure, water & wastewater treatment, hydroengineering, bio-refinery and bio-energy projects.

Incorporated in Singapore in 1974, KBE started out by providing EPC services for water and wastewater treatment projects as well as hydroengineering projects. Today, its principal market is in Asia with projects from both the public and private sectors. In 2016, we undertook the injection of the construction and civil engineering business, Koh Brothers Building & Civil Engineering Contractor (Pte.) Ltd., into the Company. The integration of synergistic businesses along the value chain has substantially increased our revenue, and has aided the Company in the securing of important contracts.

With our Class A1 grading by the Singapore Building and Construction Authority ("BCA") for Construction and Civil Engineering Projects, we are able to tender for projects of unlimited value. In addition, we also attained ME11 L6 (Mechanical Engineering) grading by the BCA that allows us to tender for Singapore government projects of unlimited value in this category.

Our Bio-Refinery and Bio-Energy division under Oiltek Sdn. Bhd. specialises in a full range of conventional edible oil process plants as well as biodiesel, pretreatment and winter fuel plants. It also designs, builds and supplies biogas recovery systems to palm oil mill effluent plants in Malaysia and Indonesia.

A wide-angle photograph of a dirt road curving through a lush green field. The sky is bright blue with scattered white and grey clouds. The text 'ADVANCING CAPABILITIES GAINING NEW GROUND' is overlaid in white, bold, sans-serif font on the lower left side of the image.

**ADVANCING  
CAPABILITIES  
GAINING  
NEW GROUND**

Operating as Koh Brothers Building & Civil Engineering Contractor (Pte.) Ltd. ("KBCE") before being acquired by KBE, the Engineering and Construction business division enjoys a vast track record that covers a variety of civil engineering and construction projects.

For over 30 years since 1983, KBCE has completed many major construction projects such as the Marina Barrage, Changi Water Treatment Plants, Downtown Line 1 Bugis MRT Station, Common Services Tunnel at Marina South, HDB Projects at Jurong West, Choa Chu Kang, Yishun and many drainage projects such as Punggol Waterway, Bukit Timah First Division Canal, and Geylang River Makeover.

## AWARD WINNING EXPERTISE

In 2005, KBCE was awarded the groundbreaking Marina Barrage project, which consists of a massive dam across the Marina Channel to create a freshwater reservoir. Officially opened on 31 October 2008, it is Singapore's first urban freshwater reservoir (at 10,000ha or one-sixth of Singapore land size) to provide desalinated water to meet the country's growing demand. The project eventually went on to win the highly prestigious Superior Achievement Award at the American Academy of Environmental Engineers Annual Awards.

In addition to this flagship project, KBE has also done construction and civil engineering works for many other water, drainage and tunnelling related projects such as the Changi Water Reclamation Plant, one of the world's largest covered sewage treatment plant; the Downtown Line 1 Bugis MRT Station and its associated tunnels; the Jurong Water Reclamation Plant; the Common Services Tunnel at the Marina Business Financial Centre; and the 2.4-kilometre Punggol Waterway. The Punggol Waterway is part of a larger HDB project to make Punggol a vibrant people-centric heartland and is also a cornerstone and kick-starter to PUB's Active, Beautiful, Clean Waters ("ABC Waters") Programme. With ABC Waters progressing full steam ahead, KBCE will be looking forward to many new projects in this segment.



Bugis MRT



Punggol Waterway Boardwalk

## OUR BUSINESSES

# CONSTRUCTION AND CIVIL ENGINEERING

KBCE's acquisition by KBE represents a vertical integration of synergistic businesses that will offer a more compelling value proposition to clients and improve the Company's competitive advantage.

To strategically support our construction projects, we own a sizable and dedicated fleet of high-quality heavy machinery, equipment, steel struts, concrete pump trucks and a team of highly-skilled direct workers to ensure timely delivery and completion of quality projects.

The Engineering and Construction Division has been awarded the BCA Class A1 grading for Construction and Civil Engineering, which allows us to tender for projects of unlimited value. Constituting one of KBE's mission-critical businesses, our Construction and Civil Engineering Division complements our water and wastewater treatment and hydro-engineering business.



Woodlands Health Campus



Changi Wastewater Reclamation Plant



Water Treatment Project (Malacca)

# WATER AND WASTEWATER TREATMENT

The Water and Wastewater Treatment Division enjoys established expertise, experience and a sterling track record in the areas of water and wastewater treatment and hydro-engineering. Backed by a diverse 35-year track record in the water-solutions business, we have delivered numerous water and wastewater treatment projects in Singapore, Indonesia, Malaysia, Thailand, the Philippines and India – both for the public and private sectors, for domestic consumption as well as industrial use.

KBE provides a complete, end-to-end solution which starts with technology, engineering, manufacturing and procurement services for infrastructure, specialist equipment and turnkey systems, then following through to project management, installation, performance trials, commissioning, training and operations and maintenance.

Our water treatment capabilities spans the entire process – covering primary, secondary and tertiary treatments – which effectively remove suspended solids, biodegradable organics, pathogenic bacteria, industrial wastes, toxic chemicals as well as unwanted nutrients that catalyse algae growth.

The end result is an effluent of drinking-water quality – a precious resource needed by countries all over the world.

## HYDRO- ENGINEERING

Complementing our water and wastewater treatment function is our longstanding expertise in hydro-engineering and fluid mechanics, which focuses on the flow and conveyance of fluids such as water and sewage.

KBE designs and supplies devices which use state-of-the-art electrical drives and control systems, which are incorporated into infrastructure and products like pump systems, gates, valves, and other operating equipment. We also provide a system integrator for the mechanical and electrical power, as well as the instrumentation and control systems.

KBE has provided EPC services for major hydro-engineering projects undertaken by both the public and private sectors both locally and overseas in neighbouring countries like Malaysia and Indonesia. Whether it is flow or flood control, bespoke or turnkey solutions, KBE has the capabilities to design, build and install hydro-engineering equipment and systems to meet all our clients' requirements.



Changi Wastewater Reclamation Plant



Changi Wastewater Reclamation Plant



Changi Wastewater Reclamation Plant

## BIO-REFINERY ENGINEERING

Through our subsidiary, Oiltek Sdn. Bhd. ("Oiltek"), we engineer, procure and construct facilities to refine palm oil. Our refining solutions include edible and non-edible oil refining plants, renewable energy and biofuel plants, as well as systems and process improvement for existing refining operations. Oiltek also plays an important industry role as a distributor of machinery and components.

Oiltek is at the forefront of market innovation with its unique design excellence and strong technical competencies, resulting in the launch of new inventions and proprietary plants every year. Setting the benchmark for the industry, Oiltek has built and commercialised many first-of-its-kind including, the world's first palm oil 3MCPD and GE-mitigating refinery as well as the world's first zero-effluent refining plant. Others include the first and only palm vitamin-extraction plant in Africa, and in Malaysia, the first of the following: red palm oil plant, vitamin-extraction plant, winter-grade palm biodiesel plant, as well as multi-stocks PFAD biodiesel plant integrated with nutrient extraction.

Supported by more than 37 years of experience, Oiltek presently markets to over 32 countries across Malaysia, Indonesia, Africa, South America and the rest of Asia. Oiltek is also the process licensee of Malaysia Palm Oil Board for biodiesel, winter fuel, multi-feedstock biodiesel, phytonutrient extraction and other downstream processes.



Water & Wastewater Treatment Plant



Marina East Desalination Plant



Bukit Timah Diversion Canal

## BIO-ENERGY ENGINEERING

As one of the pioneering engineering companies in Malaysia which successfully delivered biodiesel since 2000, KBE enjoys a prominent reputation in integrated and multi-feedstock biodiesel plants, which are currently operating successfully in Malaysia and Thailand.

We also provide consultancy, design, engineering, procurement and construction services for palm oil mills seeking to recover and utilise methane as a source of renewable energy for power generation. KBE also assists in designing, reviewing, submitting and supporting palm oil mill effluent ("POME") biogas recovery projects to achieve Certified Emission Reduction registration, commonly known as carbon credits. We have demonstrated our capabilities and track record by completing successful biogas capturing and utilisation projects in Malaysia and Indonesia.

As a leading provider of biogas and methane recovery systems, the biogas recovery plant set up in palm oil mills using POME as feed has proven its consistency and high performance in chemical oxygen demand ("COD") reduction along with high volume methane purity with zero downtime.

The biogas recovered can be used for industrial and commercial purposes such as a direct displacement for boiler fuel and can also be used in a thermal and electricity generation, as well as hydrogen plants.



Changi Wastewater Reclamation Plant



Changi Airport Retention Pond



Changi Airport Three-runway System



# STATEMENT BY CHAIRMAN AND CEO

“**THE GROUP WILL  
CONTINUE TO  
CAPITALISE ON  
OUR STRENGTHS  
TO STAY  
COMPETITIVE  
IN ORDER  
TO SECURE  
OPPORTUNITIES  
AND DRIVE  
GROWTH.**”



**Koh Keng Siang (Francis)**  
Non-Executive and Non-Independent Chairman



**Shin Yong Seub (Paul)**  
Executive Director and  
Chief Executive Officer

# STATEMENT BY CHAIRMAN AND CEO

## DEAR SHAREHOLDERS

2018 was a challenging year for the construction industry with the construction sector shrinking 3.4 per cent. Coupled with increasing operation costs, escalating competition, stricter regulatory controls and manpower shortages, analysts have predicted that the construction industry will continue to shrink in 2019 by 3.5 per cent.

## FINANCIAL PERFORMANCE

The Group recorded revenue of S\$328.8 million for the financial year ended 31 December 2018 ("FY2018"), a marginal decrease of 1% from S\$331.1 million for the financial year ended 31 December 2017 ("FY2017"). The decrease of S\$2.3 million was mainly due to lower contribution from the Engineering and Construction division. The Engineering and Construction division recorded a marginal decrease in revenue to S\$301.5 million in FY2018 from S\$309.6 million in FY2017. However, the Group was able to maintain Group revenue due to the steady increase in revenue from the Bio-Refinery and Bio-Energy division of S\$5.9 million from S\$21.4 million in FY2017 to S\$27.3 million in FY2018. Other gains increased to S\$2.9 million in FY2018 as a result of the gain on disposal of property, plant and equipment, coupled with net foreign exchange gain.

The Group's gross profit decreased by 28% from S\$20.3 million in FY2017 to S\$14.6 million in FY2018 as a result of lower gross profit margins. Profit before income tax decreased by 23% from S\$9.1 million in FY2017 to S\$7.0 million in FY2018. As a result, the Group's net profit attributable to shareholders decreased by 31% to S\$5.6 million in FY2018.

The Group's construction order book remains strong, standing at S\$682.8 million as at 31 December 2018, with the Group being involved in the remaining package for Runway 3 awarded by Changi Airport Group, a subcontract work for Singapore's fourth desalination plant at Marina East awarded by Keppel Seghlers Pte Ltd, Circle Line 6 for the construction of cut-and-cover tunnels and other structures from the east of the planned Prince Edward Station to the existing Marina Bay Station, the Deep Tunnel Sewerage System (DTSS) Phase 2 project from PUB, Singapore's National Water Agency, through its 35%-owned POKB JV and the Woodlands Health Campus through a 20%-owned SDK Consortium. Our order book will provide a steady flow of activities through the next few years.

Further, the Group has S\$184.0 million worth of current assets thereby maintaining a healthy balance sheet with an overall current asset to current liability ratio of 1.2 times. As of 31 December 2018, the Group's net asset value attributable to shareholders stands at S\$90.4 million, a marked increase from S\$62.9 million as at 31 December 2017. The Group's balance sheet remains robust with cash and bank balances of S\$20.6 million.



Woodlands Health Campus



Marina Bay Cut & Cover Tunnels

## FINANCIAL EXERCISES AND PROPOSED DIVIDENDS

Shareholders of the Company have continued to support the Company's growth and vision. In June 2018, the Group proposed a renounceable non-underwritten rights cum warrants issue exercise (the **"Rights Issue"**). Pursuant to the Rights Issue, shareholders could subscribe for a rights share at S\$0.045 each for every two existing shares held. Free detachable warrants were also issued with every one rights share validly subscribed for by shareholders, at an exercise price of S\$0.05. Upon the completion of the Rights Issue, an aggregate of 517,492,846 new shares and 517,492,846 new warrants were listed on the Catalist of Singapore Exchange in 28 September 2018 with the total net proceeds from the Rights Issue was S\$23.03 million and was fully utilised for business expansion, and general working capital purposes.

We are pleased to announce that the Group has proposed a final cash dividend for FY2018 of 0.10 Singapore cent per share, payable after approval by shareholders at the forthcoming Annual General Meeting.



Vine Grove @ Yishun



Westwood Residences – Bike-Themed Executive Condominium



Punggol Waterway



Changi Water Reclamation Plant



Marina Barrage - Water Playground



Parc Olympia – Sports-Themed Condominium

# STATEMENT BY CHAIRMAN AND CEO



Marina Barrage



Bugis MRT Station



Lorong Halus Flyover



Common Services Tunnel



Changi Airport Three-runway System



Changi Airport Retention Pond



Jurong Water Reclamation Plant

## FUTURE PROSPECTS

The external demand outlook for the Singapore Economy is expected to be weaker in 2019 as compared to that in 2018, with the Ministry of Trade and Industry predicting that the Singapore economy will only grow by 1.5 to 3.5 percent. In particular, economists have predicted that the construction industry will shrink at a pace of 3.5%.

The Building and Construction Authority expects the value of construction contracts to be awarded in 2019 to be in the range of S\$27 billion and S\$32 billion, comparable to the approximately S\$30.5 billion awarded in 2018. This is due largely to the steady demand for public sector construction, with the value of construction contracts to be awarded for public sector construction ranging from S\$16.5 billion and S\$19.5 billion in 2019. The BCA has also opined that the public sector construction will continue to contribute S\$16 billion to S\$20 billion per year from 2020 to 2023, owing to large infrastructure projects such as the Cross Island Line, developments at Jurong Lake District and Changi Airport Terminal 5 coming onstream.

Our construction subsidiary, Koh Brothers Building & Civil Engineering Contractor (Pte.) Ltd. is accredited with BCA Class A1 grading for Construction and Civil Engineering Projects. The Group is therefore able to tender for such projects of unlimited value and thus benefit from the increase in larger public sector construction projects. In addition, the Group will continue to focus on building on our core competencies and delivering on existing projects to maintain the Group's performance.

The Group also remains optimistic about the long-term growth of Oiltek Sdn Bhd. Oiltek continues to develop new and innovative technology in the oil refining process. This gives Oiltek its competitive edge and will allow Oiltek to offer bespoke and tailored solutions to its clients.

## CONCLUSION & APPRECIATION

The Group is only as strong as its staff and management. We would like to take this opportunity to express our heartfelt appreciation to the staff and management team, whose dedication and hard work have allowed for the Group to navigate these difficult times. To our clients, business associates and shareholders, we thank you for your unwavering support in us as we continue to weather these difficult times.

**Koh Keng Siang (Francis)**

Non-Executive and Non-Independent Chairman

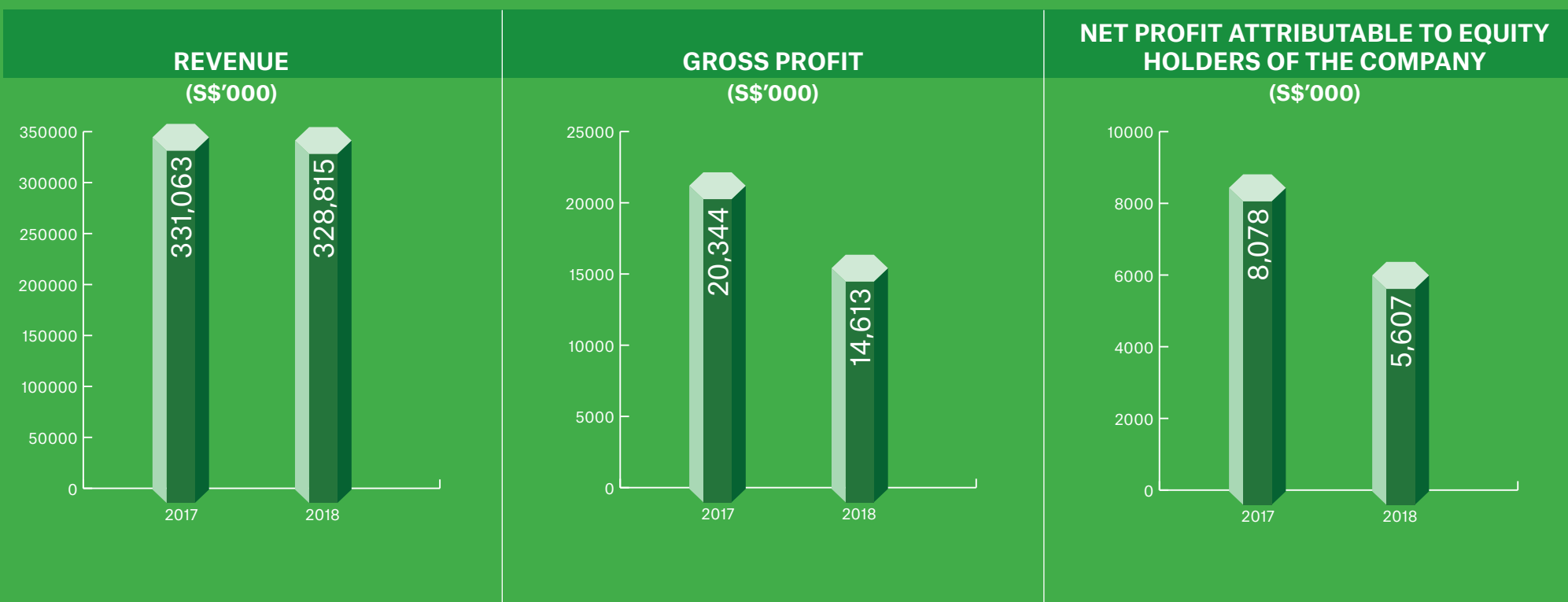
**Shin Yong Seub (Paul)**

Executive Director and Chief Executive Officer

# FINANCIAL HIGHLIGHTS

	FY2017	FY2018		FY2017	FY2018
<b>Balance Sheet Highlight</b>	<b>(S\$'000)</b>	<b>(S\$'000)</b>	<b>Key Financial Ratios</b>		
Shareholders' funds	62,989	90,396	Net gearing (times)	#	0.25
Cash and bank balances	24,864	20,553	Net tangible assets per share (in cents)	5.36	5.34
Net current asstes	15,677	34,359	Earnings per share (in cent)	0.91	0.47
Total assets	222,551	250,097	Dividend per share (in cent)	0.10	0.10
Total liabilities	156,517	156,622			

# - A net cash position





**ELEVATING  
DREAMS  
SCALING  
NEW HEIGHTS**

# SUSTAINABILITY REPORT

## BOARD STATEMENT

Koh Brothers Eco Engineering Limited (“KBE” or the “Company”, and together with its subsidiaries, the “Group”) recognises that sound management of environmental, social and governance (“ESG”) risks and opportunities is key to ensuring the sustainability of its business. The Group is committed to implement practices that would enable it to create sustainable value for its stakeholders.

In 2018, the Company focused on deepening its approach in managing its ESG performance. The Company continued to adopt various measures to optimise its energy performance. The Company also ensured that health and safety issues are assessed and managed at the Company, project and site levels, while establishing procedures that award those who champion a safety culture.

The directors of the Company (the “Board”) continues to be supported by management from across the Group in integrating sustainability considerations into its business decisions. As discharged by the Board, management from across the Group is responsible for determining ESG issues that are material to the Group, and managing and reporting the Group’s ESG performance.

The Group looks forward to continue sharing its performance on its sustainability journey.

Board of Directors  
Koh Brothers Eco Engineering Limited



Realising Potential  
Creating Value



# SUSTAINABILITY REPORT

## ABOUT THIS REPORT

This report addresses the Group's practices and performance around its material ESG factors during the period of 1 January to 31 December 2018. The scope of the report covers the Group's main operating entities under the two business units, Engineering and Construction and Bio-refinery and Bio-energy business units.

This report has been prepared in accordance with the requirements of SGX-ST Listing Rules 711A and 711B, and with reference to the Global Reporting Initiative ("GRI") Standards, as they represent the most commonly used sustainability reporting framework globally. This report references the following GRI Standards and topic-specific disclosures:

- Disclosure 201-1 from GRI 201: Economic Performance 2016
- Disclosures 302-1 (c. (i)) and 302-3 from GRI 302: Energy 2016
- Disclosures 303-5 (a) from GRI 303: Water and Effluents 2018
- Disclosure 403-9 (a. (i) and (iii)) from GRI 403: Occupational Health and Safety 2018
- Disclosure 405-1 (b.(i)) from GRI 405: Diversity and Equal Opportunity <sup>1</sup>

<sup>1</sup> For Disclosure 405-1, the gender distribution of employees is disclosed in this report, without the breakdown by employee category.



## ASSESSING MATERIALITY WITH OUR STAKEHOLDERS IN MIND

### STAKEHOLDER ENGAGEMENT

Stakeholders play a critical role in determining a business' long-term viability. The Company engages its stakeholder regularly through various methods to understand and address their needs and expectations.

Key Stakeholders	Engagement Methods
<b>Government / Regulators</b>	<ul style="list-style-type: none"> <li>• Participation in government initiatives and policy working groups</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Annual performance appraisals</li> <li>• Staff orientation for new employees</li> <li>• Regular sessions with the Project Heads and/or Heads of Departments to address the training needs of staff</li> <li>• Annual staff events</li> <li>• Ad-hoc gatherings, such as celebration dinners for achieving milestones</li> </ul>
<b>Investors</b>	<ul style="list-style-type: none"> <li>• Annual General Meetings ("AGMs")</li> <li>• Annual reports</li> <li>• Notices, Circulars, and Announcements</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Websites</li> <li>• Face-to-face meetings</li> </ul>
<b>Contractors</b>	<ul style="list-style-type: none"> <li>• Periodic meetings</li> <li>• Contractor/supplier evaluation exercises</li> </ul>
<b>Local Communities</b>	<ul style="list-style-type: none"> <li>• Corporate Social Responsibility ("CSR") initiatives</li> <li>• Community meetings</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>• Media announcements</li> </ul>



## MATERIALITY ASSESSMENT

The Company conducted a materiality assessment that is in line with the Materiality Principle of the GRI Standards in September 2017.



In identifying the material ESG factors, the Company considered the following:

- Global and local emerging sustainability trends
- Main topics and future challenges for the construction, building materials, and real estate sectors, as identified by peers
- Insights gained from regular interactions with internal and external stakeholders

The assessment yielded four material ESG factors. The Company reviewed the four material ESG factors in 2018 and found that they continue to be relevant. The Company will regularly review and assess its material ESG factors to ensure their relevance.

Sustainability Focus Area	Material ESG Factors
Economic	Economic performance <sup>2</sup>
Environmental	Utilities and emissions
Social	Employee wellbeing
	Health and safety

<sup>2</sup> Please refer to the financial statements set out in the Annual Report 2018 for more information on the Group's economic performance for the financial year ended 31 December 2018.

## UTILITIES AND EMISSIONS

Performance Measure <sup>3</sup>	2017	2018	2019 Target
Total water consumed within the organisation (m <sup>3</sup> )	46,296	105,402	Maintain water intensity at 0.4 m <sup>3</sup> /m <sup>2</sup> based on Project GFA
Water intensity per Project GFA (m <sup>3</sup> /m <sup>2</sup> )	0.16	0.36	
Total energy consumed within the organisation (kWh)	997,458	333,399	Maintain energy intensity at 3.0 kWh/m <sup>2</sup> based on Project GFA
Energy intensity per Project GFA (kWh/m <sup>2</sup> )	3.46	1.15	

<sup>3</sup> The disclosures encompass the Group's performance in its main operating entities under the Construction business unit.

The Company aims to minimise the environmental impacts that its operations create. To manage the Group's environmental performance holistically and systematically, the Company has acquired ISO 14001 Environmental Management System certification for its Construction business unit. Going forward, the Group will continue to maintain zero non-conformances for all external audits conducted for the aforementioned management systems.

The Group has also implemented various measures to optimise its utilities and emissions performance, including regular maintenance of equipment and facilities to maintain optimal energy efficiency, provision of high-efficiency systems such as lifts with variable voltage frequency and sleep mode features, and installation of energy-efficient light fittings and motion sensors at the common staircases and toilets.

In addition to reducing its own water and energy consumption, the Group aspires to help others decrease their resource use through promoting green buildings. The Group plans to send selected key staff for training in the design and implementation of Green Building and Energy Conservation. The Group aims to achieve at least the Green Mark GoldPlus Award by the Building and Construction Authority of Singapore ("BCA") for new building projects in Singapore, and the BCA Green Mark Gold Award or its equivalent for new projects overseas.

In 2018, while the Group was able to achieve its target of reducing its energy consumption level as compared to 2017 level, it saw an increase in its water consumption and thus did not meet its target of maintaining or reducing its water consumption level as per 2017 level. The increase in water consumption was attributed to operational demands. The Group has established water and energy intensity targets for 2019 and will continue to work on improving its water and energy efficiency.



## EMPLOYEES' WELLBEING

Performance Measure		2017	2018	2019 Target
Gender distribution in the Group	Male	79%	82%	Maintain a gender distribution ratio within the Group of between 70% to 80% for male employees and between 20% to 30% for female employees
	Female	21%	18%	

Employees are fundamental to a business' success. The Company is committed to attracting, developing and retaining dedicated and professional employees that share the Company's values.

The Company does not tolerate any discrimination on the grounds of sex, age, marital status, racial origin, religious affiliation, or disability. All employees are evaluated based on their merits and work performance and have an equal opportunity to be trained, promoted and selected for prestigious posting.

The Company recognises that it operates in male-dominated industries, and has therefore highlighted the importance of monitoring gender diversity within the Group. In 2018, the percentage of female employees at the Company was 18%, which was short of the targeted gender ratio of 20% to 30% for female employees. The Company will strive to meet the gender distribution target and explore opportunities to improve inclusivity and gender diversity among its workforce in 2019.

In addition to promoting an inclusive culture, the Company places great importance on understanding its employees' needs as this is crucial to retaining employees. The Company deploys an "open-door" policy to encourage communication between management and employees. The Company also has a set of effective employee retention strategies and incentives to increase staff retention and decrease staff turnover.

Another key to retaining employees is to help employees achieve their fullest potential and to build a fulfilling career. The Company provides personalised training and education programmes, including job rotations, which allows employees to gain different skill sets and deepen their understanding of the Company's operations. The Company reviews each employee's development plans during the annual performance appraisal to ensure that their training needs and goals are addressed.



## HEALTH AND SAFETY

Performance Measure <sup>4</sup>	2017	2018	2019 Target
Total number of workplace fatalities	0	0	Zero workplace fatalities
Accident Severity Rate ("ASR") <sup>5</sup>	45.00	57.04	<ul style="list-style-type: none"> <li>Maintain or reduce ASR as per 2018 levels</li> <li>Maintain ASR below construction industry average</li> </ul>

<sup>4</sup> The disclosures encompass the Group's performance in its main operating entities under the Construction business unit.

<sup>5</sup> "ASR" refers to the number of lost work days experienced by the Company's Construction business unit. It was computed based on the number of man-days lost due to workplace accidents per million man-hours worked.

Safeguarding our employees' health and safety is integral to ensuring smooth operations. The Company believes that maintaining a safe working environment is the responsibility of all – from employees to management.

The Company has established Health and Safety Policies that all business lines are required to abide to and implement during their operations. The Risk Management Committee of the Company's Construction unit meets monthly to discuss health and safety issues and incidents, and evaluate the sufficiency of health and safety initiatives. A quarterly Health and Safety Chairman Forum is also held, where the Chairman of the Construction unit discusses health and safety issues with the Company's Health, Safety, and Environment ("HSE") Division.

At the project level, health and safety risks and impacts are assessed for all projects and opportunities for improvement in the different project life cycle stages are identified, such as during project plan development, project execution and project handover. At the project weekly meetings, health and safety issues are discussed, and messages from the meetings are cascaded to all supervisors and workers every morning before work starts. A WhatsApp group has also been formed to facilitate real-time safety updates and incident reporting between the management and project teams.

At the site level, a safety manager conducts spot checks to ensure assets and equipment, including elevators, escalators and stairwells are well maintained at worksites, and that all necessary safety equipment are in place. 24/7 security guards are also hired to conduct daily rounds and spot checks. Periodic site meetings are conducted with project consultants to flag out any health and safety related matters. If any safety incidents were reported by employees or visitors, the safety managers are responsible for conducting timely investigation and execution of preventive and corrective actions.



The Company also has a group of appointed clinics to provide readily available medical and healthcare services to any of its employees and workers when needed.

To supplement regular reviews of health and safety issues at various levels, the Company provides regular trainings to educate employees on the potential occupational health risks and safety hazards and the proper precautions to undertake. The Company's Construction unit has set aside a health and safety budget dedicated to implementing health and safety improvement initiatives. Procedures are also in place to award workers, supervisors and subcontractors for safety-conscious behaviours to incentivise and nurture the safety culture.

While the Group has met its target of zero workplace fatalities in 2018, it did not achieve its target of maintaining its ASR as per 2017 level. The Group's ASR has increased from 45.00 in 2017 to 57.04 in 2018, which is attributed largely to the increase in hand injuries. Hand safety training has thus been conducted, and proper selection of hand gloves has been carried out to ensure appropriate hand gloves are being used for the assigned tasks. The Group's ASR in 2018 is well below the 2018 average ASR for the construction sector, which is 119.<sup>6</sup>

<sup>6</sup> Figure for average ASR for the construction sector is extracted from the Workplace Safety and Health National Statistics Report January - June 2018, published by the Ministry of Manpower ("MOM"). As noted in the MOM Report, the 2018 figure is preliminary and will be finalised when the full-year report is published.



## CORPORATE SOCIAL RESPONSIBILITY INITIATIVES



The Company is committed to being a force of positive influence in the local communities it operates in. Giving back to the society that has supported the growth of the Company is at the core of our values. The Company contributes to the society through corporate responsibility initiatives (“CSR”) that include corporate philanthropy, volunteerism, the environment and corporate sponsorship.

**Habitat for Humanity Singapore:** The Company is proud to be a part of Habitat for Humanity Singapore’s inaugural Home Sweep Home initiative. Volunteers from the Group came together to improve the living conditions of vulnerable elderly, revitalise shared living spaces for thousands of residents, and litter-picking around the estates. The large-scale clean-up comprised of 200 homes across 6 neighbourhoods in Toa Payoh, Bukit Batok, Ang Mo Kio, Chinatown, Bedok, and Lavender.

**Singapore Children’s Society:** The Company is an active participant in the Singapore Children’s Society’s 1000 Enterprises for Children-In-Need Programme, where it pledges its donation to Singapore Children’s Society annually. The Company will continue to contribute as it believes that its support will go a long way and will continue to help the children in need.





**Society for the Physically Disabled (SPD) Charity Hongbao:** The Company is proud to be part of SPD's Charity Hongbao Donation Drive. It hopes to make a difference in the lives of people with disabilities over the Lunar New Year. The Company's donations using 'hongbaos' will fund over 20 programmes and services offered by SPD, which facilitates the integration of people with disabilities into the society.

**BCA-Industry Built Environment Undergraduate Scholarship/Sponsorship:** Together with other industry firms, the Company's Construction unit collaborated with BCA to offer BCA-Industry Built Environment Undergraduate Scholarship/Sponsorship to students pursuing full-time built environment courses at local universities and the BCA Academy. The Company believes that through these programmes, graduates will enjoy ample opportunities while being nurtured for an exciting and rewarding career in the Built Environment sector.

**Other CSR Initiatives at Koh Brothers:** The Company has participated in many CSR programmes organised by various agencies, institutions, and associations. These activities include those by National Crime Prevention Council, SCDF (SGSECURE), Singapore Badminton Association, LTA Charity Golf & Transport Congress Event, Care Community Services Society, Club-100 North West CDC, REDAS 42<sup>nd</sup> Golf Tournament, BCA-MNDRC Charity Golf, St John's - St Margaret's Church, The Korean Chamber of Commerce (2017 KOCHAM Challenge) Charity Golf/Gala Dinner and Total Defence Force.



# BOARD OF DIRECTORS

## KOH KENG SIANG (FRANCIS)

**Non-Executive and Non-Independent Chairman**

Mr Koh Keng Siang is the Non-Executive and Non-Independent Chairman of Koh Brothers Eco Engineering Limited. He was appointed a Director on 28 February 2013 and was last re-elected on 27 April 2016. He is also the Chairman of the Executive Committee and the Nominating Committee. He is a member of the Remuneration Committee and the Audit and Risk Committee.

Mr Koh is the Managing Director and Group Chief Executive Officer of Koh Brothers Group Limited ("KBGL"). He has been with KBGL since 1987 and has held various positions in administration, finance and project management. He was the main driving force behind the expansion of KBGL's business into Real Estate and Leisure & Hospitality. He is credited with spearheading KBGL to establish its brand name in Singapore as a builder of quality homes.

Mr Koh holds a Master of Business Administration from the National University of Singapore and a Bachelor of Engineering (Honours) from the University of Birmingham. He was conferred the Best Executive Award 1997-1998 by His Excellency, the State Minister of Industry and Trade of the Republic of Indonesia, Mr Ir T Airwibowo. He was also conferred the Promising SME 500 (Distinguished Business Leader of the year) in 2014 and was named the Real Estate Personality of the year 2016.

Mr Koh is a counsel member of the Teochew Federation Council.



**Koh Keng Siang  
(Francis)**

## BOARD OF DIRECTORS



Shin Yong Seub  
(Paul)



Tan Hwa Peng



Koh Choon Leng  
(Jeffrey)



Lee Sok Khian John

# BOARD OF DIRECTORS

## SHIN YONG SEUB (PAUL)

Executive Director and  
Chief Executive Officer

Mr Shin Yong Seub is an Executive Director and Chief Executive Officer of the Company. He was appointed a Director on 1 June 2016 and was re-elected on 20 April 2017. He is also a member of the Executive Committee.

Mr Shin has over 30 years of professional experience in the building and construction industry in Singapore and Asia. Prior to joining the Group, he was the Head of South East Asia for Samsung C&T Corporation where he successfully secured and completed various infrastructure and building projects. These projects include Kallang Paya Lebar Expressway C423, the Summit (NTUC's headquarters), Biopolis, Singapore Changi Runway Package 1, Downtown and Thomson MRT Lines, and Jurong LNG Terminal. Other notable projects in the region include KL 118 Tower, the Prai Combined Cycle Power Plant in Malaysia, Shatin Central MTR line in Hong Kong, Keppel International Finance Center in Jakarta, and Trung Son Hydro Dam and Hatim Formosa Steel Mill Deep Sea Port in Vietnam.

Mr Shin holds a Bachelor of Arts degree in International Business from Hankuk University of Foreign Studies in Korea, a Bachelor of Arts in Middle East Politics & Economics from King Saud University, and a Master's degree in International Business Administration from Korea University.

## KOH CHOON LENG (JEFFREY)

Independent Director

Mr Koh Choon Leng is an Independent Director of the Company. He was appointed a Director on 28 February 2013 and was last re-elected on 20 April 2017. He is the Chairman of the Audit and Risk Committee and a member of the Nominating Committee and the Remuneration Committee.

Mr Koh has over 30 years of professional experience in mechanical engineering, building service design, implementation, documentation and project administration. In 1987, he was appointed as the Managing Director of HPS Engineering (S) Pte. Ltd. which provides mechanical and electrical engineering consultancy services to institution, industrial and commercial building projects. He is currently an Executive Director of E+HPS Pte. Ltd., an international total turnkey design and build facilities engineering company, having presence in Singapore, Malaysia, India and China.

Mr Koh graduated from Singapore Polytechnic with a Diploma in Mechanical Engineering in 1981.

## TAN HWA PENG

Independent Director

Mr Tan Hwa Peng is an Independent Director of Koh Brothers Eco Engineering Limited. He was appointed a Director on 21 February 2012 and was last re-elected on 26 April 2018. He is the Chairman of the Remuneration Committee and a member of the Nominating Committee and the Audit and Risk Committee.

Mr Tan has more than 35 years of experience in the building and civil engineering construction industry in Singapore. He had been an Executive Director of Koh Brothers Group Limited ("KBGL") since its public listing in 1995 till his retirement in 2005. During his tenure at KBGL, he was specifically in charge of its construction division. Prior to the listing of KBGL, he was instrumental in helping the construction division grow from a drainage contractor to one of the largest building and civil engineering companies in Singapore.

Mr Tan graduated from the University of Malaya in 1968 with a Bachelor of Civil Engineering degree. During 1969 to 1972, when he was in full time national service, Mr Tan was commissioned as an army officer and served in the Ministry of Defence. He worked in the Civil Service from 1972 till 1979. He had served in various ministries and was promoted from Pupil Engineer in the Ministry of National Development to Higher Executive Engineer in the Ministry of Environment.

## LEE SOK KHIAN JOHN

Non-Executive and  
Non-Independent Director

Mr Lee Sok Khian John is a Non-Executive and Non-Independent Director of Koh Brothers Eco Engineering Limited. He was appointed a Director on 1 September 2017 and was last re-elected on 26 April 2018.

Mr Lee is currently an Executive Director of Koh Brothers Group Limited ("KBGL"). Prior to his appointment as a Director of KBGL, he was the Chief Financial Officer and Company Secretary of KBGL. He has extensive experience in management, corporate, accounting and finance functions in various industries.

Mr Lee is a Fellow of the Institute of Singapore Chartered Accountants and the Association of Chartered Certified Accountants. He is also an Associate of the Chartered Institute of Management Accountants and the Chartered Secretaries Institute of Singapore.

## CHUA THING CHONG

CHIEF OPERATING OFFICER  
(CONSTRUCTION)

Mr Chua joined Koh Brothers Building & Civil Engineering Contractor (Pte.) Ltd ("KBCE") as the Chief Operating Officer in 2017. He is responsible for overseeing all the construction projects undertaken by KBCE. Mr Chua has close to 40 years of experience in the construction industry.

Prior to 2017, he held senior positions in various construction companies overseeing major infrastructure and building projects such as MRT, airport development, power and incinerator plants, underground expressways, and institution buildings in Singapore and in the region.

Mr Chua holds a Master of Engineering from Auckland University, New Zealand.

## GOH POH KHIM

EXECUTIVE DIRECTOR  
(CONSTRUCTION)

Mr Goh joined the Group's Construction division in 2002 as an Assistant General Manager (Projects). He managed some of the Group's prestigious projects such as the Marina Barrage. He was promoted to his current position in 2008 overseeing all its building related projects.

Mr Goh is responsible for the performance and growth of the building section under the Construction division. He has more than 30 years of project management experience in the construction industry and has held senior positions in various construction companies.

Mr Goh holds a Bachelor in Business from the Royal Melbourne Institute of Technology, Australia and an Executive Master of Business Administration from the National University of Singapore.

## ONG KIEN SOO

EXECUTIVE DIRECTOR  
(CONSTRUCTION)

Mr Ong joined the Group's Construction division as a Contracts Manager in 2010. He was promoted to his current position of Executive Director (Construction) in 2016. Mr Ong is responsible for overseeing the overall operations of the Contract Department. His portfolio includes contract administration and tendering of building and infrastructure projects.

Mr Ong has more than 35 years of experience in the construction industry and has held senior positions in various construction companies.

Mr Ong holds a Bachelor of Applied Science in Construction Management and Economics from Curtin University.

## KOH KENG SENG

EXECUTIVE DIRECTOR  
(CONSTRUCTION)

Mr Koh joined the Group in 1992 and has grown with the Construction division. He now heads the Machinery, Equipment and Logistics department of the Construction division. Mr Koh is responsible for and oversees the logistics, workshop, machinery and equipment functions. He has more than 24 years of experience in the construction industry and is involved in various projects under the Group's Construction division.

## YONG KHAI WENG (HENRY)

MANAGING DIRECTOR  
(BIO-REFINERY AND BIO-ENERGY)

Mr Yong is the Managing Director of Oiltek Sdn. Bhd., a subsidiary of the Company. He oversees the Group's operations and expansion in the edible oil, bio-refinery and bio-energy engineering sectors. He has over 20 years of experience in the palm oil industry covering a wide horizon of areas including palm oil refining, biofuels, and the whole vertical downstream integration.

Mr Yong is also involved in corporate and operational management, project sales and marketing, strategy and planning, process design and management, research and process development as well as key client portfolio management.

Mr Yong graduated from the University of Malaya with a Bachelor's degree in Chemical Engineering with First Class Honours in 1997. He has also been awarded the Super Outstanding Entrepreneur, Asia Success Award 2013, and the Asia Honesty Entrepreneur Award 2014.

## CHUA THIAM SIEW, JOHNSON

FINANCIAL CONTROLLER

Mr Chua rejoined the Company in September 2017 as the Financial Controller and is responsible for all aspects of the group's financial activities including treasury, accounting, taxation, budgetary controls and systems and processes.

Mr Chua has more than 30 years experience in finance and accounting related matters in the public accounting, construction, real estate and hospitality sectors.

Mr Chua holds a Master of Business Administration from Southern Cross University and a Master of Accounting from Curtin University of Technology (Australia). He is an associate member of CPA Australia.

## CHUA HANYANG, ISAAC

COMPANY SECRETARY

Mr Chua joined the Group in April 2018 as the Legal Counsel and was appointed Company Secretary in December 2019. He oversees the Group's corporate secretarial, legal and compliance functions.

Mr Chua graduated from the National University of Singapore with a Bachelor of Laws (Honours) (LL.B.).

# GROUP STRUCTURE

## ENGINEERING AND CONSTRUCTION

- Koh Brothers Eco Engineering Limited
- Koh Brothers Building & Civil Engineering Contractor (Pte) Ltd
- Koh Eco Engineering Pte Ltd

## BIO-REFINERY AND BIO-ENERGY

- Oiltek Sdn Bhd
- Oiltek Nova Bioenergy Sdn Bhd

*Note: This list is not exhaustive.*



## REGISTERED OFFICE

11 Lorong Pendek  
Koh Brothers Building  
Singapore 348639  
Tel: (65) 6289 8889  
Fax: (65) 6841 5100  
Website: [www.kohbrotherseco.com](http://www.kohbrotherseco.com)

## BOARD OF DIRECTORS

Koh Keng Siang  
(Non-Executive and  
Non-Independent Chairman)

Shin Yong Seub  
(Executive Director and  
Chief Executive Officer)

Tan Hwa Peng  
(Independent Director)

Koh Choon Leng  
(Independent Director)

Lee Sok Khian John  
(Non-Executive and  
Non-Independent Director)

## AUDIT AND RISK COMMITTEE

Koh Choon Leng (Chairman)  
Koh Keng Siang  
Tan Hwa Peng

## NOMINATING COMMITTEE

Koh Keng Siang (Chairman)  
Koh Choon Leng  
Tan Hwa Peng

## REMUNERATION COMMITTEE

Tan Hwa Peng (Chairman)  
Koh Choon Leng  
Koh Keng Siang

## EXECUTIVE COMMITTEE

Koh Keng Siang (Chairman)  
Shin Yong Seub

## COMPANY SECRETARY

Chua Hanyang, Isaac

## GROUP CORPORATE COMMUNICATIONS MANAGER

David Tay

## AUDITORS

PricewaterhouseCoopers LLP  
(Certified Public Accountants)  
7 Straits View, Marina One  
East Tower, Level 12  
Singapore 018936

## PARTNER-IN-CHARGE:

Yeow Chee Keong  
*(appointed during the financial year ended 31 December 2018)*

## SHARE REGISTRAR

B.A.C.S. Private Limited  
8 Robinson Road #03-00, ASO Building  
Singapore 048544

## INVESTOR RELATIONS

Citigate Dewe Rogerson,  
i.MAGE Pte Ltd  
55 Market Street, #02-01  
Singapore 048941

Contact Person:  
Dolores Phua/Amelia Lee  
Tel: (65) 6534 5122

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# REPORT ON CORPORATE GOVERNANCE

## REPORT ON CORPORATE GOVERNANCE

The board of directors (the “Board”) of Koh Brothers Eco Engineering Limited (the “Company”) is committed to ensuring that a high standard of corporate governance is practised throughout the Company and its subsidiaries (the “Group”). The Board believes that good corporate governance enhances shareholder value, corporate performance and accountability. This report discloses the corporate governance framework and practices that the Group has adopted, with specific reference to the principles and guidelines of the Code of Corporate Governance 2012 (the “Code”). In respect of the Company, as the new Code of Corporate Governance 2018 only takes effect for the financial year starting after 1 January 2019, the Company has, for financial year ended 31 December 2018, continued to prepare this report on the basis of the Code. Where the Company’s practices differ from the recommendations under the Code, the deviations are explained in the report. The Board will continue to review the corporate governance policies regularly in order to further add value to stakeholders and enhance investor confidence.

### 1. BOARD MATTERS

#### Guideline (“GL”)

#### The Board’s Conduct of Affairs

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

The Board comprises the following 5 directors:

Koh Keng Siang  
(Non-executive and non-independent chairman)  
Shin Yong Seub  
(Executive director and chief executive officer (the “CEO”))  
Tan Hwa Peng (Independent director)  
Koh Choon Leng (Independent director)  
Lee Sok Khian John  
(Non-executive and non-independent director)

The Board assumes responsibility for stewardship of the Group. Its primary objective is to protect and enhance shareholder value. The Board’s role is to, *inter alia*:

GL 1.1

- provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives
- establish a framework of prudent and effective controls which enables risks to be assessed and managed (including safeguarding shareholders’ interests and the Company’s assets)
- approve major investment and funding decisions
- review and evaluate the performance of the Management of the Company (the “Management”)
- set the Company’s values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met
- consider sustainability issues (eg environmental and social factors) as part of its strategic formulation

All directors are expected to objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

GL 1.2

The Board has established the following committees which assist the Board in discharging its responsibilities according to clearly defined terms of references:

GL 1.3

- Executive Committee (“EC”)
- Audit and Risk Committee (“ARC”)
- Nominating Committee (“NC”)
- Remuneration Committee (“RC”)

The Board delegates the formulation of business policies and day-to-day management to the CEO and senior management.

The EC was established on 1 July 2016. The EC’s objective is to assist the Board in looking into the operational affairs of the Group and making recommendations to the Board, when necessary.

Details of the ARC, NC and RC are set out in other sections of this report.

# REPORT ON CORPORATE GOVERNANCE

The Board meets at least 4 times a year and convenes additional meetings when warranted by particular circumstances.

GL 1.4

A record of the directors' attendance at Board and its committee meetings in 2018 is disclosed below.

	BOARD	EC	ARC	NC	RC
Total no. of meetings held in 2018	4	4	4	1	1
Koh Keng Siang	4/4	4/4	4/4	1/1	1/1
Shin Yong Seub	3/4	4/4	-	-	-
Koh Choon Leng	4/4	-	4/4	1/1	1/1
Tan Hwa Peng	4/4	-	4/4	1/1	1/1
Lee Sok Khian John	4/4	-	-	-	-

The Board is of the view that the contributions of each director should not be based only on his attendance at Board and/or Board committee meetings. A director's contributions may also extend beyond the formal environment of Board meetings, such as through the sharing of views, advice, experience and strategic networking relationships which would further the interests of the Group.

The Company's Constitution allows the directors to consider and approve resolutions by written means. A director who is unable to attend any meeting in person may participate in the meeting via telephone conference.

The Company has adopted internal guidelines setting forth matters that require the Board's approval. These matters relate, *inter alia*, to:

- (a) corporate or financial restructurings
- (b) material acquisitions and disposals of assets which are outside the ordinary course of business of the Group
- (c) dividend payments
- (d) financial results announcements
- (e) bank borrowings and provision of corporate guarantees

The Board also approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to the Board committees and Management via a structured delegation of authority matrix (ie Group Limits of Authority ("GLA")), which is reviewed and revised when necessary.

GL 1.5

The GLA provides clear guidance and directions to Management on matters requiring the Board's specific approval which include, but are not limited to:

- (a) material acquisitions and disposals of assets/investments
- (b) corporate/financial restructuring/corporate exercises
- (c) budgets/forecasts
- (d) material financial/funding arrangements and expenditures

The Company has in place an orientation program for all newly appointed directors. This is to ensure that they are familiar with the Group's structure, business and operations, corporate governance practices, and their duties as directors. Where appropriate, the Company will also provide first-time directors with training in areas such as accounting, legal and industry-specific knowledge.

GL 1.6

The Board is updated on relevant new laws, regulations and changing commercial risks from time to time. Directors are also encouraged to attend training sessions, courses and seminars conducted by external consultants and institutions at the Company's expense.

Each newly appointed director will receive a letter of appointment, setting out among other things, his duties and obligations. In addition, an information pack containing the Group's organisation structure, the Company's Constitution, Management's contact details and recent minutes of Board meetings will be provided to the director.

GL 1.7

# REPORT ON CORPORATE GOVERNANCE

## Board Composition and Guidance

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

The Board currently comprises 5 directors consisting of 2 non-executive and non-independent directors, 2 independent directors and 1 executive director. The independent directors of the Board are independent within the meaning of the Code and in accordance with Rule 406(3)(d) of Section B of the Listing Rule ("Catalist Rules") of the Singapore Exchange Securities Trading Limited ("SGX"). The Board is able to exercise independent judgment. There are sufficient non-executive directors on the Board to carry significant weight on the Board's deliberations, as 80% of the Board are non-executive directors. No individual or small group of individuals dominate the Board's decision making.

The NC reviews and assesses the independence of each director, taking into account the examples of the relationships and circumstances set out in the Code, and the director's ability to act with independent judgement and to discharge his duties objectively. Each independent director is required to complete a director's independence checklist which is drawn up based on the guidelines provided in the Code. The NC reviews and assesses the director's independence before presenting its recommendations to the Board for consideration and endorsement. Based on the NC's review and recommendations, the Board has determined that both Mr Koh Choon Leng and Mr Tan Hwa Peng are independent as both Mr Koh Choon Leng and Mr Tan Hwa Peng do not have relationships with the Group that could interfere, or be reasonably perceived to interfere, with the exercise of their independent judgement.

There are no independent directors that have served on the Board for more than nine years.

GLs 2.1  
and 2.2

GL 2.3

GL 2.4

The Board, having examined the scope and nature of the Group's business and operations, is of the view that the current Board size is appropriate for facilitating effective decision making. The Board will restructure the Board's and its committees' compositions, if warranted, to meet the changing needs and demands of the Group's business and operations.

GL 2.5

Directors have been appointed based on their calibre, expertise and experience. Board members comprise of business leaders with business, management, finance and industry knowledge. The Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies to lead and govern the Group effectively.

GL 2.6

The Board comprises 4 non-executive directors, of whom 2 are independent directors. The non-executive directors will constructively challenge and help to develop proposals on strategy. They also review the performance of the Management in meeting agreed goals and objectives, and monitor the performance of the Company.

GL 2.7

Non-executive directors meet at least once annually, without the presence of the Management to facilitate an effective check on the Management.

GL 2.8

# REPORT ON CORPORATE GOVERNANCE

## Chairman and Chief Executive Officer

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

The Chairman of the Board and the Company's CEO are separate persons. There is a clear division of roles and responsibilities between the Chairman and CEO. The CEO is not related to the Chairman.

GL 3.1

The Chairman, together with the rest of the directors, is responsible for the Board's proceedings. He leads the Board to ensure its effectiveness in all aspects of the Board's role, promotes a culture of openness and debate at the Board, facilitates effective communication with shareholders, encourages constructive relations within the Board and between the Board and Management, facilitates the effective contribution of each director and promotes high standards of corporate governance. With the assistance of the Company Secretary, he sets the agenda and ensures that the Board members are provided with complete, adequate and timely information of all agenda items.

GL 3.2

The Board is of the view that there is no necessity for a lead independent director at this juncture as the current Board size is small. Both independent directors are available to shareholders when they have concerns and where contact through the normal channels of the Chairman, CEO and Management has failed to resolve or is inappropriate.

GL 3.3

The independent directors will confer among themselves (when necessary) and provide feedback to the Chairman as appropriate.

GL 3.4

## Board Membership

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

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

GL 4.1

Koh Keng Siang (Chairman)  
Koh Choon Leng  
Tan Hwa Peng

The NC chairman, who is a non-executive and non-independent director of the Company, possesses extensive experience and governance knowledge in listed companies. The Board is of the view that (i) the NC chairman has demonstrated his ability to lead the NC effectively, (ii) the NC is appropriately sized and (iii) the current composition enables the NC to carry out its duties and responsibilities delegated by the Board effectively.

The primary role of the NC is to make recommendations to the Board on all Board appointments. Its role is, *inter alia*, to:

- (a) review board succession plans for the directors
- (b) ensure that a process for evaluating the performance of the Board, its Board committees and directors is in place
- (c) review training and professional development programs for the Board
- (d) make recommendations on the appointments and re-appointments of directors

The NC ensures that the Board has the right balance of skills, knowledge and experience critical to the Group's business and evolving needs. Important issues that are also considered by the NC for the selection, appointment and re-appointment of a director include the current Board's composition, each director's contributions and competencies, and the need for progressive renewal of the Board.

GL 4.2

# REPORT ON CORPORATE GOVERNANCE

Pursuant to Regulation 94 of the Company's Constitution, one-third of the directors shall retire from office at every annual general meeting ("AGM"), provided always that each director is required to retire from office at least once in every three years. A retiring director is eligible to offer himself for re-election. This is in line with Rule 720(4) of the Catalist Rules which provides that all directors must submit themselves for the re-nomination and re-appointment at least once every three years.

Regulation 100 of the Company's Constitution provides that a newly appointed director is required to retire and submit himself for re-election at the AGM immediately following his appointment. Thereafter, he is subject to retirement by rotation in accordance with the Company's Constitution.

The NC assesses annually and as and when circumstances require, whether or not a director is independent based on the guidelines set out in the Code and any other salient factors.

The Board has not determined the maximum number of listed Company board representations which any director may hold. The Board is of the view that directors who have multiple board representations have thus far devoted sufficient time and attention to the affairs of the Company. Their multiple board representations and other principal commitments have not hindered their ability to carry out their duties as directors of the Company. Such multiple board representations of the directors benefit the Group as the directors are able to bring with them the experience and knowledge obtained from such board representations in other companies.

The Board does not encourage the appointment of an alternate director. No alternate director is currently being appointed on the Board.

GL 4.3

GL 4.4

GL 4.5

The Board has adopted a process for the selection, appointment and re-appointment of a director. The NC reviews the composition of the Board and its committees periodically. It assesses and shortlists candidates (sourced through contacts, recommendations, recruitment consultants or among the senior management) for a new position on the Board when a need arises. The successful candidate is then appointed as a director of the Company in accordance with the Company's Constitution. In line with Rule 406(3)(a) of the Catalist Rules, the Company will arrange for newly-appointed directors who have no prior experience as directors of an issuer listed on the SGX to undergo the mandatory SGX prescribed training on their roles and responsibilities within one year of their appointment unless the NC otherwise at its discretion waives the need for the newly-appointed director to attend the mandatory SGX prescribed training.

In appointing and re-appointing directors, the Board considers the skills and experience required in the light of:

- (a) the geographical spread and diversity of the Group's business
- (b) the strategic direction and progress of the Group
- (c) the current composition of the Board
- (d) the need for independence

The following directors are due for retirement and will be offering themselves for re-election at the forthcoming AGM:

Shin Yong Seub  
Koh Choon Leng

Key information on the directors is set out under the "Board of Directors" section of the annual report for the financial year ended 31 December 2018 (the "Annual Report"). Additional details of the directors that are due for retirement and who will be offering themselves for re-election at the forthcoming AGM is also contained in the "Additional information for Directors seeking re-election" section.

GL 4.6

GL 4.7

# REPORT ON CORPORATE GOVERNANCE

## Board Performance

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

The Board has implemented a process to be carried out by the NC for assessing its effectiveness as a whole and for assessing the contribution by each director to the effectiveness of the Board and its committees. The Board did not engage an external facilitator to conduct an assessment of the performance of the Board, the Board committees and each director for FY2018.

The NC reviews the Board's and each director's competency appraisal forms as part of the process adopted to assess the effectiveness of the Board. The outcome of the appraisal exercise is presented to the Board for its evaluation with a view to enhance the effectiveness of the Board.

Each NC member shall abstain from voting on the resolution in respect of the assessment of his performance or re-nomination as a director.

The NC reviews the Board's performance annually based on the appraisal forms which have been approved by the Board.

The NC assesses the Board's performance through comparison with industry peers, how the Board's performance has enhanced long-term shareholder value and its ability to steer the Group in the right direction as well as the support it provides to the Management.

The NC also evaluates each individual director's performance based on factors such as director's participation, knowledge of the Group's business and operations, contributions and commitments to the Company.

The Chairman of the Board, where appropriate, will act on the results of the performance evaluation and propose, where appropriate, new members to the Board or seek the resignation of directors.

GL 5.1

GL 5.2

GL 5.3

## 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.*

All directors have access to complete, adequate and timely information and resources, and have separate and independent access to the Management. Directors are provided with meeting papers which set out the relevant background and information in order for them to have a comprehensive understanding of the issues to be deliberated upon. Management will address directors' queries and provide further insights into matters concerned (if needed) to enable the directors to make informed decisions.

GLs 6.1 and 6.2

Directors have separate and independent access to the Company Secretary. The Company Secretary attends all Board and board committee meetings and is responsible for ensuring that the meetings and other Board procedures are followed and the applicable rules and regulations are complied with. Under the direction of the Chairman, the Company Secretary is responsible for, *inter alia*, (a) ensuring an effective flow of information within the Board and its committees and between the Management, (b) facilitating orientation and (c) assisting with professional development, as required. The Company Secretary also assists the Board in implementation and upkeep of good corporate governance and best practices across the Group.

GL 6.3

The appointment and the removal of the Company Secretary are matters taken by the Board as a whole.

GL 6.4

In the event that the directors (either individually or as a group) require independent professional advice in the furtherance of their duties, the Company Secretary will, upon approval by the Board, appoint a professional advisor to render such services. The cost of the services will be borne by the Company.

GL 6.5

# REPORT ON CORPORATE GOVERNANCE

## 2. 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 directors, 2 of whom are independent directors and all of whom are non-executive directors:

Tan Hwa Peng (Chairman)  
Koh Choon Leng  
Koh Keng Siang

The key responsibilities of the RC are to:

- (a) review and recommend to the Board for endorsement a framework of remuneration for the Board and key members of the Management, and the remuneration package for each executive director and each key member of the Management
- (b) review and recommend to the Board for endorsement the terms of the service contracts for the executive director as well as each key member of the Management
- (c) ensure that there is an adequate disclosure on the remuneration of directors and key members of the Management

The RC covers all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind.

The RC will seek internal or external expert advice in furtherance of its duties whenever there is a need for such remuneration consultation. In discharging its duties, the RC has the assistance of the senior group human resources manager as it deems necessary.

The RC reviews the executive director's and key Management members' contracts of service to ensure that their contracts of service contain fair and reasonable termination clauses which are not overly generous.

GL 7.4

### Level and Mix of Remuneration

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

The Company recognises that a competitive remuneration and reward system based on individual performance is important to attract, retain and incentivise the best talent. The Company has adopted a remuneration structure for executive director and key members of the Management that is aligned with the long-term interest and risk policies of the Company. The RC ensures that the executive director and key Management members' remuneration commensurate with their performance and that of the Group's, taking into consideration the prevailing financial and commercial health and business needs of the Group.

GLs 8.1  
and 9.6

GL 7.1

GL 7.2

GL 7.3

# REPORT ON CORPORATE GOVERNANCE

The Company adopted an employee share plan known as "Koh Brothers Eco Engineering Limited Performance Share Plan 2017 (the "Plan") on 20 April 2017 as a long term incentive plan for non-executive directors and employees of the Group whose services are vital to the Group's well-being and success. It is administered by the RC. Through the Plan, the Company will be able to recognise and reward past contributions and services and motivate employees to continue to strive for the Group's long-term prosperity. In addition, the Plan aims to foster an ownership culture within the Group which aligns the interests of employees with the interests of shareholders, and to improve performance and achieve sustainable growth for the Company in the changing business environment.

Awards granted under the Plan are principally performance-based the RC may take into account, *inter-alia*, the medium-term corporate objectives including market competitiveness, quality of returns, business growth and productivity growth.

The Company will be seeking shareholders' approval at the forthcoming AGM for the payment of S\$174,500 as directors' fees for FY2018. In determining the proposed fees, the Board took into account factors such as efforts and time spent, and the increasingly onerous responsibilities of directors.

GL 8.2

The Company currently does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from the executive director and members of the key Management in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Group.

The Board has considered the matter and determined that it is not necessary at this juncture to incorporate "claw-back" mechanisms to allow the Company to reclaim the variable incentive-based component of remuneration from directors and key Management personnel in the exceptional circumstances of (a) misstatement of financial result or (b) misconduct resulting in financial loss to the Company.

## Disclosure on Remuneration

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

GL 8.3

Due to the competitive pressures in the market, the Board has, on review, decided not to disclose the remuneration of directors and top 5 key Management members in the manner as required in the Code. The total remuneration paid to the directors of the Company and the top 5 executives of the Group in FY2018 was approximately S\$2,371,000.

GL 8.4

GLs 9.1,  
9.2 and  
9.3

# REPORT ON CORPORATE GOVERNANCE

A breakdown of remuneration of each director of the Company by percentage for FY2018 is set out below:

Remuneration band	Director	Fees (%)	Salary (%)	Bonuses and other variable performance components (%)	Allowances and other benefits (%)	Total (%)
S\$500,000 to S\$749,999	Shin Yong Seub	4.3	76.1	17.5	2.1	100
Below S\$250,000	Koh Keng Siang	100	-	-	-	100
	Tan Hwa Peng	100	-	-	-	100
	Koh Choon Leng	100	-	-	-	100
	Lee Sok Khian John	100	-	-	-	100

A breakdown of remuneration of each of the top 5 executives of the Group (who are not directors of the Company) by percentage for FY2018 is set out below:

Remuneration band	Top 5 executives	Fees (%)	Salary (%)	Bonuses and other variable performance components (%)	Allowances and other benefits (%)	Total (%)
Between S\$250,000 to S\$499,999	First Executive	-	83.8	13.3	2.9	100
	Second Executive	-	70.0	27.3	2.7	100
	Third Executive	-	82.9	13.1	4.0	100
	Forth Executive	-	82.1	15.2	2.7	100
Below S\$250,000	Fifth Executive	-	86.8	13.2	-	100

\* Their names are not disclosed in order to maintain confidentiality taking into consideration the competitive pressures in the talent market.

The remuneration of Benjamin Koh Yong Jun, the son of Koh Keng Siang non-executive and non-independent director, was in the band of S\$50,000 to S\$99,999 for FY2018.

GL 9.4

The Company adopted an employee share plan known as “Koh Brothers Eco Engineering Limited Performance Share Plan 2017 (the “Plan”) on 20 April 2017 as a long term incentive plan for non-executive directors and employees of the Group whose services are vital to the Group’s well-being and success. It is administered by the RC. The total number of shares which may be delivered pursuant to share awards granted under the Plan shall not exceed 20% of the total number of issued shares of the Company (excluding shares held as treasury shares from time to time and subsidiary holdings (as defined in the Catalist Rules). Further details on the Plan can be found in the Letter to Shareholders dated 28 March 2017.

GLs 9.5 and 9.6

Under the Plan, no award of shares was granted during FY 2018. No shares comprised in awards were outstanding as at the end of the financial year under review.

## 3. ACCOUNTABILITY AND AUDIT

### Accountability

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

The Board is responsible for providing a balanced and understandable assessment of the Group’s performance, position and prospects when presenting interim and other price-sensitive public reports and reports to regulators (if required).

GL 10.1

The Board ensures that Company complies with the applicable legislative and regulatory requirements by establishing written policies (where appropriate) and reviewing all relevant compliance reports from Management.

GL 10.2

# REPORT ON CORPORATE GOVERNANCE

The Management provides all Board members financial reports with adequate explanation and information on the Group's performance, position and prospects on a quarterly basis and as the Board may require from time to time, enabling the Board to make a balanced and informed assessment.

GL 10.3

The Board has engaged the services of KPMG Services Pte Ltd, the Company's internal auditor ("IA") to assist in the Control Self-assessment ("CSA") programme which has been implemented. The Board has tasked the ARC to review the adequacy and effectiveness of the Group's risk management and internal control systems (including financial, operational, compliance and information technology controls).

GL 11.2

## Risk Management and Internal Controls

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

The Board will 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.

GL 11.1

The Board acknowledges that it is responsible for the governance of risks and the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a 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 IA prepares on an annual basis, the internal audit plan (taking into consideration the risks identified) which is approved by the ARC. The audits are conducted to assess the adequacy and the effectiveness of the Group's risk management and the internal controls system that have been put in place (including financial, operational, compliance and information technology controls). Any material non-compliance or lapses in internal controls, together with recommendations for improvement, are reported to the ARC. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored.

Based on the framework of risk management controls and internal controls established and maintained, the work performed by the IA and the review undertaken by the external auditors as part of their statutory audit, the Board, with the concurrence of the ARC, is of the view that the Group's risk management and internal control systems (including its financial, operational, compliance and information technology controls) are adequate and effective. The Board has received assurance from the CEO and Financial Controller that:

GL 11.3

- (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances
- (b) the Company's risk management and internal control systems are effective in addressing the material risks faced by the Group in its current business environment.

The responsibility of overseeing the Company's risk management framework and policies is undertaken by the ARC with the assistance of the IA. Having considered the Company's business operations as well as its existing internal control and risk management systems, the Board is of the view that a separate risk committee is not required for the time being.

GL 11.4

# REPORT ON CORPORATE GOVERNANCE

## Audit Committee

**Principle 12**      ***The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.***

The ARC comprises the following directors, 2 of whom are independent directors and all of whom are non-executive directors:

Koh Choon Leng (Chairman)  
Koh Keng Siang  
Tan Hwa Peng

The Board is of the view that the members of the ARC (including the Chairman) have the requisite accounting and related financial management expertise and experience to discharge their duties.

The ARC is empowered to investigate any matter within its terms of reference. It has full access to and co-operation from Management, and unfettered discretion to invite any director or executive officer to attend its meetings. The ARC has been given adequate resources to enable it to discharge its duties and responsibilities.

The ARC carries out its functions in accordance with the Code and the Companies Act (the "Act"), and is also guided by its terms of reference. The ARC reviews, *inter alia*, the following:

- (a) ensuring the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance
- (b) annual audit plans (internal and external)
- (c) system of internal controls and management of financial risks
- (d) effectiveness and adequacy of the internal audit function which is outsourced to a professional services firm
- (e) reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors
- (f) regulatory compliance matters
- (g) risk management framework
- (h) interested person transactions
- (i) financial results announcements

The ARC also makes recommendations on the appointment, re-appointment and removal of auditors, and their remuneration.

The ARC meets with the external and internal auditors at least once a year without the presence of the Management.

The ARC has reviewed all the non-audit services provided by the external auditors and is satisfied that such services would not, in the ARC's opinion, affect the independence of the external auditors.

The aggregate amount of fees paid/payable to the external auditors for audit and non-audit services are for FY 2018 is set out below:

Audit services:	Auditors of the Company	-	S\$199,000
	Member firms of the Auditors of the Company	-	S\$34,000
Non-audit services:	Auditors of the Company	-	S\$50,000
	Member firms of the Auditors of the Company	-	S\$nil

The Company has complied with Rules 712 and 716 of the Catalist Rules in relation to the appointment of auditing firms.

The Company has put in place a whistle-blowing arrangement whereby staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. There are arrangements in place for the independent investigation of such matters for appropriate follow-up actions to be taken.

# REPORT ON CORPORATE GOVERNANCE

The ARC held 4 meetings during FY2018 and performed its functions and responsibilities as set out in its terms of reference.

GL 12.8

The ARC meets regularly with Management and the external auditors to review auditing and risk management matters, and discuss accounting implications of any major transactions (including significant financial reporting issues). It also reviews the internal audit function to ensure that an effective system of control is maintained in the Group.

The ARC is kept abreast by the Management and the external auditors of new changes to the accounting standards, Catalyst Rules, the Code and other regulations which could have an impact on the Group's businesses and financial statements.

No former partner or director of the Company's existing auditing firm is a member of the ARC.

GL 12.9

## Internal Audit

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

The Company has outsourced its internal audit function to a certified public accounting firm, KPMG Services Pte Ltd. The IA reports to the ARC Chairman and has full access to the ARC, documents, records, properties and staff of the Group.

GL 13.1

The Board recognises that it is responsible for maintaining a system of internal control to safeguard shareholders' interests and the Group's businesses and assets, while the Management is responsible for establishing and implementing internal control procedures in a timely and appropriate manner. The IA's role is to (a) assist the ARC in ensuring that the controls are effective and functioning as intended, (b) undertake investigations as directed by the ARC and (c) conduct regular in-depth audits of high risk areas.

GL 13.2

The ARC is satisfied that the IA is independent and has adequate resources to perform its function effectively.

The ARC is satisfied that the IA is staffed by suitably qualified and experienced professionals with the relevant experience.

GL 13.3

The IA is a member of the Singapore branch of the Institute of Internal Auditors ("IIA"), an international professional association which has its headquarters in the United States. The audit work carried out is guided by the International Standards for the Professional Practice of Internal Auditing (IIA Standards) laid down in the International Professional Practices Framework issued by the IIA.

GL 13.4

The IA plans its internal audit schedules in consultation with, but independent of the Management. The audit plan is submitted to the ARC for approval prior to the commencement of the internal audit work. In addition, the IA may be involved in ad-hoc projects initiated by Management and which require IA's assurance in specific areas of concerns. The ARC meets at least once annually to ensure the adequacy of the internal audit functions.

GL 13.5

# REPORT ON CORPORATE GOVERNANCE

## 4. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

### Shareholder Rights

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

The Company is committed to treating all shareholders fairly and equitably. The Company recognises, protects and facilitates the exercise of shareholders' rights and continually reviews and updates such governance arrangements.

GL 14.1

The Company ensures that there is an adequate and timely disclosure of developments in the Group or its business which would have a material impact on the Company's shares price, and such disclosure is in compliance with the Catalist Rules.

The Company invites all registered shareholders to participate and vote at the Company's general meetings. Each shareholder will receive a notice of meeting which is also advertised in the newspaper and released via SGXNet. All shareholders are entitled to vote in accordance with the established voting rules and procedures.

GL 14.2

Under the multiple proxy regime, "relevant intermediaries" (such as banks, capital markets services licence holders which provide custodial services for securities and the Central Provident Fund Board ("CPF")) are allowed to appoint more than 2 proxies to attend, speak and vote at the Company's general meetings. This will enable indirect investors (including CPF investments) to be appointed as proxies to participate at these meetings.

GL 14.3

### Communication with Shareholders

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

The Company embraces openness and transparency in the conduct of the Company's affairs, whilst safeguarding its commercial interests. The Company conveys pertinent information to shareholders and complies with the guidelines set out in the Catalist Rules when disclosing information.

GL 15.1

The Company does not practise selective disclosure of price sensitive information. The Company discloses quarterly financial results, and any significant transactions and developments via SGXNet in a timely manner.

GL 15.2

General meetings are the principal forum for dialogue with shareholders. There is a question and answer session during which shareholders may raise questions or share their views about the proposed resolutions, and the Group's business affairs and financial performance. This enables the Board to gather shareholders' views and address any of the shareholders' concerns.

GL 15.3

The Board encourages shareholders to participate actively during the Company's general meetings. These meetings provide excellent opportunities for the Company to obtain shareholders' views on the Group's businesses. Following any release of earnings or price sensitive developments, the Company's investor relations consultant is available by email or telephone to answer questions from shareholders and the media, as long as the information requested does not conflict with the Catalist Rules relating to fair disclosure.

GL 15.4

# REPORT ON CORPORATE GOVERNANCE

The Company strives to provide consistent and sustainable dividend payments to shareholders based on the Company's profitability, cash position, working capital needs, capital expenditure plan, investment and business opportunities, and market conditions. It aims to balance returns to shareholders with a need for long term sustainable growth.

The Board has recommended a final dividend of 0.10 cent per share for FY2018. The proposed dividend is subject to shareholders' approval at the upcoming AGM.

## Conduct of Shareholder Meetings

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

The Company invites and encourages all registered shareholders to participate and vote at the Company's general meetings. Voting in absentia and via mail, facsimile or email is currently not permitted. Such voting methods would need to be cautiously evaluated for feasibility to ensure that there is no compromise to the integrity of the information and authenticity of the shareholders' identities.

The Company ensures that separate resolutions are proposed for substantially separate issues at the general meetings.

The Board, Financial Controller and external auditors are present at the general meetings to address shareholders' queries or concerns about the Company's financial performance, audits and auditors' report.

Minutes of shareholder meetings are available upon request by registered shareholders.

GL 15.5

The Company conducts electronic poll voting at general meetings for greater transparency in the voting process. The voting results are announced after the meetings via SGXNet and in accordance with the Catalyst Rules.

GL 16.5

## 5. INTERESTED PERSON TRANSACTIONS ("IPTs")

Shareholders approved the renewal of a general mandate for IPTs at the AGM on 26 April 2018. The mandate sets out the levels and procedures for obtaining approval for such transactions. The IPTs entered during FY2018 are disclosed as follows:

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Name of interested person	(S\$'000)	(S\$'000)
<u>Transaction for the Sale of Goods and Services</u>		
KBD Westwood Pte Ltd	-	128
<u>Transaction for the Purchase of Goods and Services</u>		
G & W Ready-Mix Pte Ltd	-	6,241
G & W Precast Pte Ltd	-	726
G & W Industries Pte Ltd	-	652
Hi Con (S) Pte Ltd	-	195
Koh Brothers Group Limited	-	4,206
Koh Brothers Holdings Pte Ltd	-	233

GL 16.1

GL 16.2

GL 16.3

GL 16.4

# REPORT ON CORPORATE GOVERNANCE

## 6. MATERIAL CONTRACTS

Pursuant to the IPT mandate approved by Shareholders at the AGM on 26 April 2018, the Company's subsidiary, Koh Brothers Building & Civil Engineering Contractor (Pte.) Ltd. entered into a construction contract with a subsidiary of Koh Brothers Group Limited, valued at approximately S\$29.43 million.

Save as disclosed above, no material contracts were entered into between the Company or any of its subsidiaries involving the interest of the CEO, any director or controlling shareholder, which are either subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year except for the related party transactions and directors' remunerations disclosed in the financial statements.

## 7. RISK MANAGEMENT

The Management regularly reviews the Group's businesses and operational activities to assess and manage potential risk exposure. The Group's financial risk management objectives and policies are set out in the notes to the FY2018 financial statements. The Company has implemented a CSA programme. Through the programme, weaknesses in the control environment may be detected and reported to the Management. Corrective actions are taken to strengthen the process to prevent future occurrences. The CSA programme instills ownership among the process owners, and promotes accountability.

## 8. DEALINGS IN SECURITIES

The Company has adopted an internal compliance code on dealings in the Company's securities. The Company has issued share trading guidelines to all directors, employees of executive level and above, and personal assistants. They are not allowed to deal in the Company's securities during the period commencing one month before the announcement of the Company's two weeks before the announcement of the Company's financial statements for each of the first three quarters of the Company's financial year, and full year financial statements, and ending on the date of the announcement of the relevant results. In addition, they are prohibited from dealing in the Company's securities while in possession of price sensitive information and on short-term considerations.

## 9. NON-SPONSOR FEE

During the financial year, there were no non-sponsor fees.

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2018 and the balance sheet of the Company as at 31 December 2018.

In the opinion of the directors,

- the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 50 to 103 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- 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.

## DIRECTORS

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

Koh Keng Siang  
Shin Yong Seub  
Koh Choon Leng  
Tan Hwa Peng  
Lee Sok Khian John

## ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than under the Koh Brothers Eco Engineering Limited Performance Share Plan 2017 ("KBE PSP").

## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31.12.2018	At 1.1.2018	At 31.12.2018	At 1.1.2018
<b>The Company</b> <u>(Ordinary shares)</u>				
Koh Keng Siang	13,120,000	8,731,154	1,114,369,607	678,681,807
<u>(Warrants 2017)</u>				
Koh Keng Siang	2,815,195	2,488,901	218,444,432	193,125,659
<u>(Warrants 2018)</u>				
Koh Keng Siang	4,388,846	-	433,000,000	-
<b>Immediate and ultimate holding corporation</b> <b>- Koh Brothers Group Limited</b>				
<u>(Ordinary shares)</u>				
Koh Keng Siang	29,822,535	2,422,535	60,020,000	87,420,000
<u>(S\$70 million 5.1% fixed rate notes due 2022)</u>				
Koh Keng Siang	-	-	S\$250,000	S\$250,000
Lee Sok Khian John	-	-	S\$250,000	S\$250,000

The directors' interests in the ordinary shares of the Company as at 21 January 2019 were the same as those as at 31 December 2018.

# DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

## PERFORMANCE SHARE PLAN

The Company's KBE PSP was approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 20 April 2017. The duration of KBE PSP is 10 years commencing from 20 April 2017. The participants of the KBE PSP will receive fully paid KBE shares free of charge. The share plan is administered by the Remuneration Committee.

As at the date of this statement and since the commencement of the KBE PSP until the end of the financial year, no shares have been awarded under the KBE PSP.

## SHARE OPTIONS

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiaries.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company under option at the end of the financial year.

## AUDIT AND RISK COMMITTEE

The members of the Audit and Risk Committee at the end of the financial year are as follows:

Koh Choon Leng (Chairman)  
Tan Hwa Peng  
Koh Keng Siang

All members of the Audit and Risk Committee are non-executive directors. Koh Choon Leng and Tan Hwa Peng are independent directors.

The Audit and Risk Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2018 before their submission to the Board of Directors, as well as the Independent Auditor's Report on the balance sheet of the Company and the consolidated financial statements of the Group.

The Audit and Risk Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

## INDEPENDENT AUDITOR

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

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Koh Keng Siang  
Director

21 March 2019

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Shin Yong Seub  
Director

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KOH BROTHERS ECO ENGINEERING LIMITED

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### OUR OPINION

In our opinion, the accompanying consolidated financial statements of Koh Brothers Eco Engineering Limited (the "Company") and its subsidiaries (the "Group") and the balance sheet 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)s") 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 for the financial year ended on that date.

#### *What we have audited*

The financial statements of the Company and the Group comprise:

- the consolidated statement of comprehensive income of the Group for the financial year ended 31 December 2018;
- the balance sheet of the Group as at 31 December 2018;
- the balance sheet of the Company as at 31 December 2018;
- the consolidated statement of changes in equity for the financial year then ended;
- the consolidated statement of cash flows of the Group for the financial year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

### BASIS FOR OPINION

We have 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Independence*

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority 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.

### OUR AUDIT APPROACH

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

#### *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 for the financial year ended 31 December 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KOH BROTHERS ECO ENGINEERING LIMITED

## OUR AUDIT APPROACH *(continued)*

### Key Audit Matters *(continued)*

#### Key Audit Matter

##### Accounting for construction contracts

*Refer to Note 3.1(a) and Note 4*

During the financial year ended 31 December 2018, contract revenue amounted to S\$325.7 million and it represented 99% of the total revenue of the Group.

The Group uses the input method (i.e. "cost-to-cost" method) to measure project progress and recognise contract revenue in accordance with SFRS(I) 15 Revenue from Contracts with Customers.

We focused on the accuracy of revenue recognition and adequacy of provision for onerous contracts due to the significant management judgement required in determining the total contract sum and the total contract costs.

#### How our audit addressed the Key Audit Matter

We obtained an understanding of the projects under construction through discussions with management and project managers, assessed the appropriateness of the method selected for individual projects to measure project progress and recognise contract revenue, and examined project documentation (including contracts, correspondences with customers on delays or extension of time).

In relation to total contract sum for project in progress, our audit procedures included the following:

- Traced total contract sums to contract entered into by the Group and its customer;
- Traced variation orders included in total contract sums to surveyor/architect's certification; and
- Assessed the completeness of the amount of liquidated damages to be net off against contract sums, based on our understanding of the projects.

In relation to total contracts costs, our audit procedures include the following:

- Traced the cost to complete for each project by substantiating costs that have been committed to quotations and contracts entered;
- Tested the reasonableness of the cost to complete for selected projects, focusing on those with significant activities during the year; and
- Assessed the reasonableness of cost incurred against our understanding of the project.

Based on the audit procedures performed above, we have assessed management's estimates to be reasonable.

We then recomputed the percentage of completion based on actual cumulative contract cost incurred as a portion of total contract costs, cumulative contract revenue and the contract revenue for the current financial year as well as the amount of provision for onerous contract (where relevant) for each project, and traced to the accounting records and found it to be appropriate.

We have also assessed the adequacy of the disclosures of the key accounting estimates and the sensitivity and found the disclosures in the financial statements to be appropriate.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KOH BROTHERS ECO ENGINEERING LIMITED

## OUR AUDIT APPROACH *(continued)*

### Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
<b>Impairment assessment of goodwill</b> <i>Refer to Note 3.1(b) and Note 21</i> <p>The goodwill of S\$6.9 million at 31 December 2018 relates to the "Bio-Refinery and Bio-Energy" cash generating unit ("CGU").</p> <p>In accordance with SFRS(I), the Group performs an impairment test for the CGU to assess whether the goodwill might be impaired.</p> <p>The test performed by the Group did not result in an impairment of goodwill since the recoverable amount based on future cash flows exceeded the carrying amount of goodwill and other net assets.</p> <p>The assumptions, sensitivities and results of the tests performed are disclosed in Note 21 to the financial statements. We focused on this area because of the significant judgement involved in determining inputs for certain assumptions used in the model and the dependency on future market circumstances.</p>	<p>In respect of the assumptions which were most sensitive to changes in terms of the impact on the valuation, our procedures included the following:</p> <ul style="list-style-type: none"><li>Involved internal specialists in assessment on the appropriateness of the discount rate;</li><li>Validated terminal growth rate used by corroborating against the long-term average growth rate in the country which the CGU operates in; and</li><li>Corroborated gross margin used against historical margin of the CGU.</li></ul> <p>Based on the audit procedures performed above, we have assessed management's assumptions to be appropriate.</p> <p>We have also assessed the adequacy of the disclosures of the key assumptions and the sensitivities and found the disclosures in the financial statements to be appropriate.</p>

## OTHER INFORMATION

Management is responsible for the other information. The other information comprises the Directors' Statement (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the annual report ("the Other Sections"), which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

## 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)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KOH BROTHERS ECO ENGINEERING LIMITED

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

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement partner on the audit resulting in this independent auditor's report is Yeow Chee Keong.

PricewaterhouseCoopers LLP  
Public Accountants and Chartered Accountants

Singapore, 21 March 2019

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Note	2018 S\$'000	2017 S\$'000		Note	2018 S\$'000	2017 S\$'000
Revenue	4(a)	328,815	331,063	<b>Other comprehensive (loss)/income:</b>			
Cost of sales	7	(314,202)	(310,719)	Items that may be reclassified subsequently to profit or loss:			
Gross profit		14,613	20,344	Financial assets, at FVOCI / available-for-sale			
Other income	5	312	397	- Fair value gains/(losses) – debt instruments	29(b)	48	(214)
Other gains/(losses) - net	6	2,863	(1,003)	Currency translation differences arising from consolidation	28	(253)	237
Expenses				<b>Other comprehensive (loss)/income, net of tax</b>		(205)	23
- Selling and distribution							
- (Allowance for)/reversal of impairment of trade receivables	7	(138)	97	<b>Total comprehensive income</b>		5,735	8,572
- Others	7	(716)	(763)				
- Administrative	7	(9,175)	(9,437)	<b>Profit attributable to:</b>			
- Finance	9	(1,055)	(657)	Equity holders of the Company		5,607	8,078
Share of profit of associated companies	18	317	93	Non-controlling interests		333	471
Profit before income tax		7,021	9,071			5,940	8,549
Income tax expense	10(a)	(1,081)	(522)	<b>Total comprehensive income attributable to:</b>			
<b>Profit after income tax</b>		5,940	8,549	Equity holders of the Company		5,427	8,027
				Non-controlling interests		308	545
						5,735	8,572
				<b>Earnings per share for profit attributable to the equity holders of the Company:</b>			
				- Basic earnings per share (in cent)	11	0.47	0.91
				- Diluted earnings per share (in cent)	11	0.47	0.91

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

# BALANCE SHEET - GROUP

As at 31 December 2018

		31 December		1 January
		2018	2017	2017
Note		S\$'000	S\$'000	S\$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and bank balances	12	20,553	24,864	20,460
Trade and other receivables	13	53,536	64,927	75,851
Inventories	14	116	190	646
Contract assets	4(b)	105,077	61,160	48,076
Financial assets, at fair value through profit or loss	15	-	37	40
Financial assets, available-for-sale	16	-	765	7,529
Financial assets, at FVOCI	17	763	-	-
Income tax receivables	10(b)	773	-	-
Other current assets	4(c)	3,229	5,209	-
		<b>184,047</b>	<b>157,152</b>	<b>152,602</b>
<b>Non-current assets</b>				
Trade and other receivables	13	5,640	-	-
Contract assets	4(b)	10,882	25,431	15,885
Investment in associated companies	18	1,765	1,448	1,355
Property, plant and equipment	20	40,854	31,269	28,636
Goodwill	21	6,857	6,857	6,857
Deferred tax assets	22	52	394	119
		<b>66,050</b>	<b>65,399</b>	<b>52,852</b>
<b>Total assets</b>		<b>250,097</b>	<b>222,551</b>	<b>205,454</b>

## LIABILITIES

### Current liabilities

Trade and other payables	23	98,803	93,244	92,291
Current income tax liabilities	10(b)	-	751	680
Contract liabilities	4(b)	4,990	36,289	35,674
Short-term borrowings and finance leases	24	45,895	11,191	16,709
		<b>149,688</b>	<b>141,475</b>	<b>145,354</b>

### Non-current liabilities

Trade and other payables	23	4,808	11,841	15,138
Finance leases	25	1,632	2,731	2,237
Deferred tax liabilities	22	494	470	572
		<b>6,934</b>	<b>15,042</b>	<b>17,947</b>
<b>Total liabilities</b>		<b>156,622</b>	<b>156,517</b>	<b>163,301</b>

## NET ASSETS

		<b>93,475</b>	<b>66,034</b>	<b>42,153</b>
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## EQUITY

### Capital and reserves attributable to equity holders of the Company

Share capital	26	73,145	52,143	38,391
Warrants reserve	27	4,507	2,482	-
Currency translation reserve	28	(2,517)	(2,289)	(2,458)
Other reserves	29	(607)	(655)	(441)
Retained profits		15,868	11,308	3,628
		<b>90,396</b>	<b>62,989</b>	<b>39,120</b>
<b>Non-controlling interests</b>		<b>3,079</b>	<b>3,045</b>	<b>3,033</b>
<b>Total equity</b>		<b>93,475</b>	<b>66,034</b>	<b>42,153</b>

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

# BALANCE SHEET - COMPANY

As at 31 December 2018

		31 December	1 January	
		2018	2017	2017
Note	S\$'000	S\$'000	S\$'000	
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and bank balances	12	429	5,977	164
Trade and other receivables	13	12,496	4,052	1,660
		<b>12,925</b>	10,029	1,824
<b>Non-current assets</b>				
Trade and other receivables	13	30,000	10,000	-
Investment in an associated company	18	640	640	640
Investments in subsidiaries	19	37,238	37,238	36,159
Property, plant and equipment	20	6	1,623	1,696
		<b>67,884</b>	49,501	38,495
<b>Total assets</b>		<b>80,809</b>	59,530	40,319
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	23	968	3,175	808
Contract liabilities		-	-	29
<b>Total liabilities</b>		<b>968</b>	3,175	837
<b>NET ASSETS</b>		<b>79,841</b>	56,355	39,482

		31 December	1 January	
		2018	2017	2017
Note	S\$'000	S\$'000	S\$'000	
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital	26	73,145	52,143	38,391
Warrants reserve	27	4,507	2,482	-
Retained profits		2,189	1,730	1,091
<b>Total equity</b>		<b>79,841</b>	56,355	39,482

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

		← Attributable to equity holders of the Company →							
	Note	Share capital S\$'000	Warrants reserve S\$'000	Currency translation reserve S\$'000	Other reserves S\$'000	Retained profits S\$'000	Total S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
<b>2018</b>									
Balance at 1 January 2018		52,143	2,482	(2,289)	(655)	11,308	62,989	3,045	66,034
Profit for the financial year		-	-	-	-	5,607	5,607	333	5,940
Other comprehensive (loss)/income for the financial year		-	-	(228)	48	-	(180)	(25)	(205)
Total comprehensive income for the financial year		-	-	(228)	48	5,607	5,427	308	5,735
Issuance of rights cum warrants	26,27	21,262	2,025	-	-	-	23,287	-	23,287
Share issuance expenses	26	(260)	-	-	-	-	(260)	-	(260)
Dividend paid	30	-	-	-	-	(1,047)	(1,047)	(274)	(1,321)
Total transactions with owners, recognised directly in equity		21,002	2,025	-	-	(1,047)	21,980	(274)	21,706
Balance at 31 December 2018		<b>73,145</b>	<b>4,507</b>	<b>(2,517)</b>	<b>(607)</b>	<b>15,868</b>	<b>90,396</b>	<b>3,079</b>	<b>93,475</b>
<b>2017</b>									
Balance at 1 January 2017		38,391	-	(2,458)	(441)	3,628	39,120	3,033	42,153
Profit for the financial year		-	-	-	-	8,078	8,078	471	8,549
Other comprehensive income/(loss) for the financial year		-	-	163	(214)	-	(51)	74	23
Total comprehensive income for the financial year		-	-	163	(214)	8,078	8,027	545	8,572
Issuance of rights cum warrants	26,27	13,964	2,482	-	-	-	16,446	-	16,446
Exercise of warrants		5	-	-	-	-	5	-	5
Share issuance expenses	26	(217)	-	-	-	-	(217)	-	(217)
Change in ownership interests in a subsidiary	28	-	-	6	-	50	56	(56)	-
Dividend paid	30	-	-	-	-	(448)	(448)	(477)	(925)
Total transactions with owners, recognised directly in equity		13,752	2,482	6	-	(398)	15,842	(533)	15,309
Balance at 31 December 2017		52,143	2,482	(2,289)	(655)	11,308	62,989	3,045	66,034

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Group	
	2018	2017
Note	S\$'000	S\$'000
<b>Cash flows from operating activities</b>		
Profit after income tax	5,940	8,549
Adjustments for:		
- Income tax expense	1,081	522
- Fair value loss on financial assets at fair value through profit or loss	37	3
- Depreciation of property, plant and equipment	6,634	5,504
- Gain on disposal of property, plant and equipment	(2,258)	(58)
- Interest income	(174)	(216)
- Interest expense	1,055	657
- Share of profit of associated companies	(317)	(93)
- Unrealised translation (gains)/losses	(460)	873
	11,538	15,741
Change in working capital, net of effects from acquisition of a subsidiary		
- Contract assets and liabilities	(60,667)	(22,015)
- Inventories	74	456
- Trade and other receivables	5,714	10,746
- Other current assets	1,980	(5,209)
- Trade and other payables	(1,539)	(2,684)
Cash used in operations	(42,900)	(2,965)
Income tax paid	(2,240)	(820)
Interest paid	(988)	(635)
<b>Net cash used in operating activities</b>	<b>(46,128)</b>	<b>(4,420)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(16,338)	(4,385)
Disposal of property, plant and equipment	4,098	59
Proceeds from redemption of financial assets, at FVOCI/available-for-sale	50	6,525
Interest received	211	421
<b>Net cash (used in)/provided by investing activities</b>	<b>(11,979)</b>	<b>2,620</b>

	Group	
	2018	2017
Note	S\$'000	S\$'000
<b>Cash flows from financing activities</b>		
Deposit released/(pledged)	1,355	(218)
Proceeds from issuance of rights cum warrants	23,287	16,446
Proceeds from exercise of warrants	-	5
Share issuance expenses	(260)	(217)
Proceeds from bank borrowings	34,539	2,000
Repayment of bank borrowings	-	(8,500)
Payment of finance lease instalments	(2,657)	(2,262)
Dividends paid to equity holders of the Company	(1,047)	(448)
Dividends paid to non-controlling interest	(274)	(159)
<b>Net cash provided by financing activities</b>	<b>54,943</b>	<b>6,647</b>
<b>Net (decrease)/increase in cash and bank balances</b>	<b>(3,164)</b>	<b>4,847</b>
Beginning of financial year	23,509	19,323
Effect of currency translation on cash and bank balances	208	(661)
<b>End of financial year</b>	<b>20,553</b>	<b>23,509</b>

## Reconciliation of liabilities arising from financing activities

	Beginning of financial year	Net cash flows	Non-cash changes Acquisition of property, plant and equipment	End of financial year
	S\$'000	S\$'000	S\$'000	S\$'000
<b>2018</b>				
Short-term bank loan (Note 24)	8,800	34,539	-	43,339
Finance leases (Note 25)	5,122	(2,657)	1,723	4,188
<b>2017</b>				
Short-term bank loan (Note 24)	15,300	(6,500)	-	8,800
Finance leases (Note 25)	3,646	(2,262)	3,738	5,122

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

## 1. General information

Koh Brothers Eco Engineering Limited (the “Company”) is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 11 Lorong Pendek, Koh Brothers Building, Singapore 348639.

The principal activities of the Company are those of construction, project management and investment holding. The principal activities of its subsidiaries, joint operation entities and associated company are disclosed in Note 36 of the financial statements.

## 2. Significant accounting policies

### 2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”) under the historical cost convention.

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

### 2.2 Adoption of SFRS(I)

As required by the listing requirements of Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018. These financial statements for the year ended 31 December 2018 are the first set of financial statements the Group prepared in accordance with SFRS(I). The Group’s previously issued financial statements for periods up to and including the financial year ended 31 December 2017 were prepared in accordance with Singapore Financial Reporting Standards (“SFRS”).

In adopting SFRS(I) on 1 January 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 First-time Adoption of SFRS(I).

Under SFRS(I) 1, these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 December 2018.

The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

The Group’s opening balance sheet has been prepared as at 1 January 2017, which is the Group’s date of transition to SFRS(I) (“date of transition”).

SFRS(I) 1 allows the exemption from application of certain requirements under SFRS(I) on a retrospective basis. The Group has applied the following exemptions in preparing this first set of financial statements in accordance with SFRS(I):

#### (a) Optional exemptions applied

##### (i) Business combinations

SFRS(I) 3 Business Combinations has not been applied to business combinations that occurred before the date of transition on 1 January 2017. The same classification as in its previous SFRS financial statements has been adopted.

The Group has not applied SFRS(I) 1-21 The Effects of Changes in Foreign Exchange Rates retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I) on 1 January 2017. Such fair value adjustments and goodwill continue to be accounted for using the same basis as under SFRS 21.

##### (ii) Leases

The Group has not reassessed the determination of whether an arrangement contained a lease in accordance with SFRS(I) INT 4 Determining whether an Arrangement contains a Lease.

##### (iii) Borrowing costs

The Group has elected to apply the requirements in the SFRS(I) 1-23 Borrowing Costs from the date of transition to SFRS(I) on 1 January 2017. Borrowing costs that were accounted for previously under SFRS prior to date of transition are not restated.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. Significant accounting policies (continued)

### 2.2 Adoption of SFRS(I) (continued)

#### (a) Optional exemptions applied (continued)

##### (iv) Short-term exemption on adoption of SFRS(I) 9 Financial Instruments

The Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the requirements of SFRS 39 Financial Instruments: Recognition and Measurement are applied to financial instruments up to the financial year ended 31 December 2017. The Group is also exempted from complying with SFRS(I) 7 Financial Instruments: Disclosure to the extent that the disclosures required by SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within scope of SFRS(I) 9.

##### (v) Practical expedients on adoption of SFRS(I) 15 Revenue from Contracts with Customers

The Group has elected to apply the transitional provisions under paragraph C5 of SFRS(I) 15 at 1 January 2018 and have used the following practical expedients provided under SFRS(I) 15 as follows:

- for contracts which were modified before the date of transition, the Group did not retrospectively restate the contract for those contract modifications; and
- for the financial year ended 31 December 2017, the Group did not disclose the amount of transaction price allocated to the remaining performance obligations and explanation of when the Group expects to recognise that amount as revenue.

#### (b) Reconciliation of the Group's equity reported in accordance with SFRS to SFRS(I)

As at 1 January 2017	Note	Reported under SFRS S\$'000	Effects of applying SFRS(I) 15 S\$'000	Reported under SFRS(I) S\$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Trade and other receivables	A4	87,094	(11,243)	75,851
Due from customers on construction contracts	A4	36,533	(36,533)	-
Contract assets	A4	-	48,076	48,076
<b>Non-current assets</b>				
Trade and other receivables	A3, A4	15,187	(15,187)	-
Contract assets	A4	-	15,885	15,885
			<u>998</u>	
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	A2, A4	97,513	(5,222)	92,291
Due to customers on construction contracts	A4	29,514	(29,514)	-
Contract liabilities	A4	-	35,674	35,674
<b>Non-current liabilities</b>				
Trade and other payables	A3	14,829	309	15,138
			<u>1,247</u>	
<b>NET ASSETS</b>		42,402	<u>(249)</u>	42,153
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Retained profits	A1, A3	3,877	<u>(249)</u>	3,628
<b>Total equity</b>		42,402	<u>(249)</u>	42,153

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. Significant accounting policies (continued)

### 2.2 Adoption of SFRS(I) (continued)

#### (b) Reconciliation of the Group's equity reported in accordance with SFRS to SFRS(I) (continued)

	Note	As at 31 December 2017 reported under SFRS S\$'000	Effects of applying SFRS(I) 15 S\$'000	As at 31 December 2017 reported under SFRS(I) S\$'000	Effects of applying SFRS(I) 9 S\$'000	As at 1 January 2018 reported under SFRS(I) S\$'000
<b>ASSETS</b>						
<b>Current assets</b>						
Trade and other receivables	A4	75,984	(11,057)	64,927	-	64,927
Due from customers on construction contracts	A4	53,440	(53,440)	-	-	-
Contract assets	A4	-	61,160	61,160	-	61,160
Financial assets, available-for-sale	B1	765	-	765	(765)	-
Financial assets, at FVOCI	B1	-	-	-	765	765
Other current assets	A4	-	5,209	5,209	-	5,209
<b>Non-current assets</b>						
Trade and other receivables	A3, A4	24,589	(24,589)	-	-	-
Contract assets	A4	-	25,431	25,431	-	25,431
			2,714		-	
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Trade and other payables	A2, A4	117,406	(24,162)	93,244	-	93,244
Due to customers on construction contracts	A4	10,555	(10,555)	-	-	-
Contract liabilities	A4	-	36,289	36,289	-	36,289
<b>Non-current liabilities</b>						
Trade and other payables	A3	11,483	358	11,841	-	11,841
			1,930		-	
<b>NET ASSETS</b>		65,250	784	66,034	-	66,034
<b>EQUITY</b>						
<b>Capital and reserves attributable to equity holders of the Company</b>						
Retained profits	A1, A3	10,524	784	11,308	-	11,308
<b>Total equity</b>		65,250	784	66,034	-	66,034

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. Significant accounting policies (continued)

### 2.2 Adoption of SFRS(I) (continued)

#### (c) Reconciliation of the Group's total comprehensive income reported in accordance with SFRS to SFRS(I)

For the financial year ended 31 December 2017	Note	Reported under SFRS S\$'000	Effects of applying SFRS(I) 15 S\$'000	Reported under SFRS(I) S\$'000
Revenue	A1	298,440	32,623	331,063
Cost of sales	A1	(279,033)	(31,686)	(310,719)
Other losses - net	A3	(1,099)	96	(1,003)
<b>Profit after income tax</b>		7,516	1,033	8,549
<b>Total comprehensive income</b>		7,539	1,033	8,572

#### (d) There were no material adjustments to the Group's statement of cash flows arising from the transition from SFRS to SFRS(I).

#### (e) Reconciliation of the Company's equity reported in accordance with SFRS to SFRS(I)

The Company's opening balance sheet was prepared as at 1 January 2017, which was the Company's date of transition to SFRS(I). There were no material impact to the Company's balances on adoption of SFRS(I).

##### Impairment of financial assets

The Company has the following financial assets subject to the expected credit loss impairment model under SFRS(I) 9:

- trade receivables recognised under SFRS(I) 15;
- debt instruments measured at FVOCI and amortised cost; and
- non-trade and other receivables at amortised cost.

The impairment methodology under SFRS and SFRS(I) for each of these classes of financial assets is different. The impairment methodology for each of these classes of financial assets under SFRS(I) 9 is as disclosed in Note 2.10 and Note 34(b). Management is of the view that the impact on the above balances as at 1 January 2018 is immaterial.

Explanatory notes to reconciliations:

#### (A) Adoption of SFRS(I) 15

In accordance with the requirements of SFRS(I) 1, the Group adopted SFRS(I) 15 retrospectively. As disclosed in Note 2.2(a)(v), the Group has also elected to apply the transition provisions under paragraph C5 of the SFRS(I) 15 at 1 January 2018. The adoption of SFRS(I) 15 resulted in adjustments to the previously issued SFRS financial statements as explained below:

##### (A1) Measurement of progress of construction contracts

Previously under SFRS 11, revenue on construction contracts was recognised by reference to the stage of completion of the contract activity at the balance sheet date ("percentage-of-completion method"). The stage of completion was measured either using an output method by reference to the professional's survey or customer's certification of value of work done to date, or using an input method by reference to the proportion of contract costs incurred to date to the estimated total costs for the contract ("cost-to-cost method").

Under SFRS(I) 15, the Group has assessed that an input measure using the cost-to-cost method will best depict the Group's performance in transferring control of services to customers for its existing construction contracts. This will result in the Group's adoption of the cost-to-cost method for measuring progress and recognising contract revenue under SFRS(I) 15. This resulted in an increase of S\$32,623,000 in revenue and S\$31,686,000 in cost of sales for the financial year ended 31 December 2017, and a corresponding decrease to retained profits of S\$638,000 as at 1 January 2017 under SFRS(I) 15.

##### (A2) Accounting for loss-making construction contracts

Previously under SFRS 11, when it was probable that total contract costs will exceed total contract revenue for construction contracts, the expected loss was recognised as an expense immediately on a contract-by-contract basis, and was accounted for on the balance sheet in accordance with SFRS 11.

Under the SFRS(I) 15, there is no guidance on how to account for expected losses on loss-making contracts. As such, the Group will need to apply SFRS(I) 1-37 Provisions, Contingent Liabilities and Contingent Assets to identify and account for onerous contracts.

The Group has assessed and concluded that these loss-making contracts are onerous and will be recognised and measured as a provision. Provision for onerous contracts amounting to S\$852,000 (1 January 2017: S\$1,199,000) was recognised as a result of this change.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. Significant accounting policies (continued)

### 2.2 Adoption of SFRS(I) (continued)

Explanatory notes to reconciliations: (continued)

#### (A) Adoption of SFRS(I) 15 (continued)

##### (A3) Accounting for non-current retention amounts

Previously under SFRS, the Group recognised non-current retention amounts initially based on their fair value, which was computed based on cash flows discounted at market borrowing rates.

Under SFRS(I) 15, the Group has assessed that there is no significant financing component present as the payment terms is an industry practice to protect the customers from the performing entity's failure to adequately complete some or all of its obligations under the contract.

As a consequence, the Group does not adjust any of the transaction prices for the time value of money. This resulted in a S\$96,000 increase in profit before tax for the financial year ended 31 December 2017 and a S\$389,000 increase in retained profits as at 1 January 2017.

##### (A4) Presentation of contract assets and liabilities

The Group has also changed the presentation of certain amounts in the balance sheet as at 31 December 2017 on adopting SFRS(I) 15:

- (i) Contract assets relating to construction contracts were previously presented as "due from customers from construction contracts", and accrued billings on construction contracts and retention due from customers within "trade receivables" of S\$53,440,000, S\$3,527,000 and S\$32,119,000 (1 January 2017: S\$36,533,000, S\$3,045,000 and S\$23,385,000) under SFRS.
- (ii) Contract liabilities relating to construction contracts were previously presented as "due to customers on construction contracts", and advance billings on construction contracts and advances received on construction contracts within "trade payables" of S\$10,555,000, S\$2,474,000 and S\$22,540,000 (1 January 2017: S\$29,514,000, S\$5,194,000 and S\$1,227,000) under SFRS.
- (iii) "Due from customers from construction contracts" amounting to S\$5,209,000 (1 January 2017: S\$nil) is reclassified to other assets as these relates to uninstalled materials for a specific contract which the customer has not obtained control of.

#### (B) Adoption of SFRS(I) 9

As disclosed in Note 2.2(a)(iv), the Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the requirements of SFRS 39 Financial Instruments: Recognition and Measurement are applied to financial instruments up to the financial year ended 31 December 2017.

At the same time, the Group is exempted from complying with SFRS(I) 7 Financial Instruments: Disclosures for the comparative period to the extent that the disclosures required by the SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within the scope of the SFRS(I) 9.

The accounting policies for financial instruments under SFRS(I) 9 are as disclosed in Note 2.10.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. Significant accounting policies (continued)

### 2.2 Adoption of SFRS(I) (continued)

Explanatory notes to reconciliations: (continued)

#### (B) Adoption of SFRS(I) 9 (continued)

##### (B1) Classification and measurement of financial assets

For financial assets held by the Group on 1 January 2018, management has assessed the business models that are applicable on that date to these assets so as to classify them into the appropriate categories under SFRS(I) 9. Material reclassifications resulting from management's assessment are disclosed below.

	Note	Financial assets	
		AFS S\$'000	FVOCI S\$'000
<b>Balance as at 31 December 2017 - before adoption of SFRS(I) 9</b>		765	-
Reclassify investments from AFS to FVOCI	(i)	(765)	765
<b>Balance as at 1 January 2018 - after adoption of SFRS(I) 9</b>		-	765

##### (i) Available-for-sale debt instruments reclassified as FVOCI

Listed corporate fixed rate notes amounting to S\$765,000 as at 1 January 2018 previously classified as "available for sale" were reclassified as "FVOCI". The Group's business model on these assets is to collect contractual cash flows and sell these assets. The contractual cash flows of these investments consist solely of payments of principal and interest.

##### (ii) Impairment of financial assets

The Group has the following financial assets subject to the expected credit loss impairment model under SFRS(I) 9:

- trade receivables and contract assets recognised under SFRS(I) 15;
- debt instruments measured at FVOCI; and
- non-trade and other receivables at amortised cost.

The impairment methodology under SFRS and SFRS(I) for each of these classes of financial assets is different. The impairment methodology for each of these classes of financial assets under SFRS(I) 9 is as disclosed in Note 2.10 and Note 34(b). Management is of the view that the impact on the above balances as at 1 January 2018 is immaterial.

### 2.3 Revenue recognition

#### (a) Contract revenue

The Group provides engineering and construction services to customers through fixed-price contracts. Contract revenue is recognised when the Group's performance creates or enhance an asset that the customer controls as the asset is created or enhanced.

For these contracts, revenue is recognised over time by reference to the Group's progress towards completion of the contract. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs ("input method"). Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred.

In some circumstances such as in the early stages of a contract where the Group may not be able to reasonably measure its progress but expects to recover the contract costs incurred, contract revenue is recognised only to the extent of the contract costs incurred until such time when the Group can reasonably measure its progress.

Contract modifications that do not add distinct goods or services are accounted for as a continuation of the original contract and the change is recognised as a cumulative adjustment to revenue at the date of modification.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The period between the transfer of the promised services and customer payment may exceed one year. For such contracts, there is no significant financing component present as the payment terms is an industry practice to protect the customers from the performing entity's failure to adequately complete some or all of its obligations under the contract. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

The customer is invoiced on a milestone payment schedule. If the value of the goods transferred by the Group exceed the payments, a contract asset is recognised. If the payments exceed the value of the goods transferred, a contract liability is recognised.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. Significant accounting policies *(continued)*

### 2.3 Revenue recognition *(continued)*

#### (a) Contract revenue *(continued)*

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (eg. SFRS(I) 1-2 Inventories), these have been accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will capitalise these as contract costs assets only if (a) these cost relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these cost generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

#### (b) Sale of goods

Revenue from sale of goods is recognised at a point in time when the Group has delivered the products to the customer and the customer has accepted the products.

#### (c) Rendering of services

Revenue from services is recognised in the accounting period when maintenance services are rendered.

#### (d) Rental income

Rental income is recognised as disclosed in Note 2.13(b) "Leases - when the Group is the lessor".

#### (e) Interest income

Interest income is recognised using the effective interest rate method.

### 2.4 Group accounting

#### (a) Subsidiaries

##### (i) Consolidation

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

In preparing the consolidated financial statements, intercompany transactions and balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

##### (ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to the Note 2.6 "Goodwill" for the subsequent accounting policy on goodwill.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. Significant accounting policies (continued)

### 2.4 Group accounting (continued)

#### (a) Subsidiaries (continued)

##### (iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

#### (b) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

#### (c) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

##### (i) Acquisitions

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies represents the excess of the cost of acquisition of the associated companies over the Group's share of the fair value of the identifiable net assets of the associated companies and are included in the carrying amounts of the investments.

##### (ii) Equity method of accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated companies' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associated companies are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company equals to or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company. If the associated company subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. Interest in an associated company includes any long-term loans for which settlement is never planned nor likely to occur in the foreseeable future.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of the associated company have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

##### (iii) Disposals

Investment in an associated company is derecognised when the Group loses significant influence or joint control. If the retained equity interest in the former associated company is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost and its fair value and any proceeds on partial disposal is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. Significant accounting policies (continued)

### 2.4 Group accounting (continued)

#### (d) Joint operations

The Group's joint operations are joint arrangements whereby the parties (the joint operators) that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Group recognises, in relation to its interest in the joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

When the Group sells or contributes assets to a joint operation, the Group recognises gains or losses on the sale or contribution of assets that is attributable to the interest of the other joint operators. The Group recognises the full amount of any loss when the sale or contribution of assets provides evidence of a reduction in the net realisable value, or an impairment loss, of those assets.

When the Group purchases assets from a joint operation, it does not recognise its share of the gains and losses until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of the assets to be purchased or an impairment loss.

The accounting policies of the assets, liabilities, revenue and expenses relating to the Group's interest in a joint operation have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

### 2.5 Property, plant and equipment

#### (a) Measurement

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

#### (b) Depreciation

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Leasehold land and buildings	22.5 - 92 years
Machinery and equipment	5 - 10 years
Renovation	5 years
Motor vehicles	5 years
Office equipment and computers	3 - 10 years
Furniture and fittings	2 - 10 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

#### (c) Subsequent expenditure

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

#### (d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within Note 6 "Other gains/(losses) - net".

### 2.6 Goodwill

Goodwill on acquisitions of subsidiaries and businesses represents the excess of (a) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (b) the fair values of the identifiable net assets acquired. Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. Significant accounting policies (continued)

### 2.6 Goodwill (continued)

Goodwill on acquisition of joint venture and associated company represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets acquired. Goodwill on associated company and joint venture is included in the carrying amount of the investments.

Gains and losses on disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold.

### 2.7 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction of assets under construction. This includes those costs on borrowings acquired specifically for the construction of assets under construction, as well as those in relation to general borrowings used to finance the construction of assets under construction.

### 2.8 Investments in subsidiaries and associated company

Investments in subsidiaries and associated company are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

### 2.9 Impairment of non-financial assets

#### (a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefit from synergies arising from the business combination.

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

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

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

#### (b) Property, plant and equipment Investments in subsidiaries and associated companies

Property, plant and equipment and investments in subsidiaries and associated companies are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

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

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill 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. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

### 2.10 Financial assets

The accounting for financial assets before 1 January 2018 are as follows:

#### (a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

## 2. Significant accounting policies (continued)

### 2.10 Financial assets (continued)

#### (a) Classification (continued)

##### (i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy.

##### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" and "cash and bank balances" on the balance sheet.

##### (iii) Financial assets, available-for-sale

Financial assets, available-for-sale are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the balance sheet date.

#### (b) Recognition and derecognition

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

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

#### (c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

#### (d) Subsequent measurement

Financial assets, available-for-sale and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation are recognised in profit or loss when the changes arise.

Interest and dividend income on available-for-sale financial assets and financial assets at fair value through profit or loss are recognised separately in income. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in other comprehensive income and accumulated in the fair value reserve, presented within "other reserves".

#### (e) Impairment

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

##### (i) Loans and receivables

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. Significant accounting policies (continued)

### 2.10 Financial assets (continued)

#### (e) Impairment (continued)

##### (i) Loans and receivables (continued)

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

##### (ii) Financial assets, available-for-sale

In addition to the objective evidence of impairment described in Note 2.10(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial assets is impaired.

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

The accounting for financial assets from 1 January 2018 are as follows:

#### (f) Classification and measurement

The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVPL).

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

#### At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial assets, except for financial assets at fair value through profit or loss which are recognised at fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

#### At subsequent measurement

##### (i) Debt instruments

Debt instruments mainly comprise of cash and bank balances, trade and other receivables, and listed debt securities.

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- Amortised cost: Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.
- FVOCI: Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income (OCI) and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in "Other gains/(losses) - net". Interest income from these financial assets is recognised using the effective interest rate method and presented in "interest income".
- FVPL: Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "Other gains/(losses)-net".

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. Significant accounting policies (continued)

### 2.10 Financial assets (continued)

#### (f) Classification and measurement (continued)

##### At subsequent measurement (continued)

##### (ii) Equity instruments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "Other gains/(losses) - net", except for those equity securities which are not held for trading. Dividends from equity investments are recognised in profit or loss as "dividend income".

#### (g) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 34(b) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

#### (h) Recognition and derecognition

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

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income.

### 2.11 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

### 2.12 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

### 2.13 Leases

#### (a) When the Group is the lessee:

##### (i) Lessee - Finance leases

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. Significant accounting policies (continued)

### 2.13 Leases (continued)

#### (a) When the Group is the lessee: (continued)

##### (ii) Lessee - Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

#### (b) When the Group is the lessor:

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

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

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

### 2.14 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

### 2.15 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and associated companies, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (a) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (b) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

### 2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. Significant accounting policies (continued)

### 2.17 Employee compensation

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

#### (a) Defined contribution plans

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

#### (b) Employee leave entitlement

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

### 2.18 Currency translation

#### (a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollars, which is the functional currency of the Company.

#### (b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses impacting profit or loss are presented in the income statement within Note 6 "Other gains/(losses) - net".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

#### (c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

### 2.19 Segment reporting

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 2. Significant accounting policies (continued)

### 2.20 Cash and bank balances

For the purpose of presentation in the consolidated statement of cash flows, cash and bank balances include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and bank balances.

### 2.21 Share capital and warrants

Ordinary shares and warrants are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares and warrants are deducted against the share capital and warrant reserve accounts.

When the warrants are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the warrants reserve are credited to the share capital account, when new ordinary shares are issued.

Upon expiry of unexercised warrants, the balance previously recognised in the warrants reserve is transferred to retained profits directly.

### 2.22 Dividends

Dividends to Company's shareholders are recognised when the dividends are approved for payment.

## 3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 3.1 Critical accounting estimates and assumptions

#### (a) Estimation of total contract sum and contract costs for construction contracts

The Group has significant ongoing construction contracts as at 31 December 2018 that are non-cancellable. For these contracts, revenue is recognised over time by reference to the Group's progress towards completion of the contract. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs ("input method").

Management has to estimate the total contract sum and total contract costs to complete, which are used in the input method to determine the Group's recognition of construction revenue. When it is probable that the total contract costs will exceed the total construction revenue, a provision for onerous contracts is recognised immediately.

Significant assumptions are used to estimate the total contract sum and total contract costs to complete, which affect the accuracy of revenue recognition based on the percentage-of-completion and completeness of provision for onerous contracts recognised. In making these estimates, management has relied on past experience and the work of specialists.

If the estimated total contract sum decrease by 0.1% from management's estimates, the Group's profit before income tax will decrease by approximately S\$1,777,000.

If the remaining estimated contract costs increase by 1% from management's estimates, the Group's profit before income tax will decrease by approximately S\$1,348,000.

#### (b) Assessment on impairment of goodwill

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. In performing the impairment assessment of the carrying amount of goodwill (Note 21), the recoverable amount of the "Bio-Refinery and Bio-Energy" cash-generating unit ("CGU") in which goodwill has been attributable to, is determined using value-in-use ("VIU") calculations.

Significant judgements are used to estimate the gross margin, terminal growth rate and discount rate applied in computing the recoverable amounts of the CGU. In making these estimates, management has relied on past performance, its expectation of market developments in Malaysia, and the industry trends for the CGU. Specific estimates are disclosed in Note 21. Management is of the view that no impairment of the CGU was required as at 31 December 2018.

Management has performed a sensitivity analysis and noted that a reasonably possible change in the key assumptions will not result in an impairment.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 4. Revenue

### (a) Disaggregation of revenue from contracts with customers

	Group	
	2018	2017
	S\$'000	S\$'000
<b>Engineering and Construction</b>		
Contract revenue	301,511	306,062
Rendering of services	5	3,587
	<b>301,516</b>	<b>309,649</b>
<b>Bio-Refinery and Bio-Energy</b>		
Contract revenue	24,228	18,363
Sales of goods	3,071	3,051
	<b>27,299</b>	<b>21,414</b>
<b>Total</b>	<b>328,815</b>	<b>331,063</b>

Revenue from the Engineering and Construction segment is mainly derived from customers in Singapore.

### (b) Contract assets and liabilities

	Group		
	31 December	1 January	
	2018	2017	2017
	S\$'000	S\$'000	S\$'000
<b>Contract assets</b>			
<b>Current</b>			
Construction contracts	<b>105,077</b>	61,160	48,076
<b>Non-current</b>			
Construction contracts	<b>10,882</b>	25,431	15,885
	<b>115,959</b>	86,591	63,961
<b>Contract liabilities</b>			
<b>Current</b>			
Construction contracts	<b>4,990</b>	36,289	35,674

Contracts assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date on construction contracts. The increase in contract assets was mainly due to revenue being recognised during the financial year but which has not yet been billed to the customers.

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances received from customers for construction contracts. The decrease in contract liabilities was mainly due to revenue recognition upon satisfaction of performance obligation.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 4. Revenue (continued)

### (b) Contract assets and liabilities (continued)

#### (i) Revenue recognised in relation to contract liabilities

	Group	
	31 December	
	2018	2017
	S\$'000	S\$'000
Revenue recognised in current period that was included in the contract liability balance at the beginning of the period		
- Construction contracts	<b>36,289</b>	28,198
Revenue recognised in current period from performance obligations satisfied in previous periods		
- Construction contracts	<b>20,122</b>	3,506

#### (ii) Unsatisfied performance obligations

	Group		
	31 December	1 January	
	2018	2017	2017
	S\$'000	S\$'000	S\$'000
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at 31 December			
- Construction contracts	<b>529,422</b>	-*	-*

\* As permitted under the transitional provisions in the SFRS(I) 15, the transaction price allocated to partially or fully unsatisfied performance obligations as of 31 December 2017 and 1 January 2017 is not disclosed.

Management expects that the aggregate amount of the transaction price allocated to unsatisfied performance obligations as of 31 December 2018 will be recognised as revenue as the Group continue to perform to complete the construction, which is expected to occur over the next few years up to 2025. The amount disclosed above does not include variable consideration which is subject to significant risk of reversal.

As permitted under the SFRS(I) 15, the aggregated transaction price allocated to unsatisfied contracts of periods one year or less, or are billed based on time incurred, is not disclosed.

### (c) Assets recognised from costs to fulfil contracts

In addition to the contract balances disclosed above, the Group has also recognised an asset in relation to costs to fulfil long-term construction contracts. This is presented within other current assets in the balance sheet.

	Group	
	31 December	
	2018	2017
	S\$'000	S\$'000
Other current assets		
Asset recognised from costs incurred to fulfil a contract as at 31 December	<b>3,229</b>	5,209
Amortisation recognised as cost of sales during the year	<b>1,980</b>	-

Contract fulfilment cost relates to costs incurred for purchase of project-specific materials that will be used in a specific construction contract. These costs are amortised to the profit or loss as cost of sales on a basis consistent with the pattern of consumption of the materials.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 5. Other income

	Group	
	2018	2017
	S\$'000	S\$'000
Rental income	42	162
Interest income	174	216
Other income	96	19
	<b>312</b>	<b>397</b>

## 6. Other gains/(losses) - net

Fair value loss on financial assets at fair value through profit or loss (Note 15)	(37)	(3)
Gain on disposal of property, plant and equipment	2,258	58
Net foreign exchange gains/(losses)	642	(1,058)
	<b>2,863</b>	<b>(1,003)</b>

## 7. Expenses by nature

Allowance for/(reversal of) impairment of trade receivables (Note 13)	138	(97)
Changes in inventories of finished goods	74	456
Sales commission expenses	656	466
Depreciation of property, plant and equipment (Note 20)	6,634	5,504
Employee compensation (Note 8)	43,160	39,574
Freight, transport and shipping expenses	735	275
Legal and professional fees	1,587	1,424
Purchases of materials, consumables and subcontractor costs	263,842	267,693
Rental expense	5,015	4,196
Other expenses	2,390	1,331
	<b>324,231</b>	<b>320,822</b>

## 8. Employee compensation

	Group	
	2018	2017
	S\$'000	S\$'000
Salaries and bonuses	41,084	37,782
Employer's contribution to defined contribution plan	2,289	1,987
Other related staff costs	(213)	(195)
	<b>43,160</b>	<b>39,574</b>

Compensation to key management personnel, including directors' remuneration is separately disclosed in Note 32(b).

## 9. Finance expenses

Interest expense:		
- Banking facilities	918	508
- Finance leases	137	149
	<b>1,055</b>	<b>657</b>

## 10. Income tax

### (a) Income tax expense

Tax expense attributable to profit is made up of:

- Current income tax [Note 10(b)]	629	611
- Deferred income tax (Note 22)	340	(71)
	<b>969</b>	<b>540</b>

Under/(over) provision in prior financial years

- Current income tax [Note 10(b)]	81	278
- Deferred income tax (Note 22)	31	(296)
	<b>1,081</b>	<b>522</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 10. Income tax (continued)

### (a) Income tax expense (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Group	
	2018 S\$'000	2017 S\$'000
Profit before income tax	7,021	9,071
Share of profit of associated companies	(317)	(93)
Profit before income tax and share of profit of associated companies	6,704	8,978
Tax calculated at tax rate of 17% (2017: 17%)	1,140	1,526
Effects of:		
- Expenses not deductible for tax purposes	259	250
- Income not subject to tax	(493)	(263)
- Statutory stepped income exemption	(26)	-
- Different tax rates of overseas operations	131	215
- Unrecognised deferred tax benefits	-	417
- Over provision in prior financial years	112	(18)
- Utilisation of previously unrecognised:		
- Tax losses	(14)	(880)
- Capital allowances	-	(700)
- Others	(28)	(25)
Tax charge	1,081	522

### (b) Movement in current income tax (receivables)/liabilities

Balance at 1 January	751	680
Currency translation differences	6	2
Income tax paid	(2,240)	(820)
Tax expense [Note 10(a)]	629	611
Under provision in prior financial years [Note 10(a)]	81	278
Balance at 31 December	(773)	751

### (c) Unutilised tax losses and unabsorbed capital allowances

As at 31 December 2018, the Group has unutilised tax losses of approximately S\$19,752,000 (31 December 2017: S\$22,889,000; 1 January 2017: S\$24,397,000) which can, subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation, be carried forward and utilised against future taxable profits. The deferred tax benefits on the unutilised tax losses of subsidiaries have not been recognised in the financial statements because of the uncertainty of future utilisation. The unutilised tax losses have no expiry date.

## 11. Earnings per share

### (a) Basic earnings per share

Basic earnings per share is calculated by dividing net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2018	2017
Net profit attributable to equity holders of the Company (S\$'000)	5,607	8,078
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	1,182,744	884,807*
Basic earnings per share (in cent)	0.47	0.91

\*The weighted average number of shares have been restated to reflect the effect of bonus element pursuant to the rights issue. Refer to Note 26 for details.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 11. Earnings per share (continued)

### (b) Diluted earnings per share

Diluted earnings per share attributable to equity holders of the Company is calculated as follows:

	<b>Group</b>	
	<b>2018</b>	2017
Net profit attributable to equity holders of the Company (S\$'000)	<b>5,607</b>	8,078
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share ('000)	<b>1,182,744</b>	884,807
Diluted earnings per share (in cent)	<b>0.47</b>	0.91

The Company's warrants (Note 27) are not included in the calculation of diluted earnings per share above because they are antidilutive for the financial years presented.

Included in the cash and bank balances and fixed deposits of the Group is an amount of S\$nil (31 December 2017: S\$1,355,000; 1 January 2017: S\$1,137,000) pledged to banks for credit facilities granted.

For the purpose of presenting the consolidated statement of cash flows, cash and bank balances comprise the following:

	<b>Group</b>		
	31 December	2017	1 January
	<b>2018</b>	2017	2017
	<b>S\$'000</b>	S\$'000	S\$'000
Cash and bank balances (as above)	<b>20,553</b>	24,864	20,460
Less: Restricted cash	-	(1,355)	(1,137)
Cash and bank balances per consolidated statement of cash flows	<b>20,553</b>	23,509	19,323

## 12. Cash and bank balances

	<b>Group</b>			<b>Company</b>		
	31 December	1 January		31 December	1 January	
	<b>2018</b>	2017	2017	<b>2018</b>	2017	2017
	<b>S\$'000</b>	S\$'000	S\$'000	<b>S\$'000</b>	S\$'000	S\$'000
Cash and bank balances	<b>20,553</b>	23,509	19,163	<b>429</b>	5,977	164
Fixed deposits	-	1,355	1,297	-	-	-
	<b>20,553</b>	24,864	20,460	<b>429</b>	5,977	164

The carrying amounts of fixed deposits approximate their fair values, as the fixed deposits bear interest at variable rates which can be re-priced within a period of up to 12 months.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 13. Trade and other receivables

	Group			Company		
	31 December 2018 S\$'000	2017 S\$'000	1 January 2017 S\$'000	31 December 2018 S\$'000	2017 S\$'000	1 January 2017 S\$'000
<b>Current</b>						
Trade receivables						
- Immediate and ultimate holding corporation	-	-	5,049	-	-	-
- Related corporations	28	471	8,433	-	-	-
- Related party	-	260	163	-	-	-
- Subsidiaries	-	-	-	9,852	64	189
- Non-related parties	46,821	58,171	60,767	684	660	168
	46,849	58,902	74,412	10,536	724	357
Less: Allowance for impairment of trade receivables	(2,654)	(2,521)	(2,489)	(168)	(168)	(168)
Trade receivables - net	44,195	56,381	71,923	10,368	556	189
Non-trade receivables						
- Immediate and ultimate holding corporation	-	538	14	-	-	-
- Related corporations	765	1,122	52	-	-	-
	765	1,660	66	-	-	-
Other receivables						
- Deposits	2,846	1,226	968	-	5	8
- Prepayments	-	263	133	-	-	-
- Non-related parties	5,730	5,397	2,761	296	257	-
- Subsidiaries	-	-	-	1,832	3,234	1,463
	53,536	64,927	75,851	12,496	4,052	1,660
<b>Non-current</b>						
Other receivables						
- Prepayments	5,640	-	-	-	-	-
- Subsidiary	-	-	-	30,000	10,000	-
	5,640	-	-	30,000	10,000	-
<b>Total trade and other receivables</b>	<b>59,176</b>	<b>64,927</b>	<b>75,851</b>	<b>42,496</b>	<b>14,052</b>	<b>1,660</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 13. Trade and other receivables (continued)

- (a) Allowance for impairment of trade receivables of S\$138,000 (2017: reversal of allowance for impairment of S\$97,000) is recognised as an expense (2017: reversal of expense) and included in "selling and distribution expenses".
- (b) The current non-trade amounts due from subsidiaries, immediate and ultimate holding corporation, and related corporations are unsecured, interest-free and are repayable on demand.
- (c) In the previous financial year, the trade receivables due from a related party related to amount due from a director of the Company.
- (d) Non-current prepayments pertain to prepayments for certain property, plant and equipment which are not delivered on site as at year-end.
- (e) The non-current other receivables due from a subsidiary are unsecured and bear an interest rate of 1% (2017: 1%) per annum and are due on 31 December 2020 (2017: 30 November 2019). The carrying amounts of non-current other receivables due from a subsidiary approximate their fair values and are denominated in Singapore Dollar.

## 14. Inventories

	Group	
	31 December	1 January
	2018	2017
	S\$'000	S\$'000
Finished goods	116	190

The cost of inventories recognised as an expense and included in "cost of sales" amounts to S\$618,000 (2017: S\$783,000).

## 15. Financial assets, at fair value through profit or loss

	Group	
	2018	2017
	S\$'000	S\$'000
Balance at 1 January	37	40
Fair value loss during the financial year (Note 6)	(37)	(3)
Balance at 31 December	-	37

	Group	
	31 December	1 January
	2018	2017
	S\$'000	S\$'000
Listed equity shares - Singapore	-	37

The instruments are all mandatorily measured at fair value through profit or loss.

## 16. Financial assets, available-for-sale

	Group	
	2018	2017
	S\$'000	S\$'000
Balance at 1 January	765	7,529
Reclassification at 1 January*	(765)	-
Disposal	-	(6,525)
Fair value losses recognised in other comprehensive income [Note 29(b)]	-	(239)
Balance at 31 December	-	765

\* See Note 2.2 for details of reclassification as at 1 January 2018 on adoption of SFRS(I) 9.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 16. Financial assets, available-for-sale (continued)

	Group	
	2018	2017
	S\$'000	S\$'000
Listed securities		
- Singapore Dollar corporate fixed rate notes of 4.00% to 5.85% per annum due between 1 October 2021 to 9 June 2022	-	765

Available-for-sale financial assets are classified as current assets as management intends to dispose these assets within 12 months after balance sheet date.

## 17. Financial assets, at FVOCI

	Group
	2018
	S\$'000
Balance at 1 January	-
Reclassification at 1 January*	765
Disposal	(50)
Fair value gains recognised in other comprehensive income [Note 29(b)]	48
Balance at 31 December	763

\* See Note 2.2 for details of reclassification as at 1 January 2018 on adoption of SFRS(I) 9.

Listed securities	
- Singapore Dollar corporate fixed rate notes of 4.00% to 5.85% per annum due between October 2021 to June 2022	763

Financial assets at FVOCI are classified as current assets as management intends to hold to collect contractual cash flows and to dispose these assets within 12 months after balance sheet date.

## 18. Investment in an associated companies

	Group		Company	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Unquoted equity shares, at cost				
Balance at 1 January and 31 December			640	640
Balance at 1 January	1,448	1,355		
Share of profit	317	93		
Balance at 31 December	1,765	1,448		

Details of the associated companies are set out in Note 36.

There is no associated company as at 31 December 2018 and 2017, and at 1 January 2017, which in the opinion of the directors, is material to the Group.

There are no contingent liabilities relating to the Group's interest in the associated company.

## 19. Investments in subsidiaries

	Company	
	2018	2017
	S\$'000	S\$'000
Unquoted equity shares, at cost		
Balance at 1 January	37,338	36,259
Additional capital injection into an existing subsidiary	-	1,079
	37,338	37,338
Less: Allowance for impairment	(100)	(100)
Balance at 31 December	37,238	37,238

Details of the subsidiaries are set out in Note 36.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 19. Investments in subsidiaries (continued)

### Carrying value of non-controlling interests

	31 December 2018 S\$'000	2017 S\$'000	1 January 2017 S\$'000
Oiltek Sdn. Bhd. and its subsidiary	<b>3,079</b>	3,045	3,033

There was no transactions with non-controlling interests for the financial year ended 31 December 2018.

In the previous financial year, the Group acquired the remaining 35% equity interest in Oiltek Nova Bioenergy Sdn. Bhd. for a purchase consideration of MYR 1 (less than S\$1) through Oiltek Sdn. Bhd., an 80.04% owned subsidiary of the Company. The Group effectively owned 80.04% of Oiltek Nova Bioenergy Sdn. Bhd.. The effects of changes in the ownership interest of Oiltek Nova Bioenergy Sdn. Bhd. on the reserves attributable to equity holders of the Company during the year was summarised as follows:

2017 (S\$'000)	
Carrying amount of non-controlling interests acquired	56
Consideration paid to non-controlling interest	*
Amount recognised in equity holders' reserve	<b>56</b>

\* - Less than S\$1,000

### Summarised financial information of subsidiaries with material non-controlling interests

Set out below are the summarised financial information for Oiltek Sdn. Bhd. and its subsidiary, which has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

### Summarised statement of comprehensive income

	Oiltek Sdn. Bhd. and its subsidiary For the year ended 31 December	
	2018 S\$'000	2017 S\$'000
Revenue	<b>27,656</b>	21,414
<b>Profit before income tax</b>	<b>2,017</b>	2,524
Income tax expense	<b>(636)</b>	(669)
<b>Profit after tax and total comprehensive income</b>	<b>1,381</b>	1,855
Dividends paid to non-controlling interests	<b>274</b>	477

### Summarised balance sheet

	Oiltek Sdn. Bhd. and its subsidiary		
	31 December 2018 S\$'000	2017 S\$'000	1 January 2017 S\$'000
<b>Current</b>			
Assets	<b>23,337</b>	24,685	26,812
Liabilities	<b>(9,429)</b>	(11,152)	(12,668)
Total current net assets	<b>13,908</b>	13,533	14,144
<b>Non-current</b>			
Assets	<b>1,186</b>	1,567	1,206
Total non-current net assets	<b>1,186</b>	1,567	1,206
<b>Net assets</b>	<b>15,094</b>	15,100	15,350

### Summarised cash flows

	Oiltek Sdn. Bhd. and its subsidiary For the year ended 31 December	
	2018 S\$'000	2017 S\$'000
Net cash provided by/(used in) operating activities	<b>1,961</b>	(5,047)
Net cash used in investing activities	<b>(59)</b>	(52)
Net cash used in financing activities	<b>(1,648)</b>	(834)
<b>Net increase/(decrease) in cash and bank balances</b>	<b>254</b>	(5,933)
Cash and bank balances at beginning of the financial year	<b>9,266</b>	15,901
Effects of currency translation on cash and bank balances	<b>64</b>	(702)
<b>Cash and bank balances at end of the financial year</b>	<b>9,584</b>	9,266

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 20. Property, plant and equipment

	Leasehold land and buildings S\$'000	Machinery and equipment S\$'000	Furniture and fittings, renovation S\$'000	Motor vehicles S\$'000	Office equipment and computers S\$'000	Asset under construction S\$'000	Total S\$'000
<b>Group</b>							
<b>2018</b>							
<b>Cost</b>							
At 1 January	11,044	45,466	1,807	11,404	2,538	9,395	81,654
Additions	-	17,220	63	461	281	38	18,063
Reclassification	9,433	-	-	-	-	(9,433)	-
Disposal	(3,085)	(4,401)	-	(53)	-	-	(7,539)
Write-off	-	(14)	(319)	-	(85)	-	(418)
Currency translation differences	(2)	-	(1)	(1)	(1)	-	(5)
At 31 December	17,390	58,271	1,550	11,811	2,733	-	91,755
<b>Accumulated depreciation</b>							
At 1 January	3,102	36,942	1,562	6,830	1,949	-	50,385
Depreciation charge	847	4,012	91	1,453	231	-	6,634
Disposal	(1,474)	(4,179)	-	(46)	-	-	(5,699)
Write-off	-	(14)	(319)	-	(85)	-	(418)
Currency translation differences	(1)	-	-	-	-	-	(1)
At 31 December	2,474	36,761	1,334	8,237	2,095	-	50,901
<b>Net book value at 31 December</b>	<b>14,916</b>	<b>21,510</b>	<b>216</b>	<b>3,574</b>	<b>638</b>	<b>-</b>	<b>40,854</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 20. Property, plant and equipment (continued)

	Leasehold land and buildings	Machinery and equipment	Furniture and fittings, renovation	Motor vehicles	Office equipment and computers	Asset under construction	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>							
<b>2017</b>							
<b>Cost</b>							
At 1 January	11,025	42,925	1,892	10,482	2,292	5,403	74,019
Additions	-	2,721	-	1,228	180	3,992	8,121
Reclassification	-	-	(88)	-	88	-	-
Disposal	-	(180)	-	(310)	(4)	-	(494)
Write-off	-	-	-	-	(21)	-	(21)
Currency translation differences	19	-	3	4	3	-	29
At 31 December	11,044	45,466	1,807	11,404	2,538	9,395	81,654
<b>Accumulated depreciation</b>							
At 1 January	2,712	33,636	1,491	5,740	1,804	-	45,383
Depreciation charge	385	3,486	89	1,399	145	-	5,504
Reclassification	-	-	(20)	-	20	-	-
Disposal	-	(180)	-	(310)	(3)	-	(493)
Write-off	-	-	-	-	(20)	-	(20)
Currency translation differences	5	-	2	1	3	-	11
At 31 December	3,102	36,942	1,562	6,830	1,949	-	50,385
<b>Net book value at 31 December</b>	7,942	8,524	245	4,574	589	9,395	31,269

A leasehold land and building with carrying amount of S\$945,000 (31 December 2017: S\$963,000, 1 January 2017: S\$963,000) is pledged to a financial institution to secure banking facilities to the Group.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 20. Property, plant and equipment (continued)

	Leasehold land and building S\$'000	Machinery S\$'000	Furniture and fittings, renovation S\$'000	Motor vehicles S\$'000	Office equipment and computers S\$'000	Total S\$'000
<b>Company</b>						
<b>2018</b>						
<b>Cost</b>						
At 1 January	3,085	66	318	59	83	3,611
Disposal	(3,085)	-	-	-	-	(3,085)
Write-off	-	(2)	(318)	-	(83)	(403)
At 31 December	-	64	-	59	-	123
<b>Accumulated depreciation</b>						
At 1 January	1,474	66	318	47	83	1,988
Depreciation charge	-	-	-	6	-	6
Disposal	(1,474)	-	-	-	-	(1,474)
Write-off	-	(2)	(318)	-	(83)	(403)
At 31 December	-	64	-	53	-	117
<b>Net book value at 31 December</b>	-	-	-	6	-	6
<b>2017</b>						
<b>Cost</b>						
At 1 January and at 31 December	3,085	66	318	59	83	3,611
<b>Accumulated depreciation</b>						
At 1 January	1,406	66	318	42	83	1,915
Depreciation charge	68	-	-	5	-	73
At 31 December	1,474	66	318	47	83	1,988
<b>Net book value at 31 December</b>	1,611	-	-	12	-	1,623

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 20. Property, plant and equipment (continued)

- (i) The carrying amounts of property, plant and equipment acquired under finance leases are as follows:

	<b>Group</b>		
	31 December	1 January	
	<b>2018</b>	2017	2017
	<b>S\$'000</b>	S\$'000	S\$'000
Plant and machinery	<b>4,441</b>	5,178	4,590
Motor vehicles	<b>1,571</b>	1,818	1,314
	<b>6,012</b>	6,996	5,904

- (ii) Included within additions in the consolidated financial statements are property, plant and equipment acquired under finance leases amounting to S\$1,723,000 (2017: S\$3,738,000).
- (iii) The Group's major properties included in property, plant and equipment are as follows:

	<b>Name and location</b>	<b>Description</b>	<b>Tenure</b>
(a)	Lot 6 Jalan Pasaran 23/5, Kawasan Miel, Shah Alam, Selangor Darul Ehsan, Malaysia	Factory-cum-office building	99 years from 15 August 1997
(b)	30 Tuas South Street 6, Singapore	Factory-cum-office building	22 years 6 months from 2 May 2013

## 21. Goodwill

	<b>Group</b>	
	<b>2018</b>	2017
	<b>S\$'000</b>	S\$'000
<b>Cost</b>		
Beginning and end of financial year	<b>11,273</b>	11,273
<b>Accumulated impairment</b>		
Beginning and end of financial year	<b>4,416</b>	4,416
<b>Net book value</b>	<b>6,857</b>	6,857

### Impairment tests for goodwill

Goodwill arising from acquisition of a subsidiary has been allocated to the cash-generating unit ("CGU") identified as the "Bio-Refinery and Bio-Energy" segment.

The Group tests CGU annually for impairment or more frequently if there are indicators that goodwill might be impaired.

The recoverable amount of the CGU is determined based on value-in-use. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a one-year period.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 21. Goodwill (continued)

### Key assumptions used for value-in-use calculations:

Group	2018	2017
Gross margin <sup>(1)</sup>	20%	22%
Terminal growth rate <sup>(2)</sup>	2%	2%
Discount rate <sup>(3)</sup>	14%	14%

<sup>(1)</sup> Budgeted gross margin

<sup>(2)</sup> Weighted average growth rate used to extrapolate cash flows beyond the budget period

<sup>(3)</sup> Pre-tax discount rate applied to the pre-tax cash flow projections

These assumptions are used for the analysis of the CGU within the business segment. Management determined budgeted gross margin and terminal growth rate based on past performance and its expectations of market developments. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used are pre-tax and reflected specific risks relating to the relevant segment. The sensitivity analysis of the recoverable amount of the CGU is set out in Note 3.1(b).

## 22. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	31 December	1 January
	2018	2017
Group	S\$'000	S\$'000
Deferred tax assets	52	119
Deferred tax liabilities	(494)	(572)
Net deferred income tax liabilities	(442)	(453)

The movement in the net deferred income tax account is as follows:

Group	2018 S\$'000	2017 S\$'000
Balance at 1 January	76	453
Currency translation differences	(5)	(10)
Charged/(credited) to profit or loss [Note 10(a)]	371	(367)
Balance at 31 December	442	76

Movements in deferred income tax assets and liabilities (prior to offsetting of the balances within the same tax jurisdiction) are as follows:

### Deferred income tax liabilities

Group	Accelerated tax depreciation S\$'000	Unrealised foreign exchange gain from an overseas subsidiary S\$'000	Total S\$'000
2018			
Balance at 1 January	470	-	470
Charged to profit or loss	24	-	24
Balance at 31 December	494	-	494
2017			
Balance at 1 January	483	89	572
Currency translation differences	-	(1)	(1)
Credited to profit or loss	(13)	(88)	(101)
Balance at 31 December	470	-	470

### Deferred income tax assets

Group	2018 S\$'000	2017 S\$'000
Balance at 1 January	(394)	(119)
Currency translation differences	(5)	(9)
Charged to profit or loss	347	(266)
Balance at 31 December	(52)	(394)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 23. Trade and other payables

	Group			Company		
	31 December	1 January		31 December	1 January	
	2018	2017	2017	2018	2017	2017
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Current</b>						
Trade payables						
- Immediate and ultimate holding corporation	1,081	-	1,780	695	-	-
- Related corporations	6,967	3,198	8,920	-	-	-
- Subsidiaries	-	-	-	-	1,946	577
- Non-related parties	60,255	66,460	62,661	14	25	28
	<b>68,303</b>	<b>69,658</b>	<b>73,361</b>	<b>709</b>	<b>1,971</b>	<b>605</b>
Construction contracts:						
- Retention due to subcontractors	23,803	11,694	8,303	-	-	-
Other payables						
- Accrued expenses	5,689	6,827	8,626	259	126	185
- Sundry creditors	617	2,282	417	-	78	18
- Subsidiaries	-	-	-	-	1,000	-
- Immediate and ultimate holding corporation	-	-	385	-	-	-
- Related corporations	51	1,931	-	-	-	-
- Provision for onerous contracts	340	852	1,199	-	-	-
	<b>98,803</b>	<b>93,244</b>	<b>92,291</b>	<b>968</b>	<b>3,175</b>	<b>808</b>
<b>Non-current</b>						
Construction contracts:						
- Retention due to subcontractors	4,808	11,841	7,707	-	-	-
Other payables						
- Related corporation	-	-	7,431	-	-	-
	<b>4,808</b>	<b>11,841</b>	<b>15,138</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total trade and other payables</b>	<b>103,611</b>	<b>105,085</b>	<b>107,429</b>	<b>968</b>	<b>3,175</b>	<b>808</b>

- (a) The non-trade amounts due to immediate and ultimate holding corporation and related corporations are unsecured, interest-free and are repayable on demand.
- (b) As at 1 January 2017, the non-current other payables due to a related corporation was unsecured, interest-free and was due on 1 January 2018. The carrying amount of non-current payables to related corporation approximated its fair values and was denominated in Singapore Dollar.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 23. Trade and other payables (continued)

### Provision for onerous contracts

	Group 2018 S\$'000
Balance at 1 January	852
Provision utilised	(512)
Balance at 31 December	<u>340</u>

Provision for onerous contracts is in respect of remaining expected losses arising from non-cancellable construction contracts where the expected total contract costs exceeds the total contract sum, and is expected to be utilised as these contracts progress towards completion.

## 24. Short-term borrowings and finance leases

	Group		
	31 December 2018 S\$'000	2017 S\$'000	1 January 2017 S\$'000
<b>Current</b>			
Short-term bank loan (unsecured)	43,339	8,800	15,300
Finance leases (Note 25)	2,556	2,391	1,409
	<u>45,895</u>	<u>11,191</u>	<u>16,709</u>

The weighted average effective interest rate per annum of short-term bank loan at the balance sheet date is 3.37% (31 December 2017: 2.58%; 1 January 2017: 2.20%) per annum.

## 25. Finance leases

	Group		
	31 December 2018 S\$'000	2017 S\$'000	1 January 2017 S\$'000
Minimum lease payments due:			
- Not later than one year	2,642	2,507	1,490
- Between one and five years	1,674	2,803	2,312
	<u>4,316</u>	<u>5,310</u>	<u>3,802</u>
Less: Future finance charges	(128)	(188)	(156)
Present value of finance lease liabilities	<u>4,188</u>	<u>5,122</u>	<u>3,646</u>

The Group leases certain plant and machinery and motor vehicles from non-related parties under finance leases.

The present value of finance lease liabilities is analysed as follows:

Current liabilities			
- Not later than one year (Note 24)	2,556	2,391	1,409
Non-current liabilities			
- Between one and five years	1,632	2,731	2,237
	<u>4,188</u>	<u>5,122</u>	<u>3,646</u>

The weighted average effective interest rate of finance leases at the balance sheet date is 2.91% (31 December 2017: 2.84%; 1 January 2017: 2.66%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 26. Share capital

	No. of ordinary shares		Amount	
	2018	2017	2018	2017
	'000	'000	S\$'000	S\$'000
<b>Group and Company</b>				
Balance at 1 January	<b>1,046,636</b>	747,554	<b>52,143</b>	38,391
Issuance of rights cum warrants	<b>517,493</b>	299,022	<b>21,262</b>	13,964
Share issuance expenses	-	-	<b>(260)</b>	(217)
Exercise of warrants	-	60	-	5
Balance at 31 December	<b>1,564,129</b>	1,046,636	<b>73,145</b>	52,143

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

On 26 September 2018, the Company issued 517,492,846 new ordinary shares at S\$0.045 per new share and 517,492,846 free detachable, transferable and listed warrants (Note 27) to its shareholders. Each warrant carries the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of S\$0.05 per warrant for each new share. Each warrant may be exercised at any time during the exercise period commencing on and including the date of issue of the warrants and expiring on the fifth anniversary of the date of issue of the warrants. The net consideration for the issuance was proportionately allocated to the share capital and warrants reserve of the Company based on their relative fair values. The newly issued shares ranked pari passu in all respects with the previously issued shares.

On 14 November 2017, the Company issued 299,021,682 new ordinary shares at S\$0.055 per new share and 299,021,682 free detachable, transferable and listed warrants (Note 27) to its shareholders. Each warrant carries the right to subscribe for one new ordinary share in the capital of the Company at an exercise price ranging from S\$0.09 to S\$0.11 per warrant for each new share depending on the date of exercise. Each warrant may be exercised at any time during the period of four years commencing on and including the date of issue of the warrants and expiring on the third anniversary of the date of issue of the warrants. The net consideration for the issuance was proportionately allocated to the share capital and warrants reserve of the Company based on their relative fair values. The newly issued shares ranked pari passu in all respects with the previously issued shares.

In the previous financial year, 60,000 warrants were exercised at S\$0.09 per warrant for each new share. 60,000 new shares were issued for a consideration of S\$5,400.

## 27. Warrants reserve

	No. of warrants		Amount	
	2018	2017	2018	2017
	'000	'000	S\$'000	S\$'000
<b>Group and Company</b>				
Balance at 1 January	<b>298,962</b>	-	<b>2,482</b>	-
Issue of new warrants (Note 26)	<b>517,493</b>	299,022	<b>2,025</b>	2,482
Exercise of warrants (Note 26)	-	(60)	-	*
Balance at 31 December	<b>816,455</b>	298,962	<b>4,507</b>	2,482

\* - Less than S\$1,000

## 28. Currency translation reserve

	Group	
	2018	2017
	S\$'000	S\$'000
Balance at 1 January	<b>(2,289)</b>	(2,458)
Acquisition of non-controlling interest without change in control	-	6
Net currency translation differences of financial statements of foreign subsidiaries	<b>(253)</b>	237
Less: Non-controlling interests	<b>25</b>	(74)
Balance at 31 December	<b>(2,517)</b>	(2,289)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 29. Other reserves

### (a) Composition

	<b>Group</b>	
	31 December	1 January
	2018	2017
	S\$'000	S\$'000
Fair value reserve	<b>(607)</b>	(655) (441)

### (b) Movements

	<b>Group</b>	
	2018	2017
	S\$'000	S\$'000
Fair value reserve		
Balance at 1 January	<b>(655)</b>	(441)
Fair value gains/(losses) on financial assets, at FVOCI/ available-for-sale (Note 17) (2017: Note 16)	<b>48</b>	(239)
Reclassified to profit or loss on disposal of available-for-sale financial assets	-	25
	<b>48</b>	(214)
Balance at 31 December	<b>(607)</b>	(655)

Other reserves are non-distributable.

## 30. Dividend

	<b>Company</b>	
	2018	2017
	S\$'000	S\$'000
Final dividend paid in respect of the previous financial year ended of 0.10 cent (2017: 0.06 cent) per share	<b>1,047</b>	448

At the forthcoming Annual General Meeting, a final cash dividend of 0.10 cent per share amounting to a total of S\$1,564,000 will be recommended. These financial statements do not reflect these dividends, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2019.

## 31. Commitments

### (a) Operating lease commitments - where the Group is a lessee

The Group leases land and office premise under a non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payable under the non-cancellable operating lease contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	<b>Group</b>		
	31 December	1 January	
	2018	2017	2017
	S\$'000	S\$'000	S\$'000
Not later than one year	<b>3,113</b>	3,697	1,039
Between one and five years	<b>3,124</b>	6,328	862
Later than five years	-	364	483
Total	<b>6,237</b>	10,389	2,384

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 31. Commitments (continued)

### (b) Operating lease commitments – where the Group is a lessor

The Group has entered into tenancy agreement for subletting of office premise as a lessor under non-cancellable operating leases.

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are analysed as follows:

	Group		
	31 December	1 January	
	2018	2017	2017
	S\$'000	S\$'000	S\$'000
Not later than one year	-	41	169

### (c) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	Group
	2018
	S\$'000
Property, plant and equipment	27,986

The contracts are entered into with non-related parties.

## 32. Related party transactions

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

### (a) Sales and purchases of goods and services

	Group	
	2018	2017
	S\$'000	S\$'000
(i) Related corporations		
- Purchases of goods and services from related corporations	(8,153)	(9,142)
- Revenue on construction contract from related corporations	4,378	21,616
- Revenue on construction contract from a key management personnel	136	1,146
- Rental of office premise from a related corporation	(291)	(233)
(ii) Immediate and ultimate holding corporation		
- Management and support services from the immediate and ultimate holding corporation	(3,487)	(2,997)

### (b) Key management personnel compensation

Salaries and other short-term employee benefits	2,454	1,919
Employer's contribution to defined contribution plans	103	102
	2,557	2,021

Included in the above was total directors' fees to directors of the Company amounting to S\$174,500 (2017: S\$101,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 33. Segment information

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer ("CEO") that are used to make strategic decisions.

The CEO considers the business from a business segment perspective. Management manages and monitors the business in two main business segments which are "Engineering and Construction" and "Bio-Refinery and Bio-Energy". The CEO assesses the performance of these business segments based on sales, segment results, segment assets and segment liabilities.

### (a) Analysis by Reportable Segment

Segment revenue and expense: Segment revenue and expense are the operating revenue and expenses reported in the Group's profit or loss that are directly attributable to a segment and the relevant portion of such revenue and expense that can be allocated on a reasonable basis to a segment.

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of operating receivables, inventories and plant and equipment, net of allowance and impairment that can be specifically attributable to a specific segment. Capital expenditure includes the total cost incurred to acquire plant and equipment directly attributable to the segment. Segment liabilities include all operating liabilities and consist principally of trade and other payables.

The Group's income tax expense and income tax payable are not allocated to any specific segment.

The reportable segment profit and loss has been determined using the same accounting policy of the Group.

	Engineering and Construction	Bio-Refinery and Bio-Energy	Total
<b>Group (\$'000)</b>			
<b>2018</b>			
<b>Revenue</b>			
External sales	301,515	27,300	<b>328,815</b>
Inter-segment	-	-	-
	<u>301,515</u>	<u>27,300</u>	<b>328,815</b>
Elimination			-
			<b>328,815</b>

### Group (\$'000) 2018

#### Results

Segment results	5,820	1,765	<b>7,585</b>
Share of profit of associated companies	317	-	<b>317</b>
Interest income			<b>174</b>
Finance expense			<b>(1,055)</b>
Income tax expense			<b>(1,081)</b>
<b>Profit after income tax</b>			<b>5,940</b>

#### Assets

Segment assets	216,313	23,574	<b>239,887</b>
Investment in associated companies	1,765	-	<b>1,765</b>
Goodwill	-	6,857	<b>6,857</b>
<u>Unallocated assets:</u>			
Financial assets, at FVOCI			<b>763</b>
Income tax receivables			<b>773</b>
Deferred tax asset			<b>218</b>
<b>Total assets</b>			<b>250,263</b>

#### Liabilities

Segment liabilities	99,685	8,916	<b>108,601</b>
<u>Unallocated liabilities:</u>			
Deferred tax liabilities			<b>660</b>
Borrowings			<b>47,527</b>
<b>Total liabilities</b>			<b>156,788</b>

#### Other information

Depreciation of property, plant and equipment	6,512	122	<b>6,634</b>
Capital expenditure	18,004	59	<b>18,063</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 33. Segment information (continued)

### (a) Analysis by Reportable Segment (continued)

	Engineering and Construction	Bio-Refinery and Bio-Energy	Total	Group (\$'000) 2017	Engineering and Construction	Bio-Refinery and Bio-Energy	Total
<b>Group (\$'000) 2017</b>				<b>Assets</b>			
<b>Revenue</b>				Segment assets	187,115	24,580	211,695
External sales	309,649	21,414	331,063	Investment in associated companies	1,448	-	1,448
Inter-segment	-	-	-	Goodwill	-	6,857	6,857
	<u>309,649</u>	<u>21,414</u>	<u>331,063</u>	<u>Unallocated assets:</u>			
Elimination			-	Short-term bank deposits			1,355
			<u>331,063</u>	Financial assets, at fair value through profit or loss			37
<b>Results</b>				Financial assets, available-for-sale			765
Segment results	6,855	2,564	9,419	Deferred tax asset			394
Share of profit of associated companies	93	-	93	<b>Total assets</b>			<u>222,551</u>
Interest income			216	<b>Liabilities</b>			
Finance expense			(657)	Segment liabilities	131,667	9,707	141,374
Income tax expense			(522)	<u>Unallocated liabilities:</u>			
<b>Profit after income tax</b>			<u>8,549</u>	Current income tax liabilities			751
				Deferred tax liabilities			470
				Borrowings			13,922
				<b>Total liabilities</b>			<u>156,517</u>
				<b>Other information</b>			
				Depreciation of property, plant and equipment	5,419	85	5,504
				Capital expenditure	8,071	50	8,121

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 33. Segment information *(continued)*

### (b) Geographical Information

Revenue segmentation is based on the location of services rendered or goods delivered. Non-current assets are based on the location of those assets.

	Group	
	2018	2017
	S\$'000	S\$'000
<b>Revenue</b>		
Singapore	301,515	309,650
Malaysia	8,471	9,045
Indonesia	5,709	1,933
Rest of Asia	6,218	7,072
South America	357	2,241
Africa	6,280	934
Others	265	188
	<b>328,815</b>	<b>331,063</b>
<b>Non-current assets</b>		
Singapore	64,961	64,221
Malaysia	1,255	1,178
	<b>66,216</b>	<b>65,399</b>

### (c) Information about major customers

Revenue of approximately 83% (2017: 83%) are derived from four (2017: three) major customers. These revenue are attributable to the Engineering and Construction segment.

## 34. Financial risk management

The Group's activities expose it to credit risks, market risks (including foreign currency risks and interest rate risks) and liquidity risks. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

### (a) Market risk

#### (i) Currency risk

The Group transacts business in various foreign currencies, including Malaysian Ringgit ("MYR"), Euro ("EUR") and United States Dollar ("USD") and hence is exposed to foreign currency risks. The Group monitors the foreign currency exchange rate movements closely to ensure that its exposure is minimised.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 34. Financial risk management (continued)

### (a) Market risk (continued)

#### (i) Currency risk (continued)

The Group's currency exposure is as follows:

	SGD S\$'000	MYR S\$'000	EUR S\$'000	USD S\$'000	Total S\$'000
<b>Group</b>					
<b>At 31 December 2018</b>					
<b>Financial assets</b>					
Cash and bank balances	10,891	2,095	60	7,507	20,553
Trade and other receivables	49,949	2,699	116	6,412	59,176
Inter-company balances	55,504	597	-	-	56,101
Financial assets, at fair value through profit or loss and at FVOCI	763	-	-	-	763
	<u>117,107</u>	<u>5,391</u>	<u>176</u>	<u>13,919</u>	<u>136,593</u>
<b>Financial liabilities</b>					
Trade and other payables	(96,124)	(4,039)	(1,966)	(1,142)	(103,271)
Inter-company balances	(55,504)	(597)	-	-	(56,101)
Borrowings	(31,500)	-	(11,839)	-	(43,339)
Finance leases	(4,188)	-	-	-	(4,188)
	<u>(187,316)</u>	<u>(4,636)</u>	<u>(13,805)</u>	<u>(1,142)</u>	<u>(206,899)</u>
<b>Net financial assets/(liabilities)</b>	<u>(70,209)</u>	<u>755</u>	<u>(13,629)</u>	<u>12,777</u>	<u>(70,306)</u>
Less: Net assets denominated in the respective entities' functional currency	70,209	(808)	-	-	69,401
<b>Net currency exposure</b>	<u>-</u>	<u>(53)</u>	<u>(13,629)</u>	<u>12,777</u>	<u>(905)</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 34. Financial risk management (continued)

### (a) Market risk (continued)

#### (i) Currency risk (continued)

	SGD S\$'000	MYR S\$'000	EUR S\$'000	USD S\$'000	Total S\$'000
<b>Group</b>					
<b>At 31 December 2017</b>					
<b>Financial assets</b>					
Cash and bank balances	14,164	4,314	19	6,367	24,864
Trade and other receivables	54,388	4,780	71	5,425	64,664
Inter-company balances	22,758	2,036	-	-	24,794
Financial assets, at fair value through profit or loss and financial assets, available-for-sale	802	-	-	-	802
	<u>92,112</u>	<u>11,130</u>	<u>90</u>	<u>11,792</u>	<u>115,124</u>
<b>Financial liabilities</b>					
Trade and other payables	(96,955)	(5,360)	(799)	(1,119)	(104,233)
Inter-company balances	(22,758)	(2,036)	-	-	(24,794)
Borrowings	(8,800)	-	-	-	(8,800)
Finance leases	(5,122)	-	-	-	(5,122)
	<u>(133,635)</u>	<u>(7,396)</u>	<u>(799)</u>	<u>(1,119)</u>	<u>(142,949)</u>
<b>Net financial assets/(liabilities)</b>	<u>(41,523)</u>	<u>3,734</u>	<u>(709)</u>	<u>10,673</u>	<u>(27,825)</u>
Less: Net (assets)/liabilities denominated in the respective entities' functional currency	41,523	3,411	-	-	44,934
<b>Net currency exposure</b>	<u>-</u>	<u>7,145</u>	<u>(709)</u>	<u>10,673</u>	<u>17,109</u>
<b>At 1 January 2017</b>					
<b>Financial assets</b>					
Cash and bank balances	3,156	5,856	434	11,014	20,460
Trade and other receivables	68,987	4,149	98	2,484	75,718
Inter-company balances	10,945	797	891	665	13,298
Financial assets, at fair value through profit or loss and available-for-sale financial assets	7,569	-	-	-	7,569
	<u>90,657</u>	<u>10,802</u>	<u>1,423</u>	<u>14,163</u>	<u>117,045</u>
<b>Financial liabilities</b>					
Trade and other payables	(96,585)	(6,356)	(2,020)	(1,269)	(106,230)
Inter-company balances	(10,945)	(797)	(891)	(665)	(13,298)
Borrowings	(15,300)	-	-	-	(15,300)
Finance leases	(3,646)	-	-	-	(3,646)
	<u>(126,476)</u>	<u>(7,153)</u>	<u>(2,911)</u>	<u>(1,934)</u>	<u>(138,474)</u>
<b>Net financial assets/(liabilities)</b>	<u>(35,819)</u>	<u>3,649</u>	<u>(1,488)</u>	<u>12,229</u>	<u>(21,429)</u>
Less: Net (assets)/liabilities denominated in the respective entities' functional currency	35,819	(2,680)	-	-	33,139
<b>Net currency exposure</b>	<u>-</u>	<u>969</u>	<u>(1,488)</u>	<u>12,229</u>	<u>11,710</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 34. Financial risk management (continued)

### (a) Market risk (continued)

#### (i) Currency risk (continued)

The Company's business operations are not exposed to significant foreign currency risks as it has no significant transactions denominated in foreign currencies.

If MYR, EUR and USD change against the SGD by 5% (31 December and 1 January 2017: 5%) with all variables held constant, the effects arising from the net financial asset/liability position will be as follows:

	Increase/(decrease)		
	31 December 2018	31 December 2017	1 January 2017
	Profit after tax S\$'000	Profit after tax S\$'000	Profit after tax S\$'000
<b>Group</b>			
MYR against SGD			
- Strengthened	-*	297	40
- Weakened	-*	(297)	(40)
EUR against SGD			
- Strengthened	(566)	(29)	(62)
- Weakened	566	29	62
USD against SGD			
- Strengthened	530	443	508
- Weakened	(530)	(443)	(508)

\*: The currency risk for MYR is insignificant as at 31 December 2018

#### (ii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group has no significant interest-bearing assets. The Group's exposure to cash flow interest rate risks arises mainly from the Group's debt obligations. The Group manages its cash flow interest rate risks by adopting a preference for fixed rate instruments over variable-rate instruments.

The Group's borrowings at variable rates on which effective hedges have not been entered into, are denominated mainly in SGD. If the SGD interest rate increase/decrease by 1% (31 December and 1 January 2017: 1%) per annum with all other variables including tax rate being held constant, the profit after tax will be lower/higher by S\$360,000 (31 December 2017: S\$73,000; 1 January 2017: S\$127,000) as a result of higher/lower interest expenses on these borrowings.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 34. Financial risk management (continued)

### (a) Market risk (continued)

#### (iii) Price risk

The Group is exposed to equity securities and debt securities price risk arising from the investments held by the Group which are classified on the consolidated balance sheets as financial assets, at fair value through profit or loss (Note 15), available-for-sale financial assets (Note 16) and financial assets at FVOCI (Note 17). These securities are listed in Singapore. The Group is not exposed to commodity price risk.

If prices for equity securities and debt securities listed in Singapore change by 10% (2017: 10%) with all other variables including tax rate being held constant, the profit after tax and other comprehensive income will be:

	← Increase/(decrease) →					
	31 December 2018		31 December 2017		1 January 2017	
	Profit after tax	Other comprehensive income	Profit after tax	Other comprehensive income	Profit after tax	Other comprehensive income
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>						
Listed in Singapore						
- Increased by 10%	-	76	4	77	4	753
- Decreased by 10%	-	(76)	(4)	(77)	(4)	(753)

The Company is not exposed to price risk.

### (b) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group adopts the policy of dealing only with:

- Customers of appropriate credit standing and history, where cash term, advance payments, bankers' guarantees and performance bonds are required for customers of lower credit standing; and
- High credit quality counterparties.

The Group's investments in quoted debt instruments are considered to be low risk investments and are monitored for credit deterioration.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except for corporate guarantees of S\$39,538,352 (31 December 2017: S\$5,000,000; 1 January 2017: S\$12,500,000) provided by the Company to banks on subsidiaries' loans.

The trade receivables of the Group comprise five debtors (31 December and 1 January 2017: five debtors) that accounted for approximately 82% (31 December 2017: 85%; 1 January 2017: 76%).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 34. Financial risk management (continued)

### (b) Credit risk (continued)

The credit risk for trade receivables based on the information provided to key management is as follows:

	<b>Group</b>		
	31 December	1 January	
	<b>2018</b>	2017	2017
	<b>S\$'000</b>	S\$'000	S\$'000
<b>By geographical areas</b>			
Singapore	<b>35,306</b>	46,790	65,749
Malaysia	<b>2,480</b>	4,087	3,592
The rest of Asia and others	<b>6,409</b>	5,504	2,582
	<b>44,195</b>	56,381	71,923
<b>By industry sectors</b>			
Engineering and Construction	<b>35,931</b>	46,797	65,756
Bio-Refinery and Bio-Energy	<b>8,264</b>	9,584	6,167
	<b>44,195</b>	56,381	71,923

The movement in credit loss allowance are as follows:

	<b>Group</b>	<b>Company</b>
	<b>2018</b>	<b>2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Trade receivables<sup>(1)</sup></b>		
Balance at 1 January under SFRS and SFRS(I) 9	<b>2,521</b>	<b>168</b>
Loss allowance recognised in profit or loss on changes in credit risk	<b>138</b>	-
Currency translation difference	<b>(5)</b>	-
Balance at 31 December	<b>2,654</b>	<b>168</b>

<sup>(1)</sup> Loss allowance measured at lifetime ECL

Other receivables are subject to immaterial credit loss.

### (i) Trade receivables and contract assets

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables and contract assets.

In measuring the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and days past due. The contract assets relate mainly to unbilled work in progress, which have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

In calculating the expected credit loss rates, the Company considers historical loss rates for each category of customers, and adjusts for forward-looking macroeconomic data. The Company has identified the gross domestic product ("GDP") growth of the countries in which it sells goods and services to be the most relevant factor, and accordingly adjust the historical loss rates based on expected changes in this factor.

The Group considers a financial asset as in default when the counterparty fail to make contractual payments for a prolonged period of time when they fall due, and the Group may also consider internal and external information, such as significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligation. Financial assets are written off when there is no reasonable expectation of recovering the contractual cash flow, such as a debtor failing to engage in a repayment plan with the Group and it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

Management has assessed and concluded that the expected credit loss rate for trade receivables past due less than 1 year approximates nil and is immaterial, while the expected credit loss rate for trade receivables past due more than 1 year approximates 50% to 100%, except for specific cases where management has assessed that the amount is still fully recoverable.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 34. Financial risk management (continued)

### (b) Credit risk (continued)

#### (i) Trade receivables and contract assets (continued)

The Group's and the Company's credit risk exposure in relation to trade receivables and contract assets under SFRS(I) 9 as at 31 December 2018 are set out in the provision matrix as follows:

	← Past due →				
	Current \$'000	1 to 6 months \$'000	7 to 12 months \$'000	Over 12 months \$'000	Total \$'000
<b>Group</b>					
<b>Engineering and Construction</b>					
Contract assets	100,892	-	-	-	100,892
Trade receivables	34,705	618	1	789	36,113
Loss allowance	-	-	-	(168)	(168)
<b>Bio-Refinery and Bio-Energy</b>					
Contract assets	4,185	-	-	-	4,185
Trade receivables	3,846	3,348	328	3,214	10,736
Loss allowance	-	-	-	(2,486)	(2,486)
<b>Company</b>					
<b>Engineering and Construction</b>					
Trade receivables	9,876	-	-	660	10,536
Loss allowance	-	-	-	(168)	(168)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 34. Financial risk management (continued)

### (b) Credit risk (continued)

#### (ii) Financial guarantee contracts

The Company has issued financial guarantees to banks for borrowings of its subsidiaries. These guarantees are subject to the impairment requirements of SFRS(I) 9. The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual cash flow obligations in the near future and hence, does not expect significant credit losses arising from these guarantees.

#### Previous accounting policy for impairment of trade receivables

In 2017, the impairment of financial assets was assessed based on the incurred loss impairment model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet identified.

The Group considered that there was evidence if any of the following indicators were present:

- Significant financial difficulties of the debtor;
- Probability that the debtor will enter bankruptcy or financial reorganisation; and
- Default or delinquency in payments.

The Group's and the Company's credit risk exposure in relation to trade receivables under SFRS 39 as at 31 December 2017 and 1 January 2017 are set out in the provision matrix as follows:

#### Age analysis of trade receivables past due but not impaired

	Group		Company	
	31 December 2017	1 January 2017	31 December 2017	1 January 2017
	S\$'000	S\$'000	S\$'000	S\$'000
Past due 0 to 3 months	3,339	3,667	-	-
Past due 3 to 6 months	1,844	664	-	-
Past due over 6 months	4,465	5,064	492	-
	<u>9,648</u>	<u>9,395</u>	<u>492</u>	<u>-</u>

#### Carrying amount of trade receivables individually determined to be impaired

Past due over 6 months	2,521	2,489	168	168
Less: Allowance for impairment	(2,521)	(2,489)	(168)	(168)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

Other than the above, there are no credit loss allowance for other financial assets at amortised costs as at 31 December 2017 and 1 January 2017.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 34. Financial risk management (continued)

### (c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. At the balance sheet date, assets held by the Group and the Company for managing liquidity risk included cash and short-term deposits as disclosed in Note 12.

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Group			Company		
	Less than 1 year	1 - 5 years	Total	Less than 1 year	1 - 5 years	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>At 31 December 2018</b>						
Trade and other payables	98,463	4,808	103,271	968	-	968
Borrowings and finance leases	45,981	1,674	47,655	-	-	-
Financial guarantee contract	-	-	-	39,538	-	39,538
<b>At 31 December 2017</b>						
Trade and other payables	92,392	11,841	104,233	3,175	-	3,175
Borrowings and finance leases	11,307	2,803	14,110	-	-	-
Financial guarantee contract	-	-	-	5,000	-	5,000
<b>At 1 January 2017</b>						
Trade and other payables	91,092	15,138	106,230	808	-	808
Borrowings and finance leases	16,790	2,312	19,102	-	-	-
Financial guarantee contract	-	-	-	12,500	-	12,500

The Group and the Company manage the liquidity risk by maintaining sufficient cash to enable them to meet their normal operating commitments and having an adequate amount of committed credit facilities.

### (d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

The gearing ratio is calculated as net debt divided by shareholders funds. Net debt is calculated as borrowings less cash and bank balances.

	Group 2018 S\$'000
Net debt	22,786
Shareholders' funds	90,396
<b>Gearing ratio (times)</b>	<b>0.25</b>

The Group and the Company was in a net cash position as at 31 December 2017 and 1 January 2017.

The Group and Company are in compliance with all externally imposed requirements for the financial years ended 31 December 2018 and 2017 respectively.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 34. Financial risk management (continued)

### (e) Fair value measurements

The following paragraph presents the assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

- (i) quoted price (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (is as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1 S\$'000	Total S\$'000
<b>Group</b>		
<b>31 December 2018</b>		
Assets		
Financial assets, at FVOCI	<b>763</b>	<b>763</b>
<b>31 December 2017</b>		
Assets		
Financial assets, at FVPL	37	37
Financial assets, available-for-sale	765	765
<b>1 January 2017</b>		
Assets		
Financial assets, at FVPL	40	40
Financial assets, available-for-sale	7,529	7,529

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

### (f) Financial instruments by category

The carrying amounts of financial assets measured at fair value (at FVPL, available-for-sale and at FVOCI) are disclosed on the face of the balance sheet and in Note 15, Note 16 and Note 17 respectively.

The aggregate carrying amounts of loans and receivables, financial assets and financial liabilities at amortised cost are as follows:

	<b>Group</b>		
	31 December <b>2018</b> S\$'000	2017 S\$'000	1 January 2017 S\$'000
Loan and receivables	-	64,664	75,718
Financial assets at amortised cost	<b>53,536</b>	-	-
Financial liabilities at amortised cost	<b>150,798</b>	118,155	125,176

## 35. Immediate and ultimate holding corporation

The Company's immediate and ultimate holding corporation is Koh Brothers Group Limited, incorporated in Singapore.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 36. Significant Group companies

The Group's significant subsidiaries, joint operation entities and associated companies at 31 December 2018 and 2017, and at 1 January 2017 are as follows:

Name	Country of incorporation and business	Principal activities	Effective holding by the Group		
			31 December 2018 %	2017 %	1 January 2017 %
SUBSIDIARIES					
Held by the Company					
Koh Brothers Building & Civil Engineering Contractor (Pte.) Ltd. <sup>(1)</sup>	Singapore	Building and civil engineering contracting	100	100	100
Koh Eco Engineering Pte. Ltd. <sup>(1)</sup>	Singapore	Engineering and construction	100	100	100
Oiltek (S) Pte. Ltd. <sup>(1)</sup>	Singapore	Construction and project management	100	100	100
Held by subsidiaries					
WSB Pte. Ltd. <sup>(1)</sup>	Singapore	Engineering, construction and management services	100	100	100
Oiltek Sdn. Bhd. <sup>(2)</sup>	Malaysia	Specialist engineers and commission agent	80.04	80.04	80.04
Oiltek Nova Bioenergy Sdn. Bhd. <sup>(2)</sup>	Malaysia	Specialist engineers and commission agent	80.04	80.04	52.03
JOINT OPERATION ENTITIES					
Held by Subsidiary:					
Soletanche Bachy – Koh Brothers Joint Venture <sup>(1), (7)</sup>	Singapore	Construction	45	45	45
Samsung – Koh Brothers Joint Venture <sup>(4), (7)</sup>	Singapore	Construction	30	30	30
POKB JV <sup>(1), (7)</sup>	Singapore	Construction	35	35	-
ASSOCIATED COMPANIES					
Held by the Company					
Tricaftan Environmental Technology Pte. Ltd. <sup>(3)</sup>	Singapore	Construction and project management	40	40	40
Held by subsidiary:					
SDK Consortium <sup>(5)</sup>	Singapore	Construction	20	-	-

<sup>(1)</sup> Audited by PricewaterhouseCoopers LLP, Singapore.

<sup>(2)</sup> Audited by PricewaterhouseCoopers PLT, Malaysia.

<sup>(3)</sup> Audited by Reanda Adept Public Accounting Corporation, Singapore.

<sup>(4)</sup> Audited by RSM Chio Lim LLP, Singapore.

<sup>(5)</sup> Audited by Deloitte & Touche LLP, Singapore.

<sup>(6)</sup> In accordance to Rule 716(1) of the Catalist Rules, the Board of Directors and the Audit Committee of the Company confirmed that they are satisfied that the appointment of the different auditors for its subsidiaries and associated company would not compromise the standard and effectiveness of the audit of the Group.

<sup>(7)</sup> These entities are regarded as joint operations in accordance with SFRS(I) 11 Joint Arrangements as the joint venture agreements for these entities require unanimous consent from all parties despite the Group having less than 50% ownership interest, and the partners have direct rights to the assets of the partnership and are jointly and severally liable for the liabilities incurred by the partnership. Therefore these entities are classified as joint operations and the Group recognise its direct right to the jointly held assets, liabilities, revenues and expenses as described in Note 2.4(d).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 37. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2019 and which the Group has not early adopted:

- SFRS(I) 16 Leases (effective for annual periods beginning on or after 1 January 2019)

SFRS(I) 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to adoption. All right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

As at 31 December 2018, the Group has non-cancellable operating lease commitments of S\$6,237,000 [Note 31(a)].

The Group is currently assessing the extent to which the commitments as at the reporting date will result in the recognition of an asset and a liability for future payments and the impact on the Group's profit and classification of cash flows.

## 38. Subsequent events

Subsequent to year end, the Company's wholly owned subsidiary, Koh Brothers Building & Civil Engineering Contractor (Pte.) Ltd., increased its issued and paid-up capital from S\$19,000,000 to S\$30,000,000. The increase in investment in subsidiary was by way of capitalisation of non-current non-trade receivables amounting to S\$11,000,000 [Note 13(e)] due to the Company.

## 39. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Koh Brothers Eco Engineering Limited on 21 March 2019.

# STATISTICS OF SHAREHOLDINGS

As at 13 March 2019

Issued and paid-up capital	:	\$51,938,918.51
Number of shares issued	:	1,564,128,735 Ordinary Shares
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share
Number of subsidiary holdings held	:	Nil
Treasury Shares	:	Nil

## DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	No. of shareholders	%	No. of shares	%
1 - 99	25	0.26	729	0.00
100 - 1,000	6,041	62.30	2,711,229	0.17
1,001 - 10,000	2,484	25.62	9,395,402	0.60
10,001 - 1,000,000	1,095	11.29	103,350,313	6.61
1,000,001 and above	51	0.53	1,448,671,062	92.62
<b>Total</b>	<b>9,696</b>	<b>100.00</b>	<b>1,564,128,735</b>	<b>100.00</b>

## SHAREHOLDINGS HELD BY PUBLIC

Based on the information available to the Company as at 13 March 2019, approximately 18.48% 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 Trading Limited is complied with.

## Substantial Shareholders

(As recorded in the Register of Substantial Shareholders as at 13 March 2019)

Name of Substantial Shareholder	Ordinary Shares				No. of Ordinary Shares Comprised in Warrants Held	
	Direct Interest		Deemed Interest		Direct Interest	Deemed Interest
	Number	%	Number	%		
Koh Brothers Group Limited	1,111,627,607	71.07	-	-	651,444,432	-
Tan Tze Wen	80,116,779	5.12	-	-	41,377,949	-
Koh Keng Siang	13,120,000	0.84	1,114,369,607 <sup>1</sup>	71.25 <sup>1</sup>	7,204,041	651,444,432 <sup>2</sup>

Notes:

1 Koh Keng Siang is deemed interested in (i) 2,000 shares held by his spouse, (ii) 2,740,000 shares in respect of a deed of settlement and CDP Form 4.2 executed by Koh Tiat Meng ("KTM") in relation to KTM's shares in Koh Brothers Group Limited ("KBGL") and (iii) 1,111,627,607 shares held by KBGL.

2 Koh Keng Siang is deemed interested in 651,444,432 warrants held by KBGL.

## TWENTY LARGEST SHAREHOLDERS

No.	Name of shareholders	No. of shares	%
1	Koh Brothers Group Limited	1,111,627,607	71.07
2	DBS Nominees Pte Ltd	85,263,889	5.45
3	Citibank Nominees Singapore Pte Ltd	57,046,950	3.65
4	Morgan Stanley Asia (S) Securities Pte Ltd	21,000,000	1.34
5	Raffles Nominees (Pte) Limited	13,106,740	0.84
6	Koh Keng Siang	13,100,000	0.84
7	Phillip Securities Pte Ltd	10,631,238	0.68
8	OCBC Securities Private Ltd	8,083,759	0.52
9	CGS-CIMB Securities (Singapore) Pte Ltd	7,726,262	0.49
10	Khoo Soo Beng	6,839,900	0.44
11	Koh Teak Huat	6,764,746	0.43
12	Maybank Kim Eng Securities Pte. Ltd.	6,377,300	0.41
13	Ng Poh Wah	5,634,300	0.36
14	Lee Foong Kwan	5,478,000	0.35
15	Estate of Rosalina Ali @ Lie Tjeng Lien, deceased	5,305,000	0.34
16	UOB Kay Hian Pte Ltd	5,263,900	0.34
17	United Overseas Bank Nominees Pte Ltd	4,607,770	0.29
18	Lee Swee Har	4,354,000	0.28
19	Kng Chin Kait	4,132,500	0.26
20	Ng Guat Hua	3,966,200	0.25
<b>Total:</b>		<b>1,386,310,061</b>	<b>88.63</b>

# STATISTICS OF SHAREHOLDINGS

As at 13 March 2019

## WARRANT HOLDERS INFORMATION (W211112)

### DISTRIBUTION OF WARRANTHOLDINGS

Size of warrantholdings	No. of warrantholders	%	No. of warrants	%
1 - 99	38	1.54	3,295	0.00
100 - 1,000	459	18.67	259,650	0.08
1,001 - 10,000	1,598	64.99	4,500,342	1.33
10,001 - 1,000,000	345	14.03	29,706,252	8.78
1,000,001 and above	19	0.77	303,684,792	89.81
<b>Total</b>	<b>2,459</b>	<b>100.00</b>	<b>338,154,331</b>	<b>100.00</b>

### TWENTY LARGEST WARRANTHOLDERS

No.	Name of warrantholders	No. of warrants	%
1	Koh Brothers Group Limited	218,444,432	64.60
2	DBS Nominees Pte Ltd	23,019,395	6.81
3	Citibank Nominees Singapore Pte Ltd	14,591,639	4.32
4	Morgan Stanley Asia (S) Securities Pte Ltd	6,786,600	2.01
5	Tan Eng Chua Edwin	6,515,927	1.93
6	Ma Ong Kee	5,655,500	1.67
7	Khoo Soo Beng	3,958,850	1.17
8	Raffles Nominees (Pte) Limited	3,525,912	1.04
9	Yan Ko Keong Peter	3,475,870	1.03
10	OCBC Securities Private Ltd	3,077,970	0.91
11	Koh Keng Siang	2,815,195	0.83
12	Tan Sian Gwan	2,316,040	0.68
13	CGS-CIMB Securities (Singapore) Pte Ltd	1,675,384	0.50
14	WWIG Pte Ltd	1,672,896	0.49
15	Koh Teak Huat	1,457,448	0.43
16	Ng Guat Hua	1,281,762	0.38
17	Ng Poh Wah	1,213,896	0.36
18	Welly Widjaja Chandra @ Chang Pao Wei	1,138,452	0.34
19	UOB Kay Hian Pte Ltd	1,061,624	0.31
20	Tan Hun Tee	904,880	0.27
<b>Total:</b>		<b>304,589,672</b>	<b>90.08</b>

## WARRANT HOLDERS INFORMATION (W230925)

### DISTRIBUTION OF WARRANTHOLDINGS

Size of warrantholdings	No. of warrantholders	%	No. of warrants	%
1 - 99	1	0.08	1	0.00
100 - 1,000	291	24.11	195,880	0.04
1,001 - 10,000	532	44.08	2,568,570	0.50
10,001 - 1,000,000	365	30.24	30,228,284	5.84
1,000,001 and above	18	1.49	484,500,111	93.62
<b>Total</b>	<b>1,207</b>	<b>100.00</b>	<b>517,492,846</b>	<b>100.00</b>

### TWENTY LARGEST WARRANTHOLDERS

No.	Name of warrantholders	No. of warrants	%
1	Koh Brothers Group Limited	433,000,000	83.67
2	DBS Nominees Pte Ltd	20,748,550	4.01
3	Koh Keng Siang	4,388,846	0.85
4	Lee Foong Kwan	3,159,000	0.61
5	Maybank Kim Eng Securities Pte. Ltd.	2,884,500	0.56
6	Khoo Soo Beng	2,350,000	0.45
7	Koh Teak Huat	2,254,915	0.44
8	Citibank Nominees Singapore Pte Ltd	2,156,550	0.42
9	Thia Yin Chien or Chow Yee Chin	2,000,000	0.39
10	Ng Poh Wah	1,878,100	0.36
11	Lee Swee Har	1,451,600	0.28
12	Kng Chin Kait	1,377,500	0.27
13	Morph Investments Ltd	1,300,000	0.25
14	Yan Ko Keong Peter	1,220,150	0.24
15	OCBC Securities Private Ltd	1,139,400	0.22
16	UOB Kay Hian Pte Ltd	1,138,500	0.22
17	Goh Guan Siong (Wu Yuanxiang)	1,031,500	0.20
18	Seah Chee Hwee	1,021,000	0.19
19	Tan Sian Gwan	1,000,000	0.19
20	KGI Securities (Singapore) Pte. Ltd.	853,000	0.16
<b>Total:</b>		<b>486,353,111</b>	<b>93.98</b>

# ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

Date of appointment	Shin Yong Seub	Koh Choon Leng
Date of last re-appointment	1 June 2016	28 February 2013
Age	20 April 2017	20 April 2017
Country of principal residence	60	57
The Board's comments on this appointment / re-appointment (including, where applicable, rationale, selection criteria and the search and nomination process)	Singapore	Singapore
	Mr Shin Yong Seub has over 30 years of professional experience in the building and construction industry in Singapore and Asia. His experience in the building and construction industry will continue to enhance Board deliberations.	Mr Koh Choon Leng has over 30 years of professional experience in mechanical engineering, building service design, implementation, documentation and project administration. Mr Koh is also well versed in the management of a Company, being the current director of HPS Engineering (S) Pte Ltd. Mr Koh has continued to discharge his duties well and continues to positively contribute to the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive Overseeing the operations of Koh Brothers Eco Engineering Limited and its subsidiaries.	Non-Executive
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	<ul style="list-style-type: none"> <li>Executive Director and Chief Executive Officer</li> <li>Member of Executive Committee</li> </ul>	<ul style="list-style-type: none"> <li>Independent Director</li> <li>Chairman of Audit and Risk Committee</li> <li>Member of Nominating Committee</li> <li>Member of Remuneration Committee</li> </ul>
Professional qualifications	<ul style="list-style-type: none"> <li>Bachelor of Arts Degree in International Business from Hankuk University of Foreign Studies in Korea.</li> <li>Bachelor of Arts in Middle East Politics &amp; Economics from King Saud University.</li> <li>Master's Degree in International Business Administration from Korea University.</li> </ul>	Diploma in Mechanical Engineering from Singapore Polytechnic
Working experience and occupation(s) during the past 10 years	<p>Overseeing the operations of Koh Brothers Eco Engineering Limited and its subsidiaries.</p> <p><u>June 2016 to Present</u> Executive Director and Chief Executive Officer of Koh Brothers Eco Engineering Limited.</p> <p><u>2010 to 2015</u> Head, Samsung C &amp; T Corporation, South East Asia HQ.</p> <p><u>2004 to 2009</u> General Manager and Vice President, Samsung C &amp; T Corporation, South Korea.</p>	<p><u>February 2013 to Present</u> Independent Director of Koh Brothers Eco Engineering Limited.</p> <p><u>1987 to Present</u> Managing Director of HPS Engineering (S) Pte. Ltd.</p>
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil

## ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

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	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil
Whether the undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other principal commitments including directorships	<p>Past (for the last 5 years) Nil</p> <p>Present</p> <ul style="list-style-type: none"> <li>• Koh Brothers Building &amp; Civil Engineering Contractor (Pte.) Ltd</li> <li>• Oiltek (S) Pte. Ltd.</li> <li>• WSB Pte. Ltd.</li> <li>• WS Bioengineering China Pte. Ltd.</li> <li>• Koh Eco Engineering Pte. Ltd.</li> <li>• Tricaftan Environmental Technology Pte. Ltd.</li> <li>• Kbee Engineering Sdn. Bhd.</li> <li>• Meteco Solutions Sdn. Bhd.</li> <li>• Oiltek Sdn. Bhd.</li> </ul>	<p>Past (for the last 5 years) Nil</p> <p>Present</p> <ul style="list-style-type: none"> <li>• E+ HPS Pte. Ltd</li> <li>• HPS Engineering (S) Pte. Ltd.</li> <li>• HPS Maintenance &amp; Servicing Pte Ltd</li> <li>• Kiddiwinkie Schoolhouse @ Grandstand Pte. Ltd.</li> <li>• Nurture Schoolhouse Pte. Ltd.</li> <li>• Nurture Education Group Pte. Ltd.</li> </ul>
(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
(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
(c) Whether there is any unsatisfied judgment against him?	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
(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

# ADDITIONAL INFORMATION FOR DIRECTORS SEEKING RE-ELECTION

(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

(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

(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

(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

(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

(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

(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

(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

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

# NOTICE OF ANNUAL GENERAL MEETING

## KOH BROTHERS ECO ENGINEERING LIMITED

(Unique Entity Number: 197500111H)

(Incorporated in Singapore)

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Koh Brothers Eco Engineering Limited (the “**Company**”) will be held at Dunearn Ballroom 1, Raffles Town Club, 1 Plymouth Avenue, Singapore 297753 on Wednesday, 17 April 2019 at 11.00 am for the following purposes:

### ORDINARY BUSINESS

1. To receive and adopt the directors’ statements, audited financial statements and auditor’s report for the year ended 31 December 2018. **(Resolution 1)**
2. To declare a final dividend of 0.10 cent per share for the year ended 31 December 2018. **(Resolution 2)**
3. To re-elect Mr Shin Yong Seub who will retire by rotation pursuant to article 94 of the Company’s Constitution and who, being eligible, will offer himself for re-election. **(Resolution 3)**
4. To re-elect Mr Koh Choon Leng who will retire by rotation pursuant to article 94 of the Company’s Constitution and who, being eligible, will offer himself for re-election. **(Resolution 4)**
5. To approve the sum of S\$174,500 as directors’ fees for the year ended 31 December 2018. (FY2017: S\$100,667) **(Resolution 5)**
6. To re-appoint PricewaterhouseCoopers LLP as the auditor of the Company and to authorise the directors to fix its remuneration. **(Resolution 6)**

### SPECIAL BUSINESS

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

#### 7. Proposed Renewal of the Share Issue Mandate **(Resolution 7)**

That authority be and is hereby given to the directors of the Company to:

- (a) (i) issue shares of the Company (“**shares**”) whether by way of rights, bonus or otherwise; and/or
- (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) warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the directors may in their absolute discretion deem fit; and
- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the directors while this Resolution was in force,

# NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 100% of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings) (as calculated in accordance with paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with paragraph (2) below);
- (2) (subject to such manner of calculation and adjustments as may be prescribed by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”)) for the purpose of determining the aggregate number of shares that may be issued under paragraph (1) above, the percentage of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:
  - (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
  - (ii) any subsequent bonus issue, consolidation or subdivision of shares,and, in paragraph (1) above and this paragraph (2), “subsidiary holdings” has the meaning given to it in the Listing Manual of the SGX-ST, Section B: Rules of Catalyst (“Catalist Rules”);

- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalyst Rules 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 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.

## 8. Proposed Renewal of the Shareholders Mandate for Interested Person Transactions (Resolution 8)

That:

- (a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), Section B: Rules of Catalyst (“**Chapter 9**”), for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of interested person transactions described in the Appendix to the Company’s Letter to Shareholders dated 2 April 2019 (the “**Letter**”) with any party who is of the class of interested persons described in the Appendix to the Letter, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions;
- (b) the approval given in paragraph (a) above (the “**IPT Mandate**”) shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company;

# NOTICE OF ANNUAL GENERAL MEETING

- (c) the Audit and Risk Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 which may be prescribed by the SGX-ST from time to time; and
- (d) the directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate and/or this Resolution.

## 9. Proposed Renewal of the Share Buy Back Mandate (Resolution 9)

That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 (the “**Companies Act**”), as may be amended or modified from time to time, the exercise by the directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares of the Company (“**Shares**”) not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price or prices as may be determined by the directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:
  - (i) market purchases (each a “**Market Purchase**”) on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”); and/or
  - (ii) off-market purchases (each an “**Off-Market Purchase**”) effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws, regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the “**Share Buy Back Mandate**”);

- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the directors of the Company pursuant to the Share Buy Back Mandate may be exercised by the directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:
  - (i) the date on which the next Annual General Meeting of the Company is held;
  - (ii) the date by which the next Annual General Meeting of the Company is required by law; or
  - (iii) the date on which purchases or acquisitions of Shares pursuant to the Share Buy Back Mandate are carried out to the full extent mandated;
- (c) in this Resolution:

“**Prescribed Limit**” means that number of Shares representing 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings (as defined in the Catalist Rules) as at the date of the passing of this Resolution; and

“**Maximum Price**”, in relation to a Share to be purchased or acquired, means an amount (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) not exceeding:

# NOTICE OF ANNUAL GENERAL MEETING

- (i) in the case of a Market Purchase of a Share, 105% of the Average Closing Price (as hereafter defined); and
- (ii) in the case of an Off-Market Purchase of a Share, 120% of the Average Closing Price (as hereafter defined),

where:

**“Average Closing Price”** means the average of the last dealt prices of a Share for the five consecutive market days on which the Shares are transacted on the SGX-ST immediately preceding the date of the Market Purchase or, as the case may be, the date of the making of the offer (as hereafter defined) pursuant to the Off-Market Purchase, as deemed to be adjusted, in accordance with the Catalist Rules, for any corporate action that occurs after the relevant five-day period;

**“date of the making of the offer”** means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from shareholders of the Company, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

- (d) the directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.

## 10. **Authority for Directors to grant awards and to allot and issue shares pursuant to the Koh Brothers Eco Engineering Limited Performance Share Plan 2017 (Resolution 10)**

That approval be and is hereby given to the directors of the Company to:

- (a) grant awards in accordance with the provisions of the Koh Brothers Eco Engineering Limited Performance Share Plan 2017 (the **“KBE PSP”**); and
- (b) allot and issue from time to time such number of fully paid-up ordinary shares of the Company as may be required to be delivered pursuant to the vesting of awards under the KBE PSP,

provided that the aggregate number of (i) new ordinary shares allotted and issued and/or to be allotted and issued, (ii) existing ordinary shares (including shares held as treasury shares) delivered and/or to be delivered, and (iii) ordinary shares released and/or to be released in the form of cash in lieu of ordinary shares, pursuant to awards granted under the KBE PSP, shall not exceed 20% of the total number of issued shares of the Company (excluding shares held as treasury shares and subsidiary holdings (as defined in the Catalist Rules) from time to time.

By Order of the Board

Chua Hanyang, Isaac  
Company Secretary

2 April 2019

# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes:

Resolution 4: Mr Koh Choon Leng will, upon re-election as a director of the Company, remain as the Chairman of the Audit and Risk Committee and a member of the Nominating Committee and the Remuneration Committee. He is considered independent for the purposes of Rule 704(7) of the Catalist Rules.

Resolution 7: This Resolution is to authorise the directors from the date of the forthcoming Annual General Meeting until the next Annual General Meeting to issue shares of the Company and/or to make or grant instruments (such as warrants or debentures) convertible into shares ("**Instruments**"), and to issue shares in pursuance of such Instruments, up to a number not exceeding 100% of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings), with a sub-limit of 50% for issues other than on a *pro rata* basis to shareholders of the Company.

For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company at the time that this Resolution is passed, after adjusting for (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed, and (ii) any subsequent bonus issue, consolidation or subdivision of ordinary shares. For the avoidance of doubt, any consolidation or subdivision of ordinary shares of the Company will require shareholders' approval. As at 13 March 2019 (the "**Latest Practicable Date**"), the Company had no treasury shares and no subsidiary holdings.

Resolution 8: This Resolution is to renew the mandate to enable the Company, its subsidiaries and associated companies that are considered to be entities at risk (as that term is used in Chapter 9 of the Catalist Rules), or any of them, to enter into certain interested person transactions with specified classes of interested persons, as described in the Letter to Shareholders dated 2 April 2019 (the "**Letter**"). Please refer to the Letter for more details.

Resolution 9: This Resolution is to renew the mandate to allow the Company to purchase or otherwise acquire its issued ordinary shares, on the terms and subject to the conditions set out in the Resolution.

The Company may use internal sources of funds, external borrowings, and/or a combination of internal resources and external borrowings, to finance the purchase or acquisition of its shares. The amount of funding required for the Company to purchase or acquire its shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of shares purchased or acquired and the price at which such shares were purchased or acquired and whether the shares purchased or acquired are held in treasury or cancelled.

The financial effects of the purchase or acquisition of such shares by the Company pursuant to the Share Buy Back Mandate on the audited financial statements of the Company and the Group for the financial year ended 31 December 2018, based on certain assumptions, are set out in paragraph 3.7 of the Letter. Please refer to the Letter for more details.

Resolution 10: This Resolution is to empower the directors to offer and grant awards, and to allot and issue new ordinary shares, pursuant to the Koh Brothers Eco Engineering Limited Performance Share Plan 2017 ("**KBE PSP**"). The total number of ordinary shares which may be delivered pursuant to awards granted under the KBE PSP (whether in the form of ordinary shares or in the form of cash in lieu of ordinary shares) shall not exceed 20% of the total number of issued ordinary shares of the Company (excluding treasury shares and subsidiary holdings) from time to time.

# NOTICE OF ANNUAL GENERAL MEETING

## Notes:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than 2 proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than 1 proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.  
  
(b) A member who is a relevant intermediary is entitled to appoint more than 2 proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than 2 proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

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

2. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.
3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy or proxies must be lodged at the registered office of the Company at 11 Lorong Pendek, Koh Brothers Building, Singapore 348639 (Attn: The Company Secretary) not less than 72 hours before the time appointed for holding the meeting and at any adjournment thereof.

## Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the annual general 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 (and/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 annual general meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes, and other documents relating to the annual general 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, take-over 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 the 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.

## NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

**NOTICE IS HEREBY GIVEN THAT** the Register of Members and Share Transfer Books of Koh Brothers Eco Engineering Limited (the **"Company"**) will be closed on 30 April 2019 for the purposes of determining shareholders' entitlements to the proposed dividend.

Duly completed transfers of shares received by the Company's Share Registrar, B.A.C.S. Private Limited at 8 Robinson Road #03-00, ASO Building, Singapore 048544 up to 5.00 pm on 29 April 2019 will be registered to determine shareholders' entitlements to the proposed dividend. Shareholders whose securities accounts with The Central Depository (Pte) Limited (**"CDP"**) are credited with ordinary shares of the Company as at 5.00 pm on 29 April 2019 will be entitled to the proposed dividend.

The proposed dividend, if approved by members at the Annual General Meeting of the Company, will be paid on 9 May 2019.



## KOH BROTHERS ECO ENGINEERING LIMITED

(Unique Entity Number: 197500111H)

(Incorporated in Singapore)

# PROXY FORM

I/We \_\_\_\_\_ (Name)

\_\_\_\_\_ (NRIC/Passport/Co Reg No.) of \_\_\_\_\_

\_\_\_\_\_ (Address)

being a member/members of Koh Brothers Eco Engineering Limited (the "**Company**") hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of shareholdings (%)

and/or (delete as appropriate)

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as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company (the "**Meeting**") to be held on Wednesday, 17 April 2019 at Dunearn Ballroom 1, Raffles Town Club, 1 Plymouth Avenue, Singapore 297753 at 11.00 am and at any adjournment thereof.

*(Voting will be conducted by poll. Please indicate with a "✓" in the spaces provided whether you wish your vote(s) to be cast for or against the Resolutions as set out in the Notice of the Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Meeting.)*

### IMPORTANT

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than 2 proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy shares in **KOH BROTHERS ECO ENGINEERING LIMITED**, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointments as proxies.
3. 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 2 April 2019.

No.	Ordinary Resolutions	For	Against
<b>Ordinary Business</b>			
1	To receive and adopt the directors' statements, audited financial statements and auditor's report ( <b>Resolution 1</b> )		
2	To declare a final dividend ( <b>Resolution 2</b> )		
3	To re-elect Mr Shin Yong Seub as director ( <b>Resolution 3</b> )		
4	To re-elect Mr Koh Choon Leng as director ( <b>Resolution 4</b> )		
5	To approve directors' fees ( <b>Resolution 5</b> )		
6	To re-appoint PricewaterhouseCoopers LLP as the auditor and to authorise the directors to fix its remuneration ( <b>Resolution 6</b> )		
<b>Special Business</b>			
7	To approve the proposed renewal of the Share Issue Mandate ( <b>Resolution 7</b> )		
8	To approve the proposed renewal of the Shareholders Mandate for Interested Person Transactions ( <b>Resolution 8</b> )		
9	To approve the proposed renewal of the Share Buy Back Mandate ( <b>Resolution 9</b> )		
10	To authorise the directors to grant awards and to allot and issue shares pursuant to the Koh Brothers Eco Engineering Limited Performance Share Plan 2017 ( <b>Resolution 10</b> )		

Total number of shares held

Signature(s) or Common Seal of Member(s)

Date

*(Please read notes overleaf before completing this form.)*



**Notes:**

1. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all shares held by the member.
2. (a) A member who is not a relevant intermediary is entitled to appoint not more than 2 proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than 1 proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.  
  
(b) A member who is a relevant intermediary is entitled to appoint more than 2 proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than 2 proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

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

3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy or proxies must be lodged at the registered office of the Company at 11 Lorong Pendek, Koh Brothers Building, Singapore 348639 (Attn: The Company Secretary) not less than 72 hours before the time appointed for holding the Annual General Meeting.
5. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending, speaking and voting in person at the Annual General Meeting if he finds that he is able to do so. In such event, the relevant instrument appointing a proxy or proxies will be deemed to be revoked.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may authorise by a resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50.
8. 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 (including any related attachment) 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 Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.



## **KOH BROTHERS ECO ENGINEERING LIMITED**

(Unique Entity Number 197500111H)

(Incorporated in Singapore)

11 Lorong Pendek,  
Koh Brothers Building  
Singapore 348639

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**A member of the Koh Brothers Group**



Building Cities Building Dreams