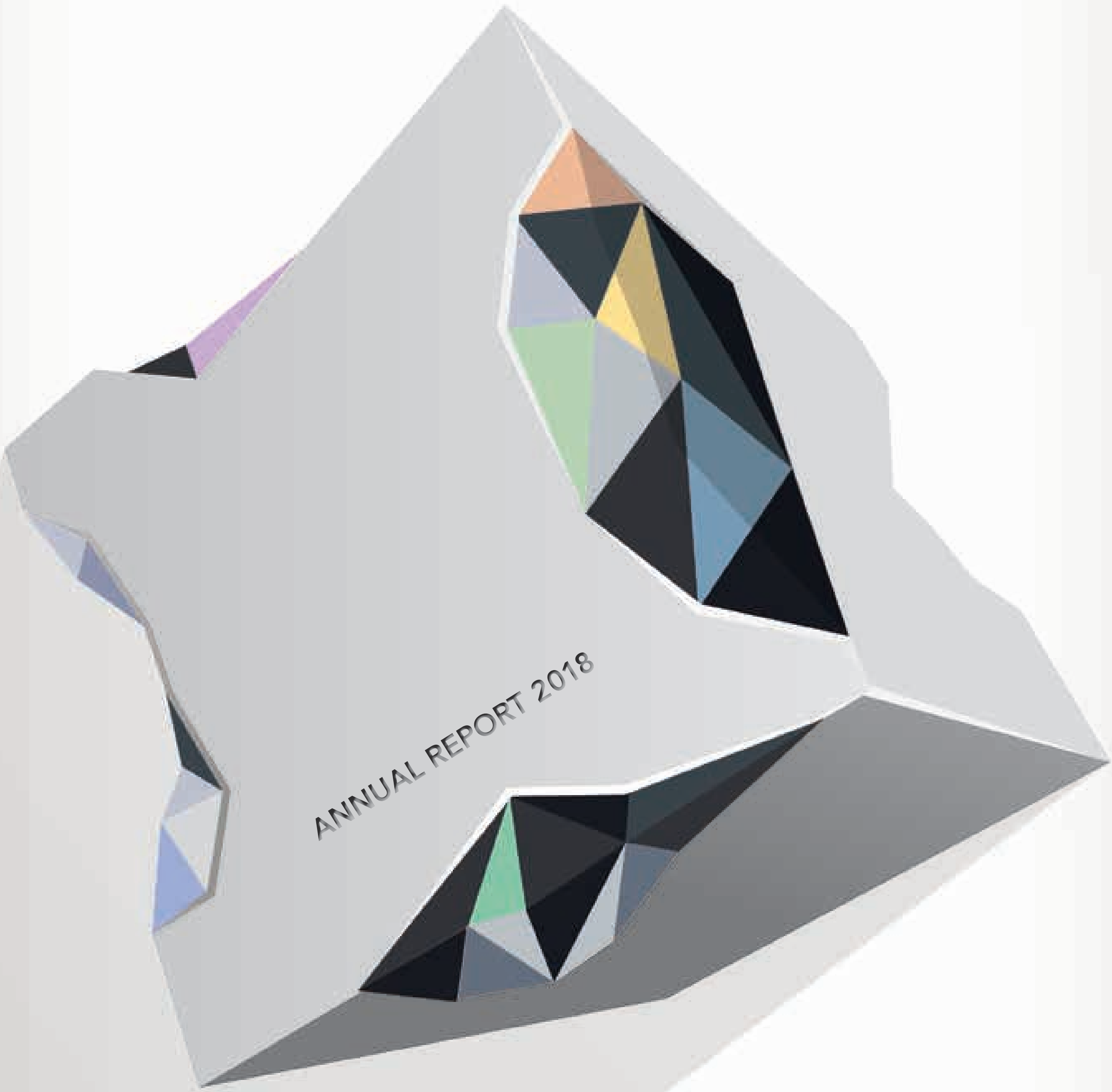
KORI HOLDINGS LIMITED



BUILDING FOUNDATION FORGING SUCCESS

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This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"), for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this annual report.

This annual report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this annual report, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Ms Keng Yeng Pheng, Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).

CORPORATE PROFILE

Kori Holdings Limited, through its wholly-owned subsidiaries, Kori Construction (S) Pte. Ltd., Ming Shin Construction (S) Pte. Ltd. and Kori Construction (M) Sdn. Bhd., (collectively, the "Group") is principally engaged in providing civil/structural engineering and infrastructural construction services as a sub-contractor for commercial, industrial and public infrastructural construction projects. Its customers include local and overseas developers in the engineering construction industry. Its portfolio includes supplying and installing strutting and decking for large-scale MRT construction projects. The Group's businesses can be categorised into two main segments, namely, structural steelworks services and tunneling services.

CHAIRMAN'S STATEMENT

It is my pleasure as your new Executive Chairman and CEO to report on the operations of Kori Holdings Limited for 2018. 2018 was another challenging year for the construction sector. In spite of this, the Group was still profitable for FY2018. The strong foundation which we have built over 30 years in the areas of structural steel and civil/structural engineering helped us to gain a foothold in this sector.

MR. HOOI YU KOH
Executive Chairman and CEO

DEAR SHAREHOLDERS

Mr Kori Nobuaki retired last year and he passed the baton to me to serve as your Executive Chairman and CEO. I would like to place on record our gratitude to Mr Kori for his contributions to Kori Holdings. Mr Kori believes in a planned and smooth succession and he has indeed laid a strong foundation for the Group's future.

It is my pleasure as your new Executive Chairman and CEO to report on the operations of Kori Holdings Limited for 2018. 2018 was another challenging year for the construction sector. In spite of this, the Group was still profitable for the financial year ended 31 December 2018 ("**FY2018**"). The strong foundation which we have built over 30 years in the areas of structural steel and civil/structural engineering helped us to gain a foothold in this sector.

The Group's financial statements for FY2018 have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("**SFRS(I)s**") which came into effect from annual periods beginning on or after 1 January 2018 for Singapore incorporated companies listed on the Singapore Exchange. This is the Group's first financial statements prepared in accordance with SFRS(I)s, and SFRS(I) 1 – *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied. In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore ("**FRS**").

In FY2018, we recorded total revenue of S$26.1 million, a decrease of 17.4% from S$31.6 million in FY2017. Revenue from the structural steelworks services segment ("**Steel Segment**") accounted for approximately 89.0% of our Group's total revenue.

Revenue from our Steelworks Segment included revenue from services rendered for design and drawing of structures, supervision of projects, installation and removal of beams and deck panels as well as net revenue from sale and buyback (or leasing) of steel beams.

The revenue from the Steelworks Segment decreased by 14.7% from S$27.3 million in FY2017 to S$23.3 million in FY2018. This was mainly due to the decrease in the work done as several projects were reaching completion in FY2018. The decrease was partially offset by higher revenue contributed from projects in their early to mid-stages that included Tanah Merah Station Project, Maxwell Station Project, Bedok South Station and newly commenced projects, namely, Prince Edward Station Project, Siglap Station Project and Deep Tunnel Sewerage System Phase 2 Project.

Revenue from the tunnelling services segment also fell from S$4.3 million in FY2017 to S$2.9 million in FY2018 mainly due to reduced work done for Stevens Station Tunnel Project, Jurong Island Pioneer Transmission Cable Tunnel Project and Shenton Way Station Tunnel Project as they were reaching completion.

As a result of the decline in total revenue, our Group's gross profit decreased by 6.25% from S$8.0 million in FY2017 to S$7.5 million in FY2018. Gross profit margin, however, increased from 25.2% in FY2017 to 28.8% in FY2018. This was the result of better cost management where cost of works decreased by 21.5% from S$23.7 million in FY2017 to S$18.6 million in FY2018.

Our Group recognised other losses of S$2.7 million in FY2018 as compared to S$1.8 million in FY2017. This was mainly due to the net effect of an increase in loss on disposal of property, plant and equipment of S$0.4 million from its sales. However, this was offset by a decrease in gain on foreign currency exchange of S$0.2 million due to the weakening of USD against SGD, and the absence of bad debt relief received under the GST (General) Regulations of approximately S$0.2 million in FY2017 in relation to uncollectible debts that were previously written off.

BUSINESS DEVELOPMENTS

In March 2019, our Group was awarded contracts amounting to an aggregate of S$16.6 million. These contracts were awarded by the following companies:–

- Koh Brothers Building & Civil Engineering Contractor (Pte.) Ltd. for the supply, installation and dismantling of ERSS system which comprises strut, water, utility support and traffic decking at Marina Bay Area for Circle Line 6; and

- Nishimatsu Construction Co., Ltd, for the supply of tunneling crew for the Deep Tunnel Sewerage System Phase 2 Project.

The two projects are due to start in the second quarter of 2019 and are scheduled to be completed in 36 months.

LOOKING AHEAD

The Building and Construction Authority projected the total construction demand to be between S$27.0 billion and S$32.0 billion in 2019. This is comparable to the S$30.5 billion awarded in 2018. The projected outlook is attributable to sustained public sector construction demand which is expected to reach between S$16.5 billion and S$19.6 billion in 2019, contributing to about 60% of the projected demand for this year. Public construction demand is expected to be boosted by major infrastructure projects and a pipeline of major industrial building projects.

I am confident that our established track record and strong technical expertise will put us in a favourable position to benefit from the anticipated public sector projects which are likely to be awarded this year.

On the other hand, we expect pressure from the acute constraint of labour supply and increasing manpower cost in Singapore.

SUSTAINABILITY AND INNOVATION

I am pleased to report that Kori Holdings is the first in the construction industry to provide services/solutions for the design of pre-cast road diversion deck panels. This is relatively cheaper than the normal method of steel road diversion deck panels and is an innovative design which is the first for the industry. This will not only be a boon to the industry but it also increases productivity.

The re-cycling of steel in all our projects is our way of embracing sustainable practices as well. Embracing sustainability remains a top priority.

APPRECIATION

On behalf of the Board, I would like to extend my appreciation to our customers, suppliers, business associates and bankers for their unwavering support. To the management and staff, thank you for your loyalty, dedication and commitment that have driven the Group to what it is today. My appreciation also goes to my fellow directors on the board for their invaluable counsel and guidance during the past year.

Last but not least, I would like to thank our shareholders and investors for their continued support and confidence in the Group. For our Group, we are "Building Foundation and Forging Success".

HOOI YU KOH
Executive Chairman and CEO

FINANCIAL AND OPERATIONS REVIEW

In preparing the opening Singapore Financial Reporting Standards (International) ("**SFRS(I)**") statement of financial position as at 1 January 2017 (the Group's date of transition to SFRS(I)), the Group has adjusted amounts reported previously in the financial statements prepared in accordance with previous FRS. In addition, the Group also concurrently applied the relevant and applicable SFRS(I)s which generally do not have a material effect on the financial statements, except for mainly SFRS(I) 15 *Revenue from Contracts with Customers and SFRS(I) 9 Financial Instruments*.

SFRS(I) 9 Financial Instruments, introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risks from the initial recognition. The new impairment approach resulted in increase in impairment loss allowances on trade and other receivables, due to earlier recognition of credit losses. The Group adopted the simplified model for its trade receivables and recorded an allowance for lifetime expected losses from initial recognition.

SFRS(I) 15 Revenue from Contracts with Customers introduces a comprehensive model that applies to revenue from contracts with customers and supersedes all revenue recognition requirements under FRS. SFRS(I) 15 establishes a five-step model to account for revenue arising from contracts with customers and introduces a new contract cost guidance. Under SFRS(I) 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group has applied the changes in accounting policies retrospectively to each reporting year presented, using the full retrospective approach. As such, the comparative figures for the financial year ended 31 December 2017 ("**FY2017**") in this report is not comparable to the previously announced FY2017 figures.

In view of the above, the Group's total revenue for the financial year ended 31 December 2018 ("**FY2018**") decreased by 17.4% from S$31.6 million in FY2017 to S$26.1 million in FY2018. Revenue derived from the structural steelworks services segment accounted for approximately 89.0% of the Group's total revenue.

Revenue from steelworks segment includes revenue from services rendered for design and drawing of structures, supervision of projects, installation and removal of beams and deck panels as well as net revenue from sale and buyback (or leasing) of steel beams.

The 14.7% drop in revenue from the steelworks segment was from S$27.3 million in FY2017 to S$23.3 million in FY2018. This was mainly attributable to the several projects which were reaching completion in FY2018. The decrease was partially offset by higher revenue contributed from projects in their early to mid-stages that included Tanah Merah Station Project, Maxwell Station Project, Bedok South Station and newly commenced projects namely, Prince Edward Station Project, Siglap Station Project and Deep Tunnel Sewerage System Phase 2 Project.

Revenue from the tunnelling services segment fell from S$4.3 million in FY2017 to S$2.9 million in FY2018 due mainly to contraction in work done for Stevens Station Tunnel Project, Jurong Island Pioneer Transmission Cable Tunnel Project and Shenton Way Station Tunnel Project as they were reaching completion.

In line with the reduction in revenue for the Steelworks and Tunnelling Segments, cost of works decreased by approximately 21.3% from S$23.7 million in FY2017 to S$18.6 million in FY2018.

STEELWORKS SEGMENT

For the Steelworks Segment, cost of works fell by 19.8% from approximately S$19.7 million in FY2017 to S$15.8 million in FY2018. This was largely due to decrease in employee compensation of S$2.7 million, worksite expenses of S$0.5 million and rental expenses of S$0.7 million which was in line with the fall in revenue.

TUNNELING SEGMENT

Cost of works for the Tunnelling Segment reduced by 28.2% from approximately S$3.9 million in FY2017 to S$2.8 million in FY2018. This was attributable to the decrease in employee compensation of S$1.0 million and worksite expenses of S$0.1 million which was in line with the reduction of revenue.

GROSS PROFIT

The Group's gross profit fell by 5.7% from S$8.0 million in FY2017 to S$7.5 million in FY2018. However, the Group's gross profit margin increased from 25.2% in FY2017 to 28.8% in FY2018.

Other losses recognised by the Group increased from S$1.8 million in FY2017 to S$2.7 million in FY2018. This was largely due to the following:–

- an increase in loss on disposal of property, plant and equipment of S$0.4 million from its sale which was offset by
- a decrease in gain on foreign currency exchange of S$0.2 million due to the weakening of US dollar against Singapore Dollar; and
- the absence of bad debt relief received under the GST (General) Regulations of approximately S$0.2 million in FY2017 in relation to uncollectible debts that were previously written off.

Administrative expenses increased by approximately 44.2% from S$2.9 million in FY2017 to S$4.2 million in FY2018. This was attributable to the following:–

- an increase in employee compensation of S$0.2 million;
- an increase in non-recurring professional fees of S$0.2 million due to actions taken against subcontractors for trade related matters;
- an increase in loss allowance for trade and retention receivables of S$1.2 million; which was offset by
- a decrease in depreciation of S$0.1 million, trade receivables written off of approximately S$01 million and a decrease in other expenses of approximately S$0.1 million.

FINANCE EXPENSES

Finance expenses comprised entirely of interest expense fell by 39.3% from S$0.5 million in FY2017 to S$0.3 million in FY2018. This was due to the absence of the interest payable on convertible bond which was redeemed in FY2017.

PROFIT BEFORE INCOME TAX

The Group recorded a profit before tax of S$0.3 million in FY2018 which was a decrease of 88.3% as compared to S$2.8 million in FY2017. This was largely attributable to the abovementioned factors.

Income tax expense of approximately S$0.1 million was recorded in FY2018 as compared to S$0.5 million in FY2017.

REVIEW OF THE FINANCIAL POSITION OF THE GROUP

Our current assets increased by approximately S$3.5 million to S$31.9 million as at 31 December 2018 as increases in contract assets arising from recognition of unbilled work done for ongoing projects and income tax recoverable approximately S$8.1 million were offset by an increase of S$1.2 million of loss allowance for trade and retention receivables, a decrease in trade receivables of approximately S$1.6 million, a decrease in cash and bank balances by approximately S$0.5 million as explained under the section 'Review of the Cash Flow Statement of the Group', a decrease in retention sum of S$1.0 million due to collection of retention sum from main contractors as several projects are reaching completion and a decrease in deposit of S$0.2 million due to refund of dormitories and storage yard deposit.

The Group's non-current assets fell by approximately S$6.5 million to S$32.8 million as at 31 December 2018. The decrease was mainly attributed to the disposal of property, plant and equipment with a net book value of S$6.5 million and depreciation of property, plant and equipment of approximately S$1.5 million, which was offset by purchase of property, plant and equipment of S$1.5 million during FY2018.

Our current liabilities decreased by approximately S$2.6 million to S$13.2 million as at 31 December 2018, mainly due to:

(i) a decrease in current borrowings by S$5.5 million mainly due to the repayment of bank borrowings and finance lease obligations of approximately S$8.5 million, partially offset by the drawdown of short–term bank borrowings of approximately S$3.0 million. Management has obtained a waiver from the lending bank in relation to the technical lapse of non-compliance with certain financial covenants in respect of a term loan with an outstanding balance of approximately S$2.8 million as at 31 December 2018;

(ii) a decrease in contract liabilities of approximately S$0.2 million due to utilisation of advance received from customers; and offset by

(iii) an increased in trade and other payables of approximately S$3.2 million, as a result of:

- increase in advance billings to customers of approximately S$3.5 million; offset by
- decrease in accrued operating expenses of approximately S$0.1 million due to lower accrued operating expenses related to project costs which was in line with the decrease in revenue; and
- decrease in trade payables of S$0.2 million due to repayment to suppliers.

As at 31 December 2018, the Group's equity of approximately S$51.1 million comprised mainly share capital of S$32.3 million and net reserves of S$18.8 million.

In FY2018, we recorded net cash inflow from operating activities of approximately S$3.4 million, which was a result of operating cash flows before changes in working capital of approximately S$6.4 million, adjusted for net working capital outflow of approximately S$2.3 million as well as income tax paid of S$0.7 million. Our working capital outflows were mainly due to an increase in contract assets of approximately S$7.9 million and a decrease in contract liabilities of S$0.2 million, partially offset by a decrease in trade and other receivables of approximately S$2.6 million and an increase in trade and other payables of approximately S$3.2 million.

Net cash generated by the Group from investing activities amounted to approximately S$2.1 million, which was largely attributable to proceeds from disposal of property, plant and equipment of approximately S$3.6 million which was then offset by an additional acquisition of property, plant and equipment of S$1.5 million.

Net cash used in financing activities amounted to approximately S$6.0 million in FY2018. This was mainly due to repayment of bank borrowings and finance lease, a bank deposit pledged as well as interest paid and dividend payment to shareholders for an aggregate of approximately S$9.0 million, and partially offset by proceeds from bank borrowings of approximately S$3.0 million.

As at 31 December 2018, the Group's cash and cash equivalents were approximately S$1.4 million.

BOARD OF DIRECTORS

MR. HOOI YU KOH
EXECUTIVE CHAIRMAN AND CEO

MR. HOOI YU KOH is our Executive Chairman and CEO since May 2018. He was appointed as a Director of our Company on 18 May 2012 and was last re-elected on 29 April 2016. Mr. Hooi first joined our Group in 1996 and has served as our CEO and Managing Director from October 2005 till May 2018. He is also the Executive Director of all the Group's subsidiaries. Mr. Hooi is responsible for evaluating new business opportunities, overseeing the business management and day-to-day operations of the Group. Previously, he served as a director of Fuchiang Construction Pte. Ltd.

Mr. Hooi has more than 20 years of experience in the civil/engineering construction industry. He was first employed with Mudajaya Construction Sdn. Bhd. as a design and planning engineer and a section head in 1995 and was responsible for the construction of Kapar Power Station Phase II in Malaysia till May 1996. Since June 1996, Mr. Hooi has been instrumental in the development and growth of our Group's business. In June 1996, he joined Kori Malaysia as a project manager and was in charge of managing all our projects in Malaysia till November 1999. From November 1999 to October 2005, he was in charge of managing all our projects in Singapore as a project manager of Kori Construction (S) Pte. Ltd. ("Kori Singapore"). He was subsequently promoted to Executive Director and CEO of Kori Singapore in 2005 and 2012 respectively.

Mr. Hooi has been a certified welding inspector certified by the American Welding Society since January 2005. Mr. Hooi graduated from University of Malaya with a Bachelor Degree in Engineering (Civil) (First Class Honours) in 1995 and was awarded the Mudajaya Scholarship Award and the Chan Sai Soo Award in September 1994 and August 1995 respectively.

MR. NG WAI KIT
EXECUTIVE DIRECTOR

MR. NG WAI KIT was appointed as our Company's Executive Director on 2 March 2018 and was last re-elected on 26 April 2018. Mr. Ng joined our Group in November 2005 as an engineering manager and was in charge of construction, design and technical matters of all projects in Singapore till May 2009 when he was promoted to Technical Controller of our Group. He is responsible for assisting in the business operations of the Group. Previously, he served as a director of Kori Singapore and Ming Shin Construction (S) Pte Ltd.

Mr. Ng has more than 20 years of experience in the civil/engineering construction industry. He was first employed with a Malaysia company, Arup Jururunding Sdn. Bhd. as a design engineer and was responsible for designing and supervising various civil engineering/construction projects in Malaysia and Hong Kong from August 1995 to September 1998. In September 1998, he joined SKM (Singapore) Pte. Ltd. as a civil engineer and was responsible for designing and supervising various civil engineering projects in Singapore and Malaysia till June 2000 when he was re-designated as a senior civil/geotechnical engineer of the same company in charge of designing, coordinating and supervising of both temporary and permanent works till December 2002. In December 2002, he was promoted to project manager and was responsible for the management of full structural construction works of the same company till November 2005.

Mr. Ng graduated from University of Malaya with a Bachelor degree in Engineering (Civil) (First Class Honours) in 1995 and National University of Singapore with a Master degree in Science (Civil Engineering).

MR. KUAN CHENG TUCK

LEAD INDEPENDENT DIRECTOR

MR. KUAN CHENG TUCK is our Lead Independent Director and was appointed as a Director on 16 November 2012 and was last re-elected on 27 April 2017. He also currently serves as an independent director of CNMC Goldmine Holdings Limited (a company listed on Catalist of the SGX-ST) and Green Build Technology Limited (a company listed on the Main Board of SGX-ST). Previously, Mr Kuan served as an independent director of CW Group Holdings Limited a company listed on the Main Board of the Hong Kong Stock Exchange).

Mr. Kuan has more than 20 years of experience in the fields of accounting, auditing as well as business and financial advisory. Mr. Kuan has worked with various international accounting firms in Singapore and Malaysia between 1994 and early 2004. He has since been managing his own business and financial consulting firms.

Mr. Kuan holds a Bachelor of Accountancy degree from the Nanyang Technological University of Singapore, a Bachelor of Laws (Honours) degree from the University of London and a Master of Laws (Corporate and Financial Services Law) degree from the National University of Singapore. He is a fellow member of the Association of Chartered Certified Accountants, United Kingdom, and a member of the Institute of Singapore Chartered Accountants. He was also admitted to the Singapore Bar.

MR. NICHOLAS PHILIP LAZARUS

INDEPENDENT DIRECTOR

MR. NICHOLAS PHILIP LAZARUS is our Independent Director and was appointed on 16 November 2012 and was last re-elected on 26 April 2018. He has more than 20 years of experience in the legal industry and specialises in civil litigation, corporate finance and construction adjudication. He first started his legal career as a legal assistant at W.T. Woon & Company in July 1998. In November 1999, he joined Chan Tan & Partners as a senior legal associate till August 2001. In September 2001, he returned to W.T. Woon & Company as a partner till September 2002. Thereafter, he joined Justicius Law Corporation as a director.

Mr. Lazarus graduated from the National University of Singapore with a Bachelor Degree in Law (LLB) in 1997. He also obtained the Association of Chartered Certified Accountants qualification from the Association of Chartered Certified Accountants in 1998.

At present, Mr. Lazarus is also, among others, a Commissioner of Oaths and Notary Public recognised by the Singapore Academy of Law, a Construction Adjudicator in Singapore and Malaysia, an Arbitrator under the Singapore Institute of Arbitrators and Law Society of Singapore, an Associate Mediator recognised by the Singapore Mediation Centre and an Accredited Tax Advisor recognised by the Singapore Institute of Accredited Tax Professionals.

BOARD OF DIRECTORS

MR. LIM YEOK HUA
INDEPENDENT DIRECTOR

MR. LIM YEOK HUA is our Independent Director and was appointed on 16 November 2012. He was last re-elected on 29 April 2016. Mr. Lim is also presently an independent director of JLogo Holdings Limited. Previously Mr. Lim served as an independent director of Tritech Group Limited and Manufacturing Integration Technology Ltd.

Mr. Lim has been a fellow member of the Association of the Chartered Certified Accountants since 1985. He has more than 30 years of experience in the fields of accounting, auditing, as well as business and financial advisory. Mr. Lim presently runs his own management consultancy firm, namely Radiant Management Services Pte Ltd. He is a member of the Singapore Institute of Directors and the Institute of Singapore Chartered Accountants as well as an accredited tax advisor with the Singapore Institute of Accredited Tax Professionals.

EXECUTIVE OFFICERS

MR. LEE YENG TAT
HEAD OF THE STEEL DIVISION

MR. LEE YENG TAT is the Head of the Steel Division of our Group and has been responsible for the management of all our Group's steel strutting, piling and decking projects since January 2012.

Mr. Lee was first employed with Retired Servicemen Engineering Agency, Taiwan as a civil engineer and was in charge of the underground and tunnelling projects in Taiwan from July 1989 to July 1997. In October 1997, he joined Fujita Corporation (M) Sdn. Bhd. in Malaysia as a project manager in charge of underground and tunnelling projects in Malaysia till April 2002. In July 2002, he joined Kori Singapore as a project manager and was responsible for the management of all the projects in Singapore till December 2011. In January 2012, he was promoted to the Head of Steel Division in charge of all the steel strutting, piling and decking projects of our Group.

Mr. Lee graduated from National Taiwan University in 1989 with a Bachelor degree in Science of Engineering (Civil).

Mr. Lee has also successfully completed the required course of study and passed the examination required for the certification and registration as a structural steel supervisor and has obtained the Certification of Structural Steel Supervisor issued by the Singapore Structural Steel Society in August 2008.

MR. CHOOKUL CHARUN
HEAD OF THE TUNNEL DIVISION

MR. CHOOKUL CHARUN is the Head of the Tunnel Division of our Group and has been responsible for the management of all our Group's tunnelling projects since January 2012.

Mr. Chookul was first employed with Nishimatsu Construction Co., Ltd. as a tunnel engineer and was responsible for the control, coordination and operation of tunnelling projects in Thailand from May 2001 to October 2003. In October 2003, he joined Boygues Thai Ltd. as a civil engineer and was responsible for coordinating and supervising infrastructure works in Thailand till December 2004. In August 2005, he joined Kori Singapore as a tunnel engineer and was responsible for the tunnelling operations of the Singapore MRT Circle Line project till December 2007 when he was promoted to a senior tunnel engineer in charge of the tunnelling operations of the Singapore MRT Downtown Line project and the Dubai Metro Red Line projects till late 2010. In December 2010, he was promoted to tunnel manager and was responsible for the Singapore MRT Downtown Line project till January 2012 when he was once again promoted to the Head of Tunnel Division in charge of all tunnelling projects of our Group.

Mr. Chookul graduated from King Mongkut's University of Technology Thonburi in Thailand in 2001 with a Bachelor degree in Engineering (Civil).

EXECUTIVE OFFICERS

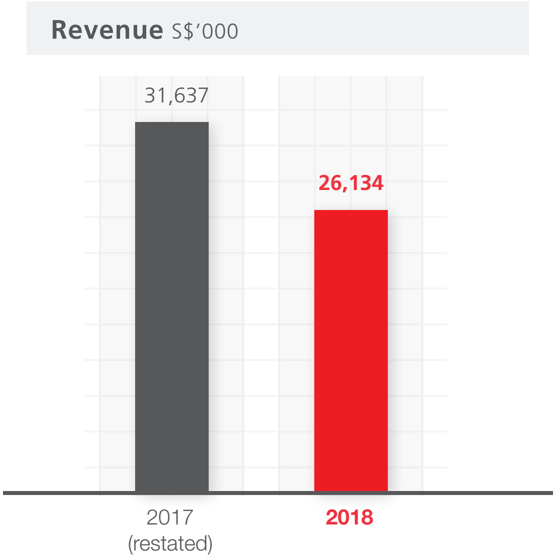
MS. CHEE SHEW YAN
FINANCIAL CONTROLLER

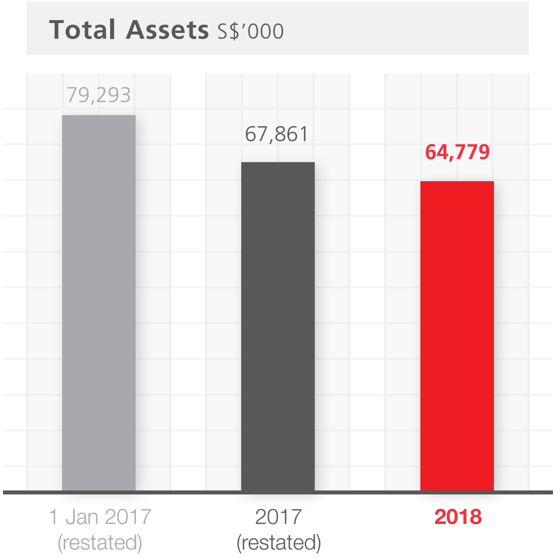
MS. CHEE SHEW YAN is our Financial Controller. She has been the Financial Controller of our Group since January 2012 and is responsible for overseeing the accounting, treasury, budgeting and payroll matters of our Group.

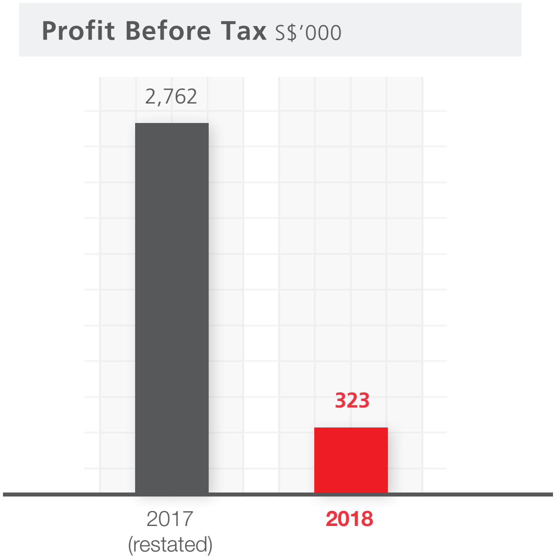
Ms. Chee was first employed with M.S. Wong & Co., Malaysia as an auditor and was responsible for auditing companies' accounts and reviewing their tax computations from April 1993 to January 1994. From July 1994 till April 1996, she was an auditor at Chuah Kim Seng & Co., Malaysia and was responsible for auditing companies' accounts. In May 1996, she joined Mudajaya Corporation Bhd., Malaysia as an assistant accountant and was responsible for the supervision of the financial accounts of all projects till December 1999. In December 1999, she joined Kori Singapore as an accountant and was responsible for the management of all financial accounting matters of Kori Singapore and Ming Shin till January 2012 when she was promoted to the Financial Controller of our Group.

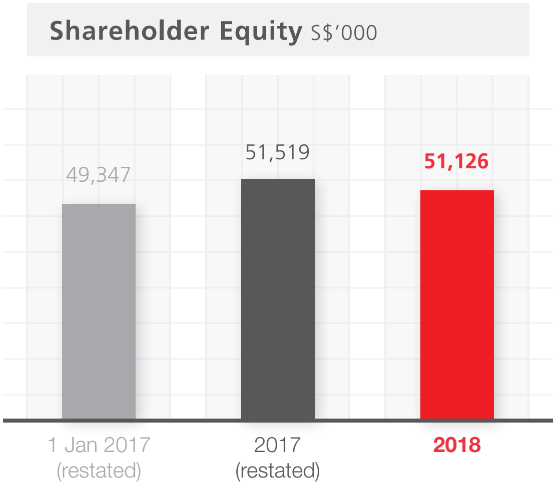
Ms. Chee graduated from The Flinders University of South Australia in 1993 with a Bachelor of Commerce. She obtained the Certified Practising Accountant qualification from the Australian Society of Certified Practising Accountants in 1994. She has been a member and chartered accountant of the Malaysian Institute of Accountants since 1998 and also a member of the Institute of Singapore Chartered Accountants since 2013.

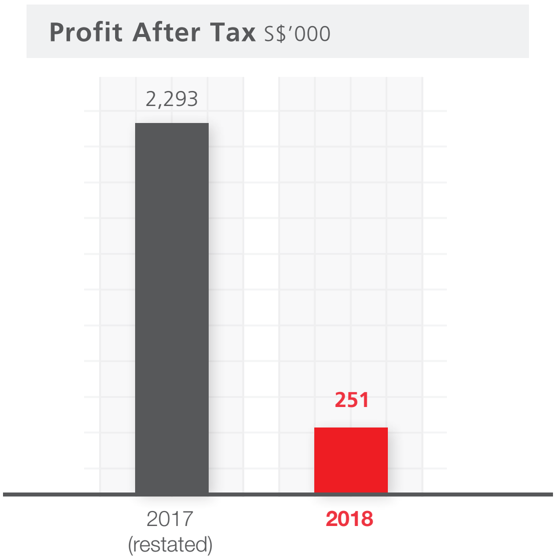
FINANCIAL HIGHLIGHTS











GROUP **STRUCTURE**

Kori Holdings Limited

100%

MING SHIN CONSTRUCTION
(S) PTE. LTD.

100%

KORI CONSTRUCTION
(S) PTE. LTD.

100%

KORI CONSTRUCTION
(M) SDN. BHD.

GROUP INFORMATION

BOARD OF DIRECTORS

MR. HOOI YU KOH (Executive Chairman and CEO)
MR. NG WAI KIT (Executive Director)
MR. KUAN CHENG TUCK (Lead Independent Director)
MR. NICHOLAS PHILIP LAZARUS (Independent Director)
MR. LIM YEOK HUA (Independent Director)

AUDIT COMMITTEE

MR. KUAN CHENG TUCK (Chairman)
MR. NICHOLAS PHILIP LAZARUS
MR. LIM YEOK HUA

REMUNERATION COMMITTEE

MR. NICHOLAS PHILIP LAZARUS (Chairman)
MR. KUAN CHENG TUCK
MR. LIM YEOK HUA

NOMINATING COMMITTEE

MR. LIM YEOK HUA (Chairman)
MR. KUAN CHENG TUCK
MR. NICHOLAS PHILIP LAZARUS

COMPANY SECRETARY

MR. SHAWN CHAN CHANGYUN

REGISTERED OFFICE

11 Sims Drive | #06-01 SCN Centre | Singapore 387385
Tel: 68443445 | Fax: 67499150

SPONSOR

PrimePartners Corporate Finance Pte. Ltd.
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Singapore 049318

INDEPENDENT AUDITOR

BDO LLP
Public Accountants and Chartered Accountants
600 North Bridge Road | #23-01 Parkview Square |
Singapore 188778

Partner-in-charge:
MR. LEONG HON MUN PETER
(Appointed since the financial year ended 31 December 2018)

SHARE REGISTRAR

Tricor Barbinder Share Registration Services
(A Division of Tricor Singapore Pte. Ltd.)
80 Robinson Road | #02-00 | Singapore 068898

PRINCIPAL BANKERS

SINGAPORE

THE HONGKONG AND SHANGHAI BANKING
CORPORATION LIMITED
21 Collyer Quay #08-01
HSBC Building
Singapore 049320

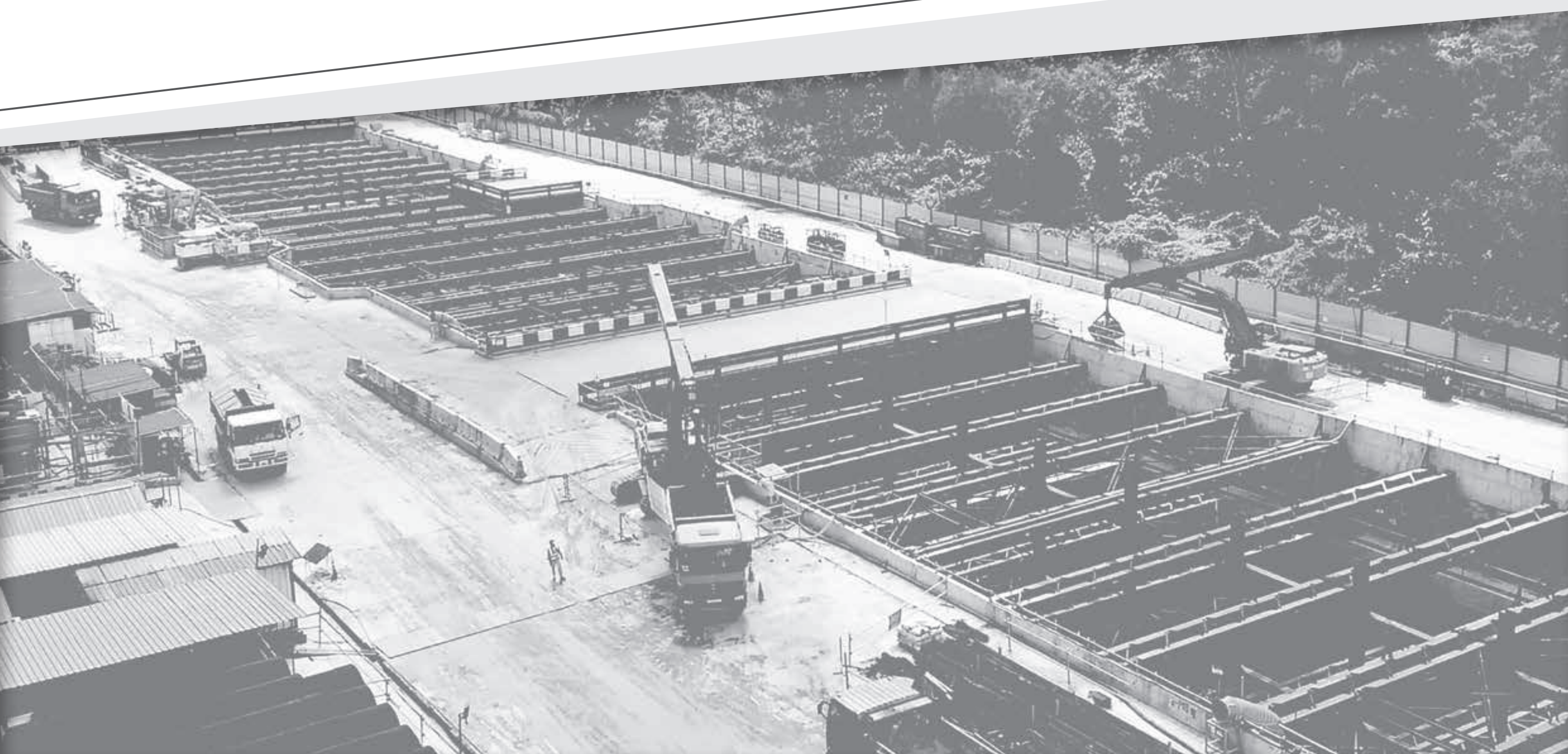
DBS BANK LTD.
12 Marina Boulevard | Marina Bay Financial Centre |
Tower 3 | Singapore 018982

OVERSEA-CHINESE BANKING CORPORATION LIMITED
65 Chulia Street OCBC Centre | Singapore 049513

MALAYSIA

HSBC BANK MALAYSIA BERHAD
No. 2 Leboh Ampang | 50100 Kuala Lumpur | Malaysia

FINANCIAL CONTENTS



CORPORATE **GOVERNANCE REPORT**

DISCLOSURE TABLE FOR ANNUAL REPORT IN COMPLIANCE TO THE CODE OF CORPORATE GOVERNANCE 2012 AND CATALIST RULES

The Board of Directors (the "**Board**") of Kori Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") are committed to maintaining high standards of corporate governance and places importance on its corporate governance processes and systems so as to ensure greater transparency, accountability and maximisation of long-term shareholder value.

This report outlines the Company's corporate governance practices that were in place during the financial year ended 31 December 2018 ("**FY2018**"), with specific reference made to the principles of the Code of Corporate Governance 2012 (the "**Code**") and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in January 2015 (the "**Guide**"). The Board noted that the Code of Corporate Governance issued on 6 August 2018 ("**Code of Corporate Governance 2018**") applies to annual reports covering financial years commencing from 1 January 2019. Accordingly, the Company will describe its corporate governance practices with specific reference to the principles and provisions of the Code of Corporate Governance 2018 for the annual report to be issued in 2020 and thereafter.

TABLE I – COMPLIANCE WITH THE CODE		
Guideline	**Code and/or Guide Description**	**Company's Compliance or Explanation**
General	(a) Has the Company complied with all the principles and guidelines of the Code?	The Company has complied with the principles and guidelines as set out in the Code and the Guide, where applicable.
	If not, please state the specific deviations and alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code and/or the Guide.
	(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines of the Code?	Not applicable. The Company did not adopt any alternative corporate governance practices in FY2018.

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<table>
<tr><th colspan="3">TABLE I – COMPLIANCE WITH THE CODE</th></tr>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company’s Compliance or Explanation</th></tr>
<tr><td colspan="3">BOARD MATTERS</td></tr>
<tr><td colspan="3"><u>The Board’s Conduct of Affairs</u></td></tr>
<tr><td>1.1</td><td>What is the role of the Board?</td><td>As at date of this report, the Board has 5 members and comprises the following:
<table>
<tr><td colspan="2">Composition of the Board</td><td colspan="3">Composition of the Board Committees
• C – Chairman
• M – Member</td></tr>
<tr><td>Name of Director</td><td>Designation</td><td>AC(1)</td><td>NC(2)</td><td>RC(3)</td></tr>
<tr><td>Hooi Yu Koh</td><td>Executive Chairman and Chief Executive Officer</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td>Ng Wai Kit</td><td>Executive Director</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td>Kuan Cheng Tuck</td><td>Lead Independent Director</td><td>C</td><td>M</td><td>M</td></tr>
<tr><td>Lim Yeok Hua</td><td>Independent Director</td><td>M</td><td>C</td><td>M</td></tr>
<tr><td>Nicholas Philip Lazarus</td><td>Independent Director</td><td>M</td><td>M</td><td>C</td></tr>
<tr><td>Kori Nobuaki(4)</td><td>Non-Executive and Non-Independent Chairman</td><td>–</td><td>–</td><td>–</td></tr>
</table>
Notes:
(1) The AC comprises 3 members, all of whom, including the Chairman, are independent and Non-Executive Directors.
(2) The NC comprises 3 members, all of whom, including the Chairman, are independent and Non-Executive Directors.
(3) The RC comprises 3 members, all of whom, including the Chairman, are independent and Non-Executive Directors.
(4) Mr Kori Nobuaki ceased to be a Director as at 15 May 2018.</td></tr>
</table>

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TABLE I – COMPLIANCE WITH THE CODE		
Guideline	**Code and/or Guide Description**	**Company's Compliance or Explanation**
		The Board is entrusted to lead and oversee the Group, with the fundamental principle to act in the best interests of the Group. In addition to its statutory duties, the Board's principle functions are to: • Set out overall long-term strategic plans and objectives for the Group and ensure that the necessary financial and human resources are in place for the Group to meet its objectives; • Establish a framework of prudent and effective internal controls and risk management strategies which enables risk to be assessed and managed, including safeguarding of shareholders' interests and the Group's assets; • Review key management personnel's performance; • Ensure good corporate governance practices to protect the interests of shareholders; and • Appoint Directors and key management personnel.
1.3	Has the Board delegated certain responsibilities to committees? If yes, please provide details.	The Board has delegated certain responsibilities to the Audit Committee (the "**AC**"), the Remuneration Committee (the "**RC**") and the Nominating Committee (the "**NC**") (collectively, the "**Board Committees**"). The composition of the Board Committees is set out in Section 1.1 of Table I in this report.

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<table>
<tr><th colspan="3">TABLE I – COMPLIANCE WITH THE CODE</th></tr>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>1.4</td><td>Have the Board and Board Committees met in the last financial year?</td><td>
The Board meets on a half yearly basis, and as and when circumstances require. In FY2018, the number of the Board and Board Committee meetings held and the attendance of each Board member are shown below.
<table>
<tr><th colspan="5">Table 1.4 – Board and Board Committee Meetings in FY2018</th></tr>
<tr><th></th><th>Board</th><th>AC</th><th>NC</th><th>RC</th></tr>
<tr><td>Number of Meetings Held</td><td>2</td><td>2</td><td>1</td><td>1</td></tr>
<tr><th>Name of Director</th><th colspan="4">Number of Meetings Attended</th></tr>
<tr><td>Hooi Yu Koh</td><td>2</td><td>NA</td><td>NA</td><td>NA</td></tr>
<tr><td>Ng Wai Kit</td><td>2</td><td>NA</td><td>NA</td><td>NA</td></tr>
<tr><td>Kuan Cheng Tuck</td><td>2</td><td>2</td><td>1</td><td>1</td></tr>
<tr><td>Lim Yeok Hua</td><td>2</td><td>2</td><td>1</td><td>1</td></tr>
<tr><td>Nicholas Philip Lazarus</td><td>2</td><td>2</td><td>1</td><td>1</td></tr>
<tr><td>Kori Nobuaki*</td><td>–</td><td>–</td><td>–</td><td>–</td></tr>
</table>
NA – Not applicable
* Mr Kori Nobuaki ceased to be a Director as at 15 May 2018.
The Company's Constitution allow for meetings to be held through telephone and/or video-conference.
</td></tr>
<tr><td>1.5</td><td>What are the types of material transactions which require approval from the Board?</td><td>
Matters that require the Board's approval include, amongst others:

corporate strategies and business plans;
material acquisitions and disposals;
investments exceeding S$2,000,000;
major financing;
major contracts with third parties exceeding S$50,000,000;
share issuance, dividend release or changes in capital;
budgets, financial results announcements, annual reports and audited financial statements; and
interested person transactions exceeding S$100,000.

</td></tr>
</table>

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Guideline	**Code and/or Guide Description**	**Company's Compliance or Explanation**
1.6	(a) Are new Directors given formal training? If not, please explain why.	All newly appointed Directors will undergo an orientation programme where the Director would be briefed on the Group's strategic direction, governance practices, business and organisation structure as well as the expected duties of a director of a listed company. To get a better understanding of the Group's business, the Director will also be given the opportunity to visit the Group's operational facilities and meet with key management personnel. In addition, as required under the SGX-ST Listing Manual: Section B: Rules of Catalist ("**Catalist Rules**"), a new Director who has no prior experience as a director of a company listed on the SGX-ST must undergo training as prescribed by the SGX-ST. Such training will be completed within one year of the appointment.
	(b) What are the types of information and training provided to (i) new Directors and (ii) existing Directors to keep them up-to-date?	The Board values on-going professional development and recognises that it is important that all Directors receive regular training so as to be able to serve effectively on and contribute to the Board. The Board has therefore established a policy on continuous professional development for Directors. To ensure Directors can fulfil their obligations and to continually improve the performance of the Board, all Directors are encouraged to undergo continual professional development during the term of their appointment. Professional development may relate to a particular subject area, committee membership, or key developments in the Company's environment, market or operations which may be provided by accredited training providers such as the Singapore Institute of Directors. Directors are encouraged to consult the Executive Chairman and Chief Executive Officer if they consider that they personally, or the Board as a whole, would benefit from specific education or training regarding matters that fall within the responsibility of the Board or relate to the Company's business. Such trainings costs are borne by the Company.

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TABLE I – COMPLIANCE WITH THE CODE		
Guideline	**Code and/or Guide Description**	**Company's Compliance or Explanation**
		Courses, conferences and seminars attended by some of the Directors in FY2018 include: ***Table 1.6 – Trainings attended by Directors in FY2018*** **Course Name** / **Course Organiser** / **Attendees** ACRA-SGX-SID Audit Committee Seminar 2018 / Singapore Institute of Directors / Kuan Cheng Tuck Understanding GST & Managing Its Potential Risks / ACCA-Wolters Kluwer Joint Event / Kuan Cheng Tuck Listed Company Director Essentials / Singapore Institute of Directors / Ng Wai Kit Cybersecurity for Directors / Singapore Institute of Directors / Nicholas Philip Lazarus Corporate Governance Code Briefing / Singapore Institute of Directors / Hooi Yu Koh
Board Composition and Guidance		
2.1 2.2 3.3	Does the Company comply with the guideline on the proportion of Independent Directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	In view that the Chairman is not an independent director, Guideline 2.2 of the Code is met as the Independent Directors make up more than half of the Board.
2.3 4.3	Has the independence of the Independent Directors been reviewed in the last financial year?	The Board takes into account the existence of relationships or circumstances, including those identified by the Code and the Catalist Rules, that are relevant in its determination as to whether a Director is independent. In addition, the NC reviews the individual directors' declaration in their assessment of independence. The NC has reviewed and confirmed the independence of the Independent Directors in accordance with the Code and the Catalist Rules. The Independent Directors have also confirmed their independence in accordance with the Code and the Catalist Rules.

Table 1.6 – Trainings attended by Directors in FY2018

Course Name	Course Organiser	Attendees
ACRA-SGX-SID Audit Committee Seminar 2018	Singapore Institute of Directors	Kuan Cheng Tuck
Understanding GST & Managing Its Potential Risks	ACCA-Wolters Kluwer Joint Event	Kuan Cheng Tuck
Listed Company Director Essentials	Singapore Institute of Directors	Ng Wai Kit
Cybersecurity for Directors	Singapore Institute of Directors	Nicholas Philip Lazarus
Corporate Governance Code Briefing	Singapore Institute of Directors	Hooi Yu Koh

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TABLE I – COMPLIANCE WITH THE CODE		
Guideline	**Code and/or Guide Description**	**Company's Compliance or Explanation**
	(a) Is there any Director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the Director and specify the nature of such relationship. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	There are no Directors who is deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent.
2.4	Has any Independent Director served on the Board for more than nine years since the date of his first appointment? If so, please identify the Director and set out the Board's reasons for considering him independent.	There are no Independent Directors who have served beyond nine years since the date of his first appointment.
2.5	What are the steps taken by the Board to progressively renew the Board composition?	The Board is of the opinion that it would be most effective to draw on the wealth of experience from the longer serving directors while concurrently taking progressive steps to review and consider opportunities to refresh the Board as and when deemed required. To meet the changing challenges in the industry and countries which the Group operates in, such reviews, which includes considering factors such as the expertise, skills and perspectives which the Board needs against the existing competencies would be done on a regular basis to ensure that the Board dynamics remain optimal.

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<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td rowspan="2">2.6</td><td>(a) What is the Board's policy with regard to diversity in identifying director nominees?

(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.</td><td>The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender.

The current Board composition provides a diversity of skills, experience and knowledge to the Company as follows:

<table>
<tr><th colspan="3">Table 2.6 – Balance and Diversity of the Board</th></tr>
<tr><th></th><th>Number of Directors</th><th>Proportion of Board</th></tr>
<tr><td>Core Competencies</td><td></td><td></td></tr>
<tr><td>– Accounting or finance</td><td>3</td><td>60%</td></tr>
<tr><td>– Business management</td><td>3</td><td>60%</td></tr>
<tr><td>– Legal or corporate governance</td><td>2</td><td>40%</td></tr>
<tr><td>– Relevant industry knowledge or experience</td><td>2</td><td>40%</td></tr>
<tr><td>– Strategic planning experience</td><td>2</td><td>40%</td></tr>
<tr><td>– Customer based experience or knowledge</td><td>2</td><td>40%</td></tr>
</table>
</td></tr>
<tr><td>(c) What steps have the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?</td><td>The Board has taken the following steps to maintain or enhance its balance and diversity:

• Annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and
• Annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board.

The NC will consider the results of these exercises in its recommendation for the appointment of new directors and/or the re-appointment of incumbent directors.</td></tr>
<tr><td>2.8</td><td>Have the Non-Executive Directors met in the absence of key management personnel in the last financial year?</td><td>The Non-Executive Directors are scheduled to meet regularly, and as warranted, in the absence of key management personnel to discuss concerns or matters such as the effectiveness of Management.

For FY2018, the Non-Executive Directors have met once in the absence of key management personnel.</td></tr>
</table>

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Guideline	**Code and/or Guide Description**	**Company's Compliance or Explanation**
Chairman and Chief Executive Officer		
3.1	Are the duties between Chairman and CEO segregated?	Mr Hooi Yu Koh is the Executive Chairman and Chief Executive Officer ("**CEO**") of the Company. In order for effective and efficient strategic management and implementation of plans, the Board is opinion that it is not necessary for the role of the Chairman and Chief Executive Officer to be separated after considering the size, scope and operations of the Group. Further, pursuant to guideline 3.3 of the Code, the Board has appointed Mr Kuan Cheng Tuck as the Lead Independent Director. The Chairman oversees the business of the Board. He ensures that Board meetings are convened when necessary. He sets the Board's meeting agenda in consultation with the CEO and ensures the quality, quantity and timeliness of the flow of information between the Board and key management personnel to facilitate efficient decision making. The CEO takes a leading role in developing the businesses of the Group and manages the day-to-day operations with the assistance of key management personnel. He also oversees the execution of the business and corporate strategy decisions made by the Board and ensures that the Directors are kept updated and informed of the Group's businesses.
3.4	Have the Independent Directors met in the absence of other directors?	The Independent Directors, led by the Lead Independent Director, will meet in the absence of the other Directors as and when circumstances warrant. The Independent Directors have met once in the absence of other directors in FY2018.
Board Membership		
4.1	What are the duties of the NC?	The NC is guided by key terms of reference as follows: (a) Reviewing and recommending candidates for appointment to the Board and Board Committees (excluding the appointment of existing members of the Board to a Board Committee); (b) Reviewing and approving any new employment of related persons and proposed terms of their employment; (c) Reviewing and recommending candidates to be nominees on the Board and Board Committees of the Group; (d) Re-nominating the Company's Directors for re-election in accordance with the Company's Constitution at each annual general meeting and having regard to the Director's contribution and performance (including alternate directors, if applicable). All Directors should be required to submit themselves for re-nomination and re-appointment at regular intervals and at least every three years;

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TABLE I – COMPLIANCE WITH THE CODE		
Guideline	**Code and/or Guide Description**	**Company's Compliance or Explanation**
		(e) Determining on an annual basis whether or not a Director of the Company is independent; (f) Deciding whether or not a Director of the Company is able to and has been adequately carrying out his duties and responsibilities as a director, including time and effort contributed to the Company, attendance at meetings of the Board and Board Committees, participation at meetings and contributions of constructive, analytical, independent and well-considered views, and taking into consideration the Director's number of listed company board representations and other principal commitments; (g) Deciding how the Board's performance may be evaluated and propose objective performance criteria, as approved by the Board, that allows comparison with its industry peers, and address how the Board has enhanced long term shareholders' value. In addition to the relevant performance criteria which the Board may propose, other performance criteria that may be used include the Company's share price performance over a five-year period vis-à-vis the FTSE Straits Times Index and a benchmark index of its industry peers, return on assets, return on equity, return on investment, economic value added and profitability on capital employed; (h) Recommending to the Board the review of board succession plans for the Company's Directors, in particular, for the Chairman and CEO; (i) Recommending the appointment of key management positions, reviewing succession plans for key positions within the Group and overseeing the development of key executives and talented executives within the Group; and (j) Reviewing and assessing from time to time whether any Director or any person involved in the day-to-day management of the Group is related to, or is appointed pursuant to an agreement or arrangement with, a controlling shareholder and/or its associates.
4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?	The Board has set the maximum number of listed company board representations as 6. Having assessed the capacity of the Directors based on factors disclosed in Section 4.4(c) of Table I in this report, the Board is of the view that this number would allow Directors to have increased exposure to different Boards and broaden their experience and knowledge in relation to Board matters, hence ultimately benefitting the Company.

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<tr><td></td><td>(b) If a maximum has not been determined, what are the reasons?</td><td>Not Applicable.</td></tr>
<tr><td></td><td>(c) What are the specific considerations in deciding on the capacity of directors?</td><td>The considerations in assessing the capacity of Directors include the following:

• Expected and/or competing time commitments of Directors, including whether such commitment is a full-time or part-time employment capacity;
• Size and composition of the Board;
• Nature and scope of the Group’s operations and size; and
• Capacity, complexity and expectations of the other listed directorships and principle commitments held.</td></tr>
<tr><td></td><td>(d) Have the Directors adequately discharged their duties?</td><td>The NC has reviewed the time spent and attention given by each of the Directors to the Company’s affairs, taking into account the multiple directorships and other principal commitments of each of the Directors (if any), and is satisfied that all Directors have discharged their duties adequately for FY2018.</td></tr>
<tr><td>4.5</td><td>Are there alternate Directors?</td><td>The Company currently does not have any alternate directors.</td></tr>
<tr><td>4.6</td><td>Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.</td><td>
<table>
<tr><th colspan="3">Table 4.6(a) – Process for the Selection and Appointment of New Directors</th></tr>
<tr><td>1.</td><td>Determination of selection criteria</td><td>• The NC, in consultation with the Board, would identify the current needs of the Board in terms of skills/experience/knowledge to complement and strengthen the Board.</td></tr>
<tr><td>2.</td><td>Search for suitable candidates</td><td>• The NC would consider candidates proposed by the Directors, key management personnel or substantial shareholders, and may engage external search consultants where necessary.</td></tr>
<tr><td>3.</td><td>Assessment of shortlisted candidates</td><td>• The NC would meet and interview the shortlisted candidates to assess their suitability.</td></tr>
<tr><td>4.</td><td>Appointment of director</td><td>• The NC would recommend the selected candidate to the Board for consideration and approval.</td></tr>
</table>
</td></tr>
</table>

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<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company’s Compliance or Explanation</th></tr>
<tr><td></td><td></td><td>
<table>
<tr><th colspan="3">Table 4.6(b) – Process for the Re-electing Incumbent Directors</th></tr>
<tr><td>1.</td><td>Assessment of director</td><td>• The NC would assess the performance of the director in accordance with the performance criteria set by the Board; and
• The NC would also consider the current needs of the Board.</td></tr>
<tr><td>2.</td><td>Re-appointment of director</td><td>• Subject to the NC’s satisfactory assessment, the NC would recommend the proposed re-appointment of the Director to the Board for its consideration and approval.</td></tr>
</table>
Pursuant to Regulation 93 of the Company’s Constitution, at least one-third of the Directors are required to retire by rotation and submit themselves for re-election at each annual general meeting of the Company. The Company’s Constitution and the Catalist Rules, provides that all Directors shall retire by rotation at least once every three years and such retiring Director shall be eligible for re-election.
The NC, with the respective member interested in the discussion having abstained from the deliberations, has recommended Mr Kuan Cheng Tuck and Mr Lim Yeok Hua be nominated for re-election at the forthcoming Annual General Meeting (“AGM”).
Mr Kuan Cheng Tuck will, upon re-election as a Director of the Company, remain as an Independent Director, Chairman of the AC, and a member of the NC and RC. Mr Lim Yeok Hua will, upon re-election as a Director of the Company, remain as an Independent Director, Chairman of the NC, and a member of the AC and RC. Mr Kuan Cheng Tuck and Mr Lim Yeok Hua will be considered independent for the purposes of the Rule 704(7) of the Catalist Rules.
</td></tr>
<tr><td>4.7</td><td>Please provide Directors’ key information.</td><td>The key information of the Directors, including their appointment dates and directorships held in the past 3 years, are set out in the section “Board of Directors” of this annual report and Table III in this report.</td></tr>
</table>

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<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td colspan="3"><u>Board Performance</u></td></tr>
<tr><td>5.1
5.2
5.3</td><td>What is the performance criteria set to evaluate the effectiveness of the Board as a whole and its board committees, and for assessing the contribution by each Director to the effectiveness of the Board?</td><td>Table 5 sets out the performance criteria, as recommended by the NC and approved by the Board, to be relied upon to evaluate the effectiveness of the Board as a whole and for assessing the contribution by each Director to the effectiveness of the Board:
<table>
<tr><th colspan="3">Table 5 – Performance Criteria</th></tr>
<tr><th>Performance Criteria</th><th>Board</th><th>Individual Directors</th></tr>
<tr><td>Qualitative</td><td>1. Size and composition
2. Access to information
3. Board processes
4. Strategic planning
5. Board accountability
6. Succession planning</td><td>1. Commitment of time
2. Knowledge and abilities
3. Teamwork
4. Independence
5. Overall effectiveness</td></tr>
<tr><td>Quantitative</td><td>1. Performance of the Company's share price over a 5-year period vis-à-vis the FTSE Straits Time Index and a benchmark of the Company's industry peers</td><td>1. Attendance at Board and Board Committee meetings</td></tr>
</table>
The NC would review the criteria on a periodic basis to ensure that the criteria is able to provide an accurate and effective performance assessment taking into consideration industry standards and the economic climate with the objective to enhance long term shareholders value, thereafter propose amendments if any, to the Board for approval.

The NC did not propose any changes to the performance criteria for FY2018 as compared to the previous financial year as the economic climate, Board composition, the Group's principal business activities remained relatively similar to FY2017.</td></tr>
</table>

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Guideline	**Code and/or Guide Description**	**Company's Compliance or Explanation**
	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?	The review of the performance of the Board is conducted by the NC annually. The review of the performance of each Director is also conducted at least annually and when the individual Director is due for re-election. For FY2018, the review process was as follows: 1. All Directors individually completed a board evaluation questionnaire on the effectiveness of the Board and the individual Directors based on criteria disclosed in Table 5 above; 2. The Company Secretary collated and submitted the questionnaire results to the NC Chairman in the form of a report; and 3. The NC discussed the report and concluded the performance results during the NC meeting. All NC members have abstained from the voting or review process of any matters in connection with the assessment of his performance or re-appointment as a Director of the Company. No external facilitator was used in the evaluation process.
	(b) Has the Board met its performance objectives?	Yes, the Board has met its performance objectives.
Access to Information		
6.1 10.3	What types of information does the Company provide to Independent Directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	It is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company's performance, position and prospects. This responsibility extends to the interim and full-year financial results announcements, other price-sensitive public reports and reports to regulators (if required).

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<tr><td></td><td></td><td>
Management provides the Board with key information that is complete, adequate and timely. The types of information which are provided by Management to Independent Directors are set out in the table below:
<table>
<tr><th colspan="3">Table 6 – Types of information provided by Management to Independent Directors</th></tr>
<tr><th></th><th>Information</th><th>Frequency</th></tr>
<tr><td>1.</td><td>Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)</td><td>Semi-annually</td></tr>
<tr><td>2.</td><td>Updates to the Group’s operations and the markets in which the Group operates in</td><td>Semi-annually</td></tr>
<tr><td>3.</td><td>Budgets and/or forecasts (with variance analysis), management accounts (with financial ratios analysis), and EA’ report(s)</td><td>Semi-annually</td></tr>
<tr><td>4.</td><td>Reports on on-going or planned corporate actions</td><td>When applicable</td></tr>
<tr><td>5.</td><td>Internal auditors’ (“IA”) report(s)</td><td>Annually</td></tr>
<tr><td>6.</td><td>Research report(s)</td><td>When applicable</td></tr>
<tr><td>7.</td><td>Shareholding statistics</td><td>Annually</td></tr>
</table>
Management recognises the importance of circulating information on a timely basis to ensure that the Board has adequate time to review the materials to facilitate a constructive and effective discussion during the scheduled meetings. As such, Management endeavours to circulate information for the Board meetings at least one week prior to the meetings to allow sufficient time for review by the Directors.
Management will also on best endeavours, encrypt documents which bear material price sensitive information when circulating documents electronically.
Management will also provide any additional material information that is requested by Directors or that is necessary to enable the Board to make a balanced and informed assessment of the Group’s performance, position and prospects.
</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

TABLE I – COMPLIANCE WITH THE CODE		
Guideline	**Code and/or Guide Description**	**Company's Compliance or Explanation**
6.3	What is the role of the Company Secretary?	All Directors have separate and independent access to the Company Secretary. The role of the Company Secretary, the appointment and removal of whom is a matter for the Board as a whole, is as follows: • Ensuring that Board procedures are observed and that the Company's Constitution, relevant rules and regulations, including requirements of the Securities and Futures Act (Chapter 289) of Singapore, the Companies Act and the Catalist Rules, are complied with; • Assists the Chairman and the Board to implement and strengthen corporate governance practices, with a view to enhancing long-term shareholder value; • Assists the Chairman to ensure good information flows within the Board and its committees and key management personnel; • Facilitating orientation and assisting with professional development as required; • Training, designing and implementing a framework for key management personnel's compliance with the Catalist Rules, including timely disclosure of material information; • Attends and prepares minutes for all Board meetings; • As secretary to all the other Board Committees, the Company Secretary assists to ensure coordination and liaison between the Board, the Board Committees and key management personnel; and • Assists the Chairman, the Chairman of each Board Committee and key management personnel in the development of the agendas for the various Board and Board Committee meetings. Individually or collectively, in order to execute their duties, Directors are able to obtain independent professional advice at the Company's expense as and when required.

CORPORATE **GOVERNANCE REPORT**

TABLE I – COMPLIANCE WITH THE CODE		
Guideline	**Code and/or Guide Description**	**Company's Compliance or Explanation**
REMUNERATION MATTERS		
Developing Remuneration Policies		
7.1	What is the role of the RC?	The RC is guided by key terms of reference as follows: (a) Review and recommend to the Board a general framework of remuneration and specific remuneration packages for each Director and key management personnel; (b) Considering and approving termination payments, retirement payments, gratuities, ex-gratia payment, severance payments and other similar payments to each member of key management personnel; (c) Review and recommend to the Board the service contracts of Executive Chairman and Chief Executive Officer and key management personnel and ensure that such services contracts are fair and not excessively long or with onerous renewal/termination clauses; and (d) Reviewing the remuneration of employees who are related to the Directors and substantial shareholders to ensure that their remuneration packages are in line with the staff remuneration guideline and commensurate with their respective job scopes and level of responsibilities.
7.3	Were remuneration consultants engaged during the financial year?	No remuneration consultants were engaged by the Company in FY2018. The Company is of the view that the annual review by the RC, which includes the referencing of Directors and key management personnel's remuneration against comparable benchmarks and giving due regard to prevailing market conditions as well as the financial, commercial health and business needs of the Group, is currently sufficient to ensure the continued relevance of such remuneration packages to the Group's strategic business objectives and alignment with market practices.
8.4	Are "claw-back" provisions provided for in the service agreements of Executive Directors and key management personnel?	The Company currently does not have any contractual provisions which allow it to reclaim incentives from the Executive Directors and key management personnel in certain circumstances. The Board is of the view that as the Group pays performance bonuses based on the actual performance of the Group and/or Company (and not on forward-looking results) as well as the actual results of its Executive Directors and key management personnel, "claw-back" provisions in the service agreements may not be relevant or appropriate.

CORPORATE **GOVERNANCE REPORT**

<table>
<tr><th colspan="3">TABLE I – COMPLIANCE WITH THE CODE</th></tr>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td colspan="3"><u>Disclosure on Remuneration</u></td></tr>
<tr><td>9</td><td>What is the Company's remuneration policy?</td><td>The Company's remuneration policy which covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, benefits-in-kind, bonuses, options, share-based incentives and awards, is one that seeks to attract, retain and motivate talent to achieve the Company's business vision and create sustainable value for its stakeholders. The policy articulates to staff the link that total compensation has to the achievement of organisational and individual performance objectives, and benchmarked against relevant and comparative compensation in the market.</td></tr>
<tr><td>9.1
9.2</td><td>Has the Company disclosed each Director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</td><td>The breakdown for the remuneration of the Directors for FY2018 is as follows:
<table>
<tr><th colspan="7">Table 9.2 – Directors' Remuneration</th></tr>
<tr><th>Name</th><th>Remuneration (S$)</th><th>Salary (%)</th><th>Bonus (%)</th><th>Directors Fees (%)</th><th>Benefits-in-kind (%)</th><th>Total (%)</th></tr>
<tr><td>Hooi Yu Koh</td><td>424,475</td><td>83%</td><td>2%</td><td>0%</td><td>15%</td><td>100%</td></tr>
<tr><td>Ng Wai Kit</td><td>207,878</td><td>85%</td><td>5%</td><td>0%</td><td>10%</td><td>100%</td></tr>
<tr><td>Kuan Cheng Tuck</td><td>48,000</td><td>0%</td><td>0%</td><td>100%</td><td>0%</td><td>100%</td></tr>
<tr><td>Lim Yeok Hua</td><td>40,000</td><td>0%</td><td>0%</td><td>100%</td><td>0%</td><td>100%</td></tr>
<tr><td>Nicholas Philip Lazarus</td><td>43,000</td><td>0%</td><td>0%</td><td>100%</td><td>0%</td><td>100%</td></tr>
<tr><td>Kori Nobuaki*</td><td>–</td><td>0%</td><td>0%</td><td>0%</td><td>0%</td><td>0%</td></tr>
</table>
NA – Not applicable
* Mr Kori Nobuaki ceased to be a Director as at 15 May 2018.

There were no termination, retirement, post-employment benefits that may be granted to the Directors, the CEO and top 3 key management personnel.</td></tr>
</table>

CORPORATE **GOVERNANCE REPORT**

TABLE I – COMPLIANCE WITH THE CODE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or more in detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	Given the size and nature of the Company's business, the Company has only identified 3 top key management personnel. The breakdown for the remuneration of the Company's key management personnel (who are not Directors or the CEO) for FY2018 is as follows: (see Table 9.3 below)
	(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO).	The total remuneration paid to the top 3 key management personnel for FY2018 was S$406,982.
9.4	Is there any employee who is an immediate family member of a Director or the CEO, and whose remuneration exceeds S$50,000 during the last financial year? If so, please identify the employee and specify the relationship with the relevant Director or the CEO.	There was no employee of the Group who was an immediate family member of a Director or the CEO whose remuneration exceeded S$50,000 in FY2018.
9.5	Please provide details of the employee share scheme(s).	Information on the Company's performance share plan ("**Share Plan**") and employee share option scheme ("**ESOS**") is set out on pages 51 to 53 of this Annual Report.

Table 9.3 – Remuneration of Key Management Personnel

Name	Salary (%)	Bonus (%)	Benefits-in-kind (%)	Total (%)
Below S$250,000				
Chee Shew Yan	82%	6%	12%	100%
Lee Yeng Tat	84%	3%	13%	100%
Chookul Charun	87%	7%	6%	100%

CORPORATE **GOVERNANCE REPORT**

<table>
<tr><th colspan="3">TABLE I – COMPLIANCE WITH THE CODE</th></tr>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company’s Compliance or Explanation</th></tr>
<tr><td rowspan="3">9.6</td><td>(a) Please describe how the remuneration received by Executive Directors and key management personnel has been determined by the performance criteria.</td><td>The remuneration received by the Executive Directors and key management personnel takes into consideration his or her individual performance and contribution towards the overall performance of the Group for FY2018. Their remuneration is made up of fixed and variable compensations. The fixed compensation consists of an annual base salary, fixed allowance and annual wage supplement. The variable compensation is determined based on the level of achievement of corporate and individual performance objectives.</td></tr>
<tr><td>(b) What were the performance conditions used to determine their entitlement under the short term and long term incentive schemes?</td><td>The following performance conditions were chosen for the Group to remain competitive and to motivate the Executive Directors and key management personnel to work in alignment with the goals of all stakeholders:

<table>
<tr><th colspan="3">Table 9.6 – Performance Conditions</th></tr>
<tr><th></th><th>Short-term Incentives (such as performance bonus)</th><th>Long-term Incentives (such as the Share Plan and ESOS)</th></tr>
<tr><td>Qualitative</td><td>1. Leadership
2. People development
3. Commitment
4. Teamwork
5. Current market and industry practices
6. Macro-economic factors</td><td>1. Leadership
2. Commitment
3. Current market and industry practices</td></tr>
<tr><td>Quantitative</td><td>1. Relative financial performance of the Group’s (e.g. in terms of ROE) to its industry peers
2. Positive sales growth
3. Productivity enhancement</td><td>1. Relative financial performance of the Group (e.g. in terms of ROE) to its industry peers over a 5-year period</td></tr>
</table>
</td></tr>
<tr><td>(c) Were all of these performance conditions met? If not, what were the reasons?</td><td>Yes, the RC has reviewed and is satisfied that the performance conditions were met for FY2018.</td></tr>
</table>

CORPORATE **GOVERNANCE REPORT**

TABLE I – COMPLIANCE WITH THE CODE		
Guideline	**Code and/or Guide Description**	**Company's Compliance or Explanation**
ACCOUNTABILITY AND AUDIT		
Risk Management and Internal Controls		
11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.	The Board, with the concurrence of the AC, is of the view that the Company's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective for FY2018. The bases for the abovementioned are as follows: 1. Assurance has been received from the CEO and Financial Controller ("**FC**") (refer to Section 11.3(b) of Table I in this report); 2. An internal audit has been done by the IA and significant matters highlighted to the AC and Management were appropriately addressed; 3. A risk governance and internal control framework was established to identify, manage and mitigate significant risks; 4. Management regularly evaluates, monitors and reports to the AC on material risks; and 5. Discussions were held between the AC and auditors in the absence of Management to review and address any potential concerns. In relation to sustainability, the Group strongly advocates in contributing back to the society by through the reuse of steel materials. The Company is gradually placing emphasis on sustainability and would implement appropriate policies and programmes when the opportunities arise.
	(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the IA that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	Yes, the Board has obtained such assurance from the CEO and FC in respect of FY2018. The Board has relied on the independent auditors' report as set out in this Annual Report as assurance that the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances. The Board had additionally relied on IA reports in respect of, amongst others, invoicing, inventory management, human resource and payroll, project management, risk management services, interested party transactions and financial controllership issued to the Company as assurances that the Company's risk management and internal control systems are effective.

CORPORATE GOVERNANCE REPORT

TABLE I – COMPLIANCE WITH THE CODE		
Guideline	**Code and/or Guide Description**	**Company's Compliance or Explanation**
Audit Committee		
12.1 12.4	What is the role of the AC?	All members of the AC are independent and non-executive directors who do not have any management and business relationships with the Company or any substantial shareholder of the Company. None of the AC members were previous partners or directors of the Company's external audit firm within the last twelve months and none of the AC members hold any financial interest in the external audit firm. The AC is guided by the following key terms of reference: (a) Assist the Board in the discharge of its responsibilities on financial reporting matters; (b) Review, with the IA and EA, the audit plans, scope of work, their evaluation of the system of internal accounting controls, reports/ management letters and the management's response, and results of the Company's audits compiled by the IA and EA; (c) Review the half-yearly and annual financial statements and results announcements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risks areas, significant adjustments resulting from the audit, the going concern statement, compliance with financial reporting standards as well as compliance with the Catalist Rules and any other statutory/ regulatory requirements; (d) Review the effectiveness and adequacy of the Company's internal controls and procedures, including accounting and financial controls and procedures and ensure coordination between the IA and EA and Management, reviewing the assistance given by Management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the Management where necessary); (e) Review the effectiveness of the Group's internal audit function and review the scope and results of the external audits as well as the independence and objectivity of the EA; (f) Review the co-operation given by the Management to the EA; (g) Review and discuss with the EA any suspected fraud or irregularity, suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the Management's response and report such matters to the Board at an appropriate time;

CORPORATE **GOVERNANCE REPORT**

TABLE I – COMPLIANCE WITH THE CODE		
Guideline	**Code and/or Guide Description**	**Company's Compliance or Explanation**
		(h) Make recommendations to the Board on the proposals to shareholders on the appointment, re-appointment and removal of the EA, and approving the remuneration and terms of engagement of the EA; (i) Review and approve transactions falling within the scope of Chapters 9 and 10 of the Catalist Rules (if any); (j) Review and report to the Board at least annually the adequacy and effectiveness of the Group's material internal controls with the FC and the IA and EA, including financial, operational, compliance, and information technology controls via reviews carried out by the IA; (k) Review any potential conflicts of interest. In particular, the AC will review and assess from time to time whether additional processes are required to be put in place to manage any material conflicts of interest between the Group and the Directors, CEO, controlling shareholders and/or their respective associates and propose, where appropriate, the relevant measures for the management of such conflicts; (l) Undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and (m) Generally, to undertake such other functions and duties as may be required by statue or the Catalist Rules, and by such amendments made thereto from time to time.
12.2	Are the members of the AC appropriately qualified to discharge their responsibilities?	Yes. The Board considers Mr Kuan Cheng Tuck, who has extensive and practical accounting and financial management knowledge and experience, well qualified to chair the AC. Mr Lim Yeok Hua and Mr Nicholas Philip Lazarus of the AC are also trained in accounting and financial management. The members of the AC collectively have a combined 20 more years of strong accounting and related financial management expertise and experience and are appropriately qualified to discharge their responsibilities.
12.5	Has the AC met with the auditors in the absence of key management personnel?	Yes, the AC has met with the IA and the EA once in the absence of key management personnel in FY2018.

CORPORATE **GOVERNANCE REPORT**

TABLE I – COMPLIANCE WITH THE CODE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
12.6	Has the AC reviewed the independence of the EA?	The AC having reviewed the non-audit services provided by the EA, is satisfied that the nature and extent of such services would not prejudice the independence of the EA, and has recommended the re-appointment of the EA at the forthcoming AGM.
	(a) Please provide a breakdown of the fees paid in total to the EA for audit and non-audit services for the financial year.	*Table 12.6 – Fees Paid/Payable to the EA for FY2018* S$ / % of total Audit fees: 54,000 / 100%
	(b) If the EA have supplied a substantial volume of non-audit services to the Company, please state the bases for the AC's view on the independence of the EA.	Not Applicable. There were no non-audit services rendered by the EA during FY2018.
12.7	Does the Company have a whistle-blowing policy?	Yes. The Company's staff and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters by submitting a whistle blowing report to the email address ac@kori.com.sg.
12.8	What are the AC's activities or the measures it has taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements?	In FY2018, the AC was briefed by the EA on changes or amendments to accounting standards.

Table 12.6 – Fees Paid/Payable to the EA for FY2018

	S$	% of total
Audit fees	54,000	100%

CORPORATE **GOVERNANCE REPORT**

TABLE I – COMPLIANCE WITH THE CODE		
Guideline	**Code and/or Guide Description**	**Company's Compliance or Explanation**
Internal Audit		
13.1 13.2 13.3 13.4 13.5	Please provide details of the Company's internal audit function, if any.	The Company's internal audit function is outsourced to RSM Risk Advisory Pte Ltd ("**RSM**") that reports directly to the AC and administratively to the CEO. The AC reviews and approves the internal audit plan to ensure the adequacy and coverage of the scope of audit. The internal audit plan is risk based and complements that of the EA's approach. The results of the internal audit work facilitate the AC's review and opinion of the adequacy and effectiveness of the Group's risk management and internal control systems. The AC is satisfied that RSM is able to discharge its duties effectively as the internal auditor. The AC is also satisfied that RSM: • is adequately qualified, given that it is a member of the Institute of Internal Auditors and it adheres to the Standards for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework issued by the Institute of Internal Auditors; • is adequately resourced as there is a suitably staffed team of professionals assigned to perform the internal audit of the Company; and • has the appropriate standing in the Company, given, inter alia, its involvement in certain AC meetings and its unfettered access to all the Group's documents, records, properties and personnel, including direct access to the AC.

CORPORATE **GOVERNANCE REPORT**

TABLE I – COMPLIANCE WITH THE CODE		
Guideline	**Code and/or Guide Description**	**Company's Compliance or Explanation**
SHAREHOLDER RIGHTS AND RESPONSIBILITIES		
Shareholder Rights		
14.2	Are shareholders informed of the rules, including voting procedures, that govern general meetings of shareholders?	Shareholders are entitled to attend the general meetings of shareholders and are afforded the opportunity to participate effectively in and vote at general meetings of shareholders. An independent polling agent is appointed by the Company for general meetings who will explain the rules, including the voting procedures, that govern the general meetings of shareholders.
14.3	Are corporations which provide nominee or custodial services allowed to appoint more than two proxies?	The Company's Constitution allows a shareholder to appoint up to two proxies to attend and vote in the shareholder's place at the general meetings of shareholders. Pursuant to the introduction of the multiple proxies regime under the Singapore Companies (Amendment) Act 2014, indirect investors who hold the Company's shares through a nominee company or custodian bank or through a Central Provident Fund agent bank may attend and vote at general meetings.
Communication with Shareholders		
15.1	Does the Company have an investor relations policy?	The Company currently does not have an investor relations policy but considers advice from its corporate lawyers and professionals on appropriate disclosure requirements before announcing material information to shareholders. The Company will consider the appointment of a professional investor relations officer to manage the function should the need arises.
15.2 15.3 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors? (b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	The Company solicits feedback from and addresses the concerns of shareholders (including institutional and retail investors) via the following: • a dedicated investor relations team whose contact details can be found through the Company's corporate website at http://www.kori.com.sg/ and its investor relations webpage at http://www.kori.com.sg/ir.html; and • investor/analyst briefings. The Company held a briefing in FY2018 to meet with its institutional and retail investors.
	(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	Apart from the SGXNET announcements and its annual report, the Company updates shareholders on its corporate developments through its corporate website at http://www.kori.com.sg/ and its investor relations webpage at http://www.kori.com.sg/latestnews.html and http://www.kori.com.sg/od.html.

CORPORATE **GOVERNANCE REPORT**

TABLE I – COMPLIANCE WITH THE CODE		
Guideline	**Code and/or Guide Description**	**Company's Compliance or Explanation**
15.5	Does the Company have a dividend policy?	The Company does not have a fixed dividend policy. Nonetheless, key management personnel will review, inter alia, the Group's performance in the relevant financial period, projected capital needs and working capital requirements and make appropriate recommendations to the Board on dividend declaration.
	Is the Company is paying dividends for the financial year? If not, please explain why.	The Board has not declared or recommended for FY2018 after taking into consideration of the Group's capital commitment plan and its cash flow requirements.
CONDUCT OF SHAREHOLDER MEETINGS		
16.1 16.3 16.4 16.5	How are the general meetings of shareholders conducted?	The Company's Constitution allows for abstentia voting, (including but not limited to the voting by mail, electronic mail or facsimile). The Company requires all Directors (including the respective chairman of the Board Committees) to be present at all general meetings of shareholders, unless of exigencies. The EA is also required to be present to address shareholders' queries about the conduct of audit and the preparation and content of the independent auditor's report. All resolutions are put to vote by poll. Votes cast for and against each resolution will be tallied and announced to shareholders at the meeting, so as to better reflect shareholders' interest and ensure greater transparency. The detailed results including the total number and percentage of votes cast for and against each resolution will be announced via SGXNET after the conclusion of the general meeting. All minutes of general meetings, including the questions raised by shareholders in relation to the meeting agenda and the responses from the Board and/or Management, will be made available to shareholders upon their request within one month after the general meeting.

CORPORATE **GOVERNANCE REPORT**

TABLE II – COMPLIANCE WITH CATALIST RULES		
Rule	**Rule Description**	**Company's Compliance or Explanation**
711A	Sustainability report	The Company will issue the sustainability report for FY2018 by 31 May 2019 in compliance to Rule 711A.
712, 715 or 716	Appointment of Auditors	The Company confirms its compliance to the Rules 712 and 715 of the Catalist Rules.
720(5)	Information relating to Directors seeking re-election	The information relating to the Directors seeking re-election are set out in Table III of this report.
1204(8)	Material Contracts	There were no material contracts entered into by the Group involving the interest of the CEO, any Director, or controlling shareholder, which are either still subsisting at the end of FY2018 or if not then subsisting, entered into since the end of the previous financial year.
1204(10)	Confirmation of adequacy of internal controls	The Board, with the concurrence of the AC, are of the opinion that the systems of internal controls and risk management are adequate and effective to address the financial, operational, compliance and information technology risks which the Group considers relevant and material to its current business scope and environment based on the following: • systems of internal controls and the risk management established by the Company; • work performed by the IA and EA; • assurance from the CEO and FC; and • reviews done by the various Board Committees and Management.
1204(10B)	AC comment on the adequacy of the internal audit function	The AC is of the opinion that the internal audit function is independent, effective and adequately resourced. Please refer to Section 13.1 of Table I in this report for further information.

CORPORATE **GOVERNANCE REPORT**

TABLE II – COMPLIANCE WITH CATALIST RULES		
Rule	**Rule Description**	**Company's Compliance or Explanation**
1204(17)	Interested Person Transactions ("**IPT**")	The Group has procedures governing all IPTs to ensure that they are properly documented and reported on a timely manner to the AC and that they are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

	Aggregate value of all IPTs 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 IPTs conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)	
	FY2018 S$	**FY2017 S$**	**FY2018 S$**	**FY2017 S$**
Keong Hong Construction Pte. Ltd. Strutting works for Raffles Hospital Extension Project	–	70,697[1]	–	–
Keong Hong Holdings Limited Interest paid on the Convertible Bond	–	156,250[2]	–	–
Total	**–**	**226,947**	**–**	**–**

Notes:

(1) The Company had on 16 December 2015 entered into a contract with Keong Hong Construction Pte. Ltd. in relation to strutting works for Raffles Hospital Extension Project. The value of contract amounted to S$794,697. A total amount of S$70,697 of work was done in FY2017.

(2) The Company had on 30 June 2016 entered into an amendment agreement with Keong Hong Limited to extend the maturity date of the S$5 million convertible bond to 05 September 2017. The Company had fully redeemed the principal amount of the bond on 05 September 2017.

CORPORATE **GOVERNANCE REPORT**

TABLE II – COMPLIANCE WITH CATALIST RULES		
Rule	**Rule Description**	**Company's Compliance or Explanation**
		Save for as disclosed, there were no IPTs with value more than S$100,000 transacted during FY2018. The Company does not have a general mandate for IPTs.
1204(19)	Dealing in Securities	The Company has adopted an internal policy which prohibits the Directors and officers from dealings in the securities of the Company while in possession of price-sensitive information. The Company, its Directors and officers are also discouraged from dealing in the Company's securities on short term considerations and are prohibited from dealing in the Company's securities during the period beginning one month before the announcement of the Company's half-year and full-year financial statements, and ending on the date of the announcement of the relevant results.
1204(21)	Non-sponsor fees	For FY2018, the Company paid to its sponsor, PrimePartners Corporate Finance Pte. Ltd. non-sponsor fees of S$7,200.
1204(22)	Use of IPO Proceeds	There are no outstanding proceeds raised from IPO or any offerings pursuant to Chapter 8 of the Catalist Rules.

CORPORATE GOVERNANCE REPORT

Please refer to the table below for additional information on the Directors to be re-elected at the forthcoming AGM:

TABLE III – INFORMATION RELATING TO DIRECTORS SEEKING RE-ELECTION		
	Name of Director to be re-elected	
	Kuan Cheng Tuck	**Lim Yeok Hua**
Date of appointment announcement ("**Previous Announcement**")	16 November 2012	16 November 2012
Any changes to the Previous Announcement?	No.	No.
Changes to the Previous Announcement, if applicable		
Designation	Lead Independent Director, Chairman of AC, NC Member and RC Member	Independent Director, Chairman of NC, AC Member and RC Member
Date of appointment	16 November 2012	16 November 2012
Date of last re-appointment	27 April 2017	29 April 2016
Age	47	70
Country of principal residence	Singapore	Singapore
Academic qualifications	• Bachelor of Accountancy degree • Bachelor of Laws (Honours) degree • Master of Laws (Corporate and Financial Services Law) degree	• FCCA
Professional memberships/qualifications	• Fellow member of the Association of Chartered Certified Accountants, United Kingdom • Member of the Institute of Singapore Chartered Accountants • Member of the Singapore Institute of Directors	• Fellow member of the Association of Chartered Certified Accountants • Member of the Institute of Singapore Chartered Accountants • Member of the Singapore Institute of Directors
<u>Current directorships</u>		
Public companies	• CNMC Goldmine Holdings Limited • Green Build Technology Limited	• JLogo Holdings Limited
Private companies	• KCT Consulting Pte. Ltd. • Kreston Consulting Pte. Ltd.	• Radiant Management Services Pte Ltd
<u>Past directorships (in the last 5 years)</u>		
Public companies	• CW Group Holdings Limited (listed on The Stock Exchange of Hong Kong Limited) • China Star Food Group Limited	• Alpha Energy Holdings Limited • Tritech Group Limited • Manufacturing Integration Technology Ltd
Private companies	Nil	Nil

CORPORATE **GOVERNANCE REPORT**

TABLE III – INFORMATION RELATING TO DIRECTORS SEEKING RE-ELECTION		
	Name of Director to be re-elected	
	Kuan Cheng Tuck	**Lim Yeok Hua**
Principal commitments[1]	Director of KCT Consulting Pte Ltd	Director of Radiant Management Services Pte Ltd
Shareholding interest in the Company and its subsidiaries	Nil	Nil
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Kuan as Independent Director of the Company was recommended by the NC and the Board has accepted the recommendation, after the assessment of his performance, past experiences and overall contribution since his appointment as a Director of the Company.	The re-election of Mr Lim as Independent Director of the Company was recommended by the NC and the Board has accepted the recommendation, after the assessment of his performance, past experiences and overall contribution since his appointment as a Director of the Company.
Whether the appointment has changed from non-executive to executive. If so, please state the area of responsibility	N.A	N.A
Working experience and occupation(s) during the past 10 years	Director of KCT Consulting Pte Ltd	Director of Radiant Management Services Pte Ltd
Any relationship (including immediate family member relationships) with any existing director, existing executive officer, the Company and/or substantial shareholder of the Company or any of its principal subsidiaries	Nil	Nil
Conflict of Interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) submitted to the Company?	Yes	Yes
The general statutory disclosures of the Directors are as follows:		
(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

[1] Include all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.

CORPORATE **GOVERNANCE REPORT**

TABLE III – INFORMATION RELATING TO DIRECTORS SEEKING RE-ELECTION		
	Name of Director to be re-elected	
	Kuan Cheng Tuck	**Lim Yeok Hua**
(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

CORPORATE **GOVERNANCE REPORT**

TABLE III – INFORMATION RELATING TO DIRECTORS SEEKING RE-ELECTION		
	Name of Director to be re-elected	
	Kuan Cheng Tuck	Lim Yeok Hua
(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

CORPORATE **GOVERNANCE REPORT**

TABLE III – INFORMATION RELATING TO DIRECTORS SEEKING RE-ELECTION		
	Name of Director to be re-elected	
	Kuan Cheng Tuck	**Lim Yeok Hua**
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(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 in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(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
Prior Experience as a Director of a Listed Company on the Exchange		
Any prior experience as a director of an issuer listed on the Exchange?	Not applicable. This is in relation to the re-election of a director	Not applicable. This is in relation to the re-election of a director
Attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange?	N.A	N.A
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A	N.A

N.A – Not Applicable

DIRECTORS' STATEMENT

The Directors of Kori Holdings Limited (the "Company") present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2018 and the statement of financial position of the Company as at 31 December 2018.

1. Opinion of the Directors

In the opinion of the Board of Directors,

(a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and

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

2. Directors

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

Hooi Yu Koh
Ng Wai Kit
Kuan Cheng Tuck
Nicholas Philip Lazarus
Lim Yeok Hua

3. Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is 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, except as disclosed in paragraph 5 in this statement below.

4. Directors' interests in shares or debentures

According to the register of Directors' shareholdings kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), none of the Directors of the Company who held office at the end of the financial year had any interest in the shares or debentures of the Company and its related corporations except as follows:

	Direct Interest	
	Balance as at 1 January 2018	**Balance as at 31 December 2018**
	Number of ordinary shares	
Company		
Hooi Yu Koh	33,816,200	33,816,200
Ng Wai Kit	10,000	10,000

DIRECTORS' STATEMENT

4. Directors' interests in shares or debentures (Continued)

By virtue of Section 7 of the Act, Hooi Yu Koh and Ng Wai Kit are deemed to have an interest in all related corporations of the Company.

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interests as at 21 January 2019 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2018.

5. Share options

The Company's shareholders adopted the Kori Employee Share Option Scheme (the "Share Option Scheme") on 21 November 2012 for granting of options to confirmed employees and directors of the Group. Controlling shareholders and their associates are not eligible to participate in the Share Option Scheme. The total number of ordinary shares over which the Company may grant under the Share Option Scheme shall not exceed 15% of the issued share capital of the Company on the day preceding the date of grant.

The Share Option Scheme is administered by the Administration Committee. A member of the Administration Committee who is also a participant of the Share Option Scheme must not be involved in its deliberation in respect of options granted or to be granted to him.

The options that are granted under the Share Option Scheme may have exercise prices that are, at the discretion of the Administration Committee:

(a) set at a discount to a price equal to the average of the last dealt prices for the shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") for the five consecutive market days (the "Market Price") immediately preceding the relevant date of grant of the relevant option, provided that:

   (i) the maximum discount shall not exceed 20% of the Market Price (or such other percentage or amount as may be determined by the Administration Committee and permitted by the SGX-ST); and

   (ii) the shareholders in general meeting shall have authorised, in a separate resolution, the making of offers and grants of options under the scheme at a discount not exceeding the maximum discount as aforesaid, in which event, such options may be exercised after the second anniversary of the date of grant and expiring on the tenth anniversary of such date of grant; or

(b) fixed at the Market Price (the "Market Price Option"). Market Price Options may be exercised after the first anniversary of the date of grant and expiring on the tenth anniversary of such date of grant.

Under the rules of the Share Option Scheme, there are no fixed periods for the grant of options. As such, offers for the grant of options may be made at any time from time to time at the discretion of the Administration Committee. However, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, offers may only be made after the second market day from the date on which the aforesaid announcement is made.

Options may lapse or be exercised earlier in circumstances which include the termination of the employment of the participant, bankruptcy of the participant, death of the participant, a take-over of the Company and the winding-up of the Company.

DIRECTORS' STATEMENT

5. **Share options** (Continued)

The Share Option Scheme shall continue in operation for a maximum period of ten (10) years commencing on the date on which the Share Option Scheme is adopted, provided that the Share Option Scheme may continue for any further period thereafter with the approval of the shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

Since the commencement of the Share Option Scheme till the end of the financial year, no options has been granted under the Share Option Scheme.

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 subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under options at the end of the financial year.

6. **Performance share plan**

The Kori Performance Share Plan (the "Share Plan") was adopted by the shareholders of the Company on 21 November 2012. Unlike the options granted under the Share Option Scheme, the Share Plan contemplates the award of fully-paid shares (the "Award") to participants after certain pre-determined benchmarks have been met. The Directors believe that the Share Plan will be more effective than pure cash bonuses in motivating employees of the Group to work towards pre-determined goals.

The Share Plan allows for participation by full-time employees of the Group (including the Executive Directors) and Non-executive Directors (including Independent Directors) who have attained the age of 18 years and above on or before the relevant date of grant of the Award, provided that none shall be an undischarged bankrupt or have entered into a composition with his creditors.

The Share Plan is based on the principle of pay-for-performance and is designed to enable the Company to reward, retain and motivate employees of the Group to achieve superior performance. The purpose of adopting the Share Plan in addition to the Share Option Scheme is to give the Directors greater flexibility to align the interests of employees of the Group, especially key executives, with the interests of Shareholders.

The objectives of the Share Plan are as follows:

(a) to provide an opportunity for participants of the Share Plan to participate in the equity of the Company, thereby inculcating a stronger sense of identification with the long-term prosperity of the Group and promoting organisational commitment, dedication and loyalty of participants towards the Group;

(b) to motivate participants to strive towards performance excellence and to maintain a high level of contribution to the Group;

(c) to give recognition to contributions made or to be made by participants by introducing a variable component into their remuneration package; and

(d) to make employee remuneration sufficiently competitive to recruit new participants and/or to retain existing participants whose contributions are important to the long-term growth and profitability of the Group.

DIRECTORS' STATEMENT

6. Performance share plan (Continued)

The Share Plan shall be managed by the Administration Committee which has the absolute discretion to determine persons who will be eligible to participate in the Share Plan. A participant who is a member of the Administration Committee shall not be involved in any deliberation or decision in respect of awards (as the case may be) to be granted to or held by that participant.

The Share Plan shall continue in operation at the discretion of the Administration Committee for a maximum period of ten (10) years commencing on the date on which the Share Plan is adopted, provided that the Share Plan may continue beyond the above stipulated period with the approval of the shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

The Share Plan may be terminated at any time by the Administration Committee and by resolution of the shareholders in general meeting, subject to all relevant approvals which may be required to be obtained. The termination of the Share Plan shall not affect the awards which have been granted in accordance with the Share Plan.

The Company will have flexibility to deliver the award shares to participants upon the vesting of their awards by way of:

(i) an issue of new shares; and/ or

(ii) the purchase of existing shares on behalf of the participants.

The total number of new shares which may be issued pursuant to awards granted on any date; and total number of existing shares which may be purchased from the market for delivery pursuant to awards granted under the Share Plan, when added to the number of new shares issued and issuable in respect of all awards granted under the Share Plan (including the Share Option Scheme and any other share option schemes of the Company), shall not exceed 15% of the number of issued shares (including treasury shares, as defined in the Companies Act) on the day preceding that date of grant of the relevant awards.

Since the commencement of the Share Plan, the Company has not granted any Awards under the Share Plan.

DIRECTORS' STATEMENT

7. **Audit Committee**

The Audit Committee comprises the following members who, including the Chairman, are all non-executive and Independent Directors. The members of the Audit Committee during the financial year and at the date of this statement are:

Kuan Cheng Tuck (Chairman)
Nicholas Philip Lazarus
Lim Yeok Hua

The Audit Committee performs the functions specified in Section 201B (5) of the Act, including reviewing the following, where relevant, with the Executive Directors and external auditors of the Company:

(i) assisting the Board of Directors in the discharge of its responsibilities on financial reporting matters;

(ii) reviewing with the internal and external auditors, the audit plans, scope of work, evaluation of the system of internal accounting controls, management letter and management's response, and results complied by the Group's internal and external auditors;

(iii) reviewing the half-yearly and annual financial statements and results announcements before submission to the Board of Directors for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with financial reporting standards as well as compliance with the Catalist Rules and any other statutory or regulatory requirements;

(iv) reviewing the effectiveness and adequacy of the Group's internal control and procedures, including accounting, financial controls and procedures and ensure coordination between the Group's internal and external auditors, and management;

(v) reviewing the assistance given by the management to the auditors and discuss concern and problems, if any, arising from the audit, and any matters which the auditors may wish to discuss (in the absence of the management where necessary);

(vi) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and internal audit functions, and assessing the independence and objectivity of the external auditors;

(vii) reviewing and discussing with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response;

(viii) making recommendation to the Board of Directors on the proposals to shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

(ix) reviewing significant financial reporting issues and judgments with the Financial Controller and the external auditors so as to ensure the integrity of the financial statements of the Group and any announcements relating to the Group's financial performance before their submission to the Board of Directors;

(x) reviewing and report to the Board of Directors at least annually the adequacy and effectiveness of the Group's internal controls and risk management systems with the Financial Controller and the internal and external auditors, including financial, operation, compliance and information technology controls via reviews carried out by the internal auditors;

DIRECTORS' STATEMENT

7. Audit Committee (Continued)

(xi) reviewing and approve any transactions falling within the scope of Chapter 9 and Chapter 10 of the Catalist Rules;

(xii) reviewing any potential conflicts of interest;

(xiii) undertaking such other reviews and projects as may be requested by the Board of Directors and report to the Board of Directors its findings from time to time on matters arising and requiring the attention of the Audit Committee;

(xiv) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on, and ensure that the Company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns; and

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

8. Independent auditors

The independent auditors, BDO LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

Hooi Yu Koh
Director

Ng Wai Kit
Director

Singapore
9 April 2019

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KORI HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT

To the Members of Kori Holdings Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kori Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise:

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

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and 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 its consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KORI HOLDINGS LIMITED

Key Audit Matters

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

1 Revenue recognition

Key Audit Matter

The Group is principally engaged in providing civil/structural engineering and infrastructural construction services such as installation and dismantling services for structural steel works and supply of labour for tunnelling works ("Construction Services").

In conjunction with the application of SFRS(I) 15 – *Revenue from Contracts with Customers*, the Group has revisited all the salient terms of its construction contracts, including the arrangements of sale and buyback of steel beams typically stipulated in these contracts. The Group has identified that the supply of steel beams and oil jacks as an operating lease and revenue is measured separately from the provision of Construction Services.

The Group's Construction Services are recognised over time as the customer simultaneously receives and consumes the benefits provided by the Group as the project progresses. The Group applies the input method to determine the percentage-of-completion which is measured by total contract costs incurred to-date over total budgeted contract costs of the construction contracts as approved by management.

During the financial year ended 31 December 2018, the Group's revenue from Construction Services and rental of steel beams and oil jacks amounted to $16,573,940 and $9,560,477 respectively.

We have determined revenue recognition as a key audit matter due to the significant management judgement and estimates involved in the accounting for arrangements of sale and buyback of the supply of steel beams and oil jacks and determining the percentage-of-completion of the Construction Services.

Related Disclosures

Refer to Notes 2.8, 3.1, 3.2, 4, 13 and 29.2 to the accompanying financial statements.

Audit Response

We performed the following audit procedures, amongst others:

- Evaluated management's assessment on the impact of revenue recognition upon adoption of SFRS(I) 15;
- Evaluated the appropriateness of the Group's revenue recognition accounting policies;
- Selected significant construction contracts and obtained an understanding of the key terms of the contracts;
- Carried out tests of controls surrounding management's internal costing and revenue recognition process to estimate contract revenues, contract costs and profit margins;
- Evaluated management's budgets and assessed budgeted contract costs against actual contract costs for completed projects;

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KORI HOLDINGS LIMITED

Key Audit Matters (Continued)

1 Revenue recognition (Continued)

Audit Response (Continued)

We performed the following audit procedures, amongst others: (Continued)

- Obtained an understanding of the progress and status of the significant ongoing construction contracts through discussions with management and conducting site visits;

- Tested the costs-to-complete for significant ongoing construction contracts by evaluating the reasonableness of the estimated labour hours, estimated labour rates and overhead expenses;

- Tested the labour costs charged for significant ongoing construction contracts against the timesheets of the construction contract employees, on sample basis. We also verified the existence of those employees by checking against payroll records; and

- Assessed the adequacy of the related disclosures in the financial statements.

Other matter

The financial statements for the financial year ended 31 December 2017 were audited by another firm of auditors who expressed an unmodified opinion on those statements on 2 April 2018.

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KORI HOLDINGS LIMITED

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KORI HOLDINGS LIMITED

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 auditors' report is Leong Hon Mun Peter.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
9 April 2019

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 $	2017 $ (Restated)
Revenue	4	26,134,417	31,637,199
Cost of sales		(18,598,589)	(23,659,517)
Gross profit		7,535,828	7,977,682
Other items of income			
Other income	5	217,043	669,645
Interest income		8,778	8,048
Other items of expense			
Administrative expenses		(3,230,486)	(2,934,796)
Loss allowance on trade and retention receivables		(1,036,469)	-
Other expenses		(2,890,508)	(2,495,478)
Finance costs	6	(281,517)	(463,489)
Profit before income tax	7	322,669	2,761,612
Income tax expense	8	(71,178)	(468,113)
Profit for the financial year, attributable to owners of the parent		251,491	2,293,499
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency differences on translation of foreign operations		12,519	(22,351)
Income tax relating to items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income, net of tax		12,519	(22,351)
Total comprehensive income for the financial year, attributable to owners of the parent		264,010	2,271,148

	Note	2018	2017 (Restated)
Earnings per share	9		
- Basic		0.003 cents	0.023 cents
- Diluted		0.003 cents	0.021 cents

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

STATEMENTS OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2018

	Note	Group 31 December 2018 $	Group 31 December 2017 $ (Restated)	Group 1 January 2017 $ (Restated)	Company 31 December 2018 $	Company 31 December 2017 $ (Restated)	Company 1 January 2017 $ (Restated)
ASSETS							
Non-current assets							
Property, plant and equipment	10	32,839,855	39,356,265	46,869,079	-	-	1,677,668
Investments in subsidiaries	11	-	-	-	27,069,780	27,069,780	27,069,780
Deferred tax assets	19	-	-	329,000	-	-	-
Total non-current assets		32,839,855	39,356,265	47,198,079	27,069,780	27,069,780	28,747,448
Current assets							
Trade and other receivables	12	12,536,583	16,557,144	23,669,979	989,740	5,698,223	9,511,950
Contract assets	13	16,336,209	8,511,742	5,441,667	-	-	-
Prepayments		26,611	72,542	29,939	657	6,722	6,760
Current income tax recoverable		643,094	515,346	-	-	-	-
Cash and bank balances	14	1,365,242	1,825,759	1,939,360	12,945	109,358	129,376
Fixed deposit pledged	14	1,031,291	1,022,513	1,014,465	-	-	-
Total current assets		31,939,030	28,505,046	32,095,410	1,003,342	5,814,303	9,648,086
Less:							
Current liabilities							
Trade and other payables	15	8,942,045	5,752,384	18,147,128	58,282	533,710	1,998,981
Contract liabilities	13	-	306,487	825,739	-	-	-
Finance lease payables	16	133,921	130,203	28,715	-	-	-
Bank borrowings	17	4,105,564	9,587,581	5,674,424	-	-	-
Convertible bond	18	-	-	5,000,000	-	-	5,000,000
Current income tax payable		26,066	49,383	5,844	6,409	30,945	-
Total current liabilities		13,207,596	15,826,038	29,681,850	64,691	564,655	6,998,981
Net current assets		18,731,434	12,679,008	2,413,560	938,651	5,249,648	2,649,105

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Group			Company		
	Note	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
		$	$	$	$	$	$
			(Restated)	(Restated)		(Restated)	(Restated)
Less:							
Non-current liabilities							
Finance lease payables	16	127,508	261,529	75,380	-	-	-
Deferred tax liabilities	19	317,429	255,202	189,665	-	-	-
Total non-current liabilities		444,937	516,731	265,045	-	-	-
		51,126,352	51,518,542	49,346,594	28,008,431	32,319,428	31,396,553
Equity							
Share capital	20	32,290,650	32,290,650	32,290,650	32,290,650	32,290,650	32,290,650
Merger reserve	21	(25,627,521)	(25,627,521)	(25,627,521)	-	-	-
Foreign currency translation reserve	22	(205)	(12,724)	9,627	-	-	-
Retained earnings/ (Accumulated losses)	23	44,463,428	44,868,137	42,673,838	(4,282,219)	28,778	(894,097)
Total equity attributable to owners of the parent		51,126,352	51,518,542	49,346,594	28,008,431	32,319,428	31,396,553

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Attributable to owners of the parent				
	Note	Share capital $	Merger reserve $	Foreign currency translation reserve $	Retained earnings $	Total equity $
Balance at 31 December 2017, as previously reported		32,290,650	(25,627,521)	(16,540)	41,155,248	47,801,837
Prior year restatements	29	-	-	3,816	4,027,692	4,031,508
Effect on adoption of SFRS(I)	29	-	-	-	(871,803)	(871,803)
Balance at 1 January 2018, as restated		32,290,650	(25,627,521)	(12,724)	44,311,137	50,961,542
Profit for the financial year		-	-	-	251,491	251,491
Other comprehensive income for the financial year:						
Exchange differences on translation of foreign operations	22	-	-	12,519	-	12,519
Total comprehensive income for the financial year		-	-	12,519	251,491	264,010
Distribution to owners of the parent:						
Dividends	24	-	-	-	(99,200)	(99,200)
Balance at 31 December 2018		32,290,650	(25,627,521)	(205)	44,463,428	51,126,352

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Attributable to owners of the parent				
	Note	Share capital $	Merger reserve $	Foreign currency translation reserve $	Retained earnings $	Total equity $
Balance at 1 January 2017, as previously reported		32,290,650	(25,627,521)	1,294	40,524,713	47,189,136
Prior year restatements	29	-	-	8,333	1,468,147	1,476,480
Effect on adoption of SFRS(I)	29	-	-	-	680,978	680,978
Balance at 1 January 2017, as restated		32,290,650	(25,627,521)	9,627	42,673,838	49,346,594
Profit for the financial year						
- As previously reported		-	-	-	729,735	729,735
- Prior year restatements		-	-	-	1,563,764	1,563,764
- As restated		-	-	-	2,293,499	2,293,499
Other comprehensive income for the financial year:						
Exchange differences on translating foreign operations						
- As previously reported	22	-	-	(17,834)	-	(17,834)
- Prior year restatements		-	-	(4,517)	-	(4,517)
- As restated		-	-	(22,351)	-	(22,351)
Total comprehensive income for the financial year		-	-	(22,351)	2,293,499	2,271,148
Distribution to owners of the parent:						
Dividends	24	-	-	-	(99,200)	(99,200)
Balance at 31 December 2017		32,290,650	(25,627,521)	(12,724)	44,868,137	51,518,542

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 $	2017 $ (Restated)
Operating activities			
Profit before income tax		322,669	2,761,612
Adjustments for:			
Loss allowance for trade and retention sum receivables		1,036,469	-
Bad trade receivables written off		382,698	298,701
Depreciation of property, plant and equipment		1,529,936	1,816,428
Loss on disposals of property, plant and equipment		2,890,508	2,495,478
Interest expense		281,517	463,489
Interest income		(8,778)	(8,048)
Unrealised foreign exchange loss/(gain)		13,284	(23,284)
Operating cash flows before working capital changes		6,448,303	7,804,376
Working capital changes:			
Trade and other receivables		2,601,394	6,814,134
Contract assets		(7,924,245)	(3,074,120)
Trade and other payables		3,184,505	(12,440,105)
Contract liabilities		(206,709)	(515,207)
Prepayments		45,931	(42,603)
Cash generated from/(absorbed by) operations		4,149,179	(1,453,525)
Income tax paid		(717,016)	(545,383)
Net cash generated from/(used in) operating activities		3,432,163	(1,998,908)
Investing activities			
Interest income		8,778	8,048
Proceeds from disposal of plant and equipment		3,567,807	4,245,206
Purchase of property, plant and equipment	10	(1,466,686)	(591,086)
Net cash generated from investing activities		2,109,899	3,662,168

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 $	2017 $
Financing activities			
Fixed deposit pledged with a financial institution		(8,778)	(8,048)
Repayments of finance lease payables	A	(143,346)	(142,558)
Proceeds from bank borrowings	A	2,952,532	15,020,735
Repayments of bank borrowings	A	(8,703,023)	(11,392,473)
Repayments of convertible bond	A	-	(5,156,250)
Dividends paid to owners of the parent	24	(99,200)	(99,200)
Net cash used in financing activities		(6,001,815)	(1,777,794)
Net change in cash and cash equivalents		(459,753)	(114,534)
Cash and cash equivalents at beginning of financial year		1,825,759	1,939,360
Effects of exchange rate changes on cash and cash equivalents		(764)	933
Cash and cash equivalents at end of financial year	14	1,365,242	1,825,759

Note A: Reconciliation of liabilities arising from financing activities

			Non-cash change	
	1 January 2018 $	Cash flows $	Accretion of interest $	31 December 2018 $
Finance lease payables (Note 16)	391,732	(143,346)	13,043	261,429
Bank borrowings (Note 17)	9,587,581	(5,750,491)	268,474	4,105,564
	9,979,313	(5,893,837)	281,517	4,366,993

			Non-cash change		
	1 January 2017 $	Cash flows $	Additions of property, plant and equipment under finance leases $	Accretion of interest $	31 December 2017 $
Finance lease payables (Note 16)	104,095	(142,558)	413,600	16,595	391,732
Bank borrowings (Note 17)	5,674,424	3,628,262	-	284,895	9,587,581
Convertible bond (Note 18)	5,000,000	(5,156,250)	-	156,250	-
	10,778,519	(1,670,546)	413,600	457,740	9,979,313

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 financial statements.

1. General corporate information

Kori Holdings Limited is a public limited company, incorporated and domiciled in Singapore with its registered office and principal place of business at 11 Sims Drive, #06-01 SCN Centre, Singapore 387385. The Company's registration number is 201212407R. The Company is listed on the Catalist Board of the Singapore Exchange Securities Trading Limited.

The principal activities of the Company are investment holding and management and administrative support to its subsidiary corporations.

The principal activities of the subsidiaries are set out in Note 11 to the financial statements.

The statement of financial position of the Company and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2018 were authorised for issue in accordance with a Directors' resolution dated 9 April 2019.

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)s") under the historical cost convention, except as disclosed in the accounting policies below.

These financial statements are the Group and the Company's first financial statements prepared in accordance with SFRS(I)s. The Group and the Company have previously prepared its financial statements in accordance with Financial Reporting Standards in Singapore ("FRSs"). As required by SFRS(I) 1 *First-time adoption of Singapore Financial Reporting Standards (International)*, the Group and the Company have consistently applied the same accounting policies in its opening statement of financial position at 1 January 2017 and throughout all financial years presented, as if these policies had always been in effect subject to the mandatory exceptions and optional exemptions under SFRS(I) 1. Comparative information for the financial year ended 31 December 2017 in these financial statements have been restated to give effect to these changes and the financial impact on transition from FRSs to SFRS(I)s are disclosed in Note 29 to the financial statements.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollar ("$") which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

The preparation of financial statements in compliance with SFRS(I)s requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have significant effect on the financial statements are disclosed in Note 3 to the financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

SFRS(I)s and Interpretations of SFRS(I) ("SFRS(I) INT") issued but not yet effective

At the date of authorisation of these financial statements, the following SFRS(I)s and SFRS(I) INT were issued but not yet effective, and have not been adopted early in these financial statements:

		Effective date (annual periods beginning on or after)
SFRS(I) 1-28 (Amendments)	: Long-term Interests in Associates and Joint Ventures	1 January 2019
SFRS(I) 9 (Amendments)	: Prepayment Features with Negative Compensation	1 January 2019
Annual Improvements to SFRS(I)s 2015 – 2017 Cycle		
- SFRS(I) 3 (Amendments)	: Business Combinations	1 January 2019
- SFRS(I) 11 (Amendments)	: Joint Arrangements	1 January 2019
- SFRS(I) 1-12 (Amendments)	: Income Tax	1 January 2019
- SFRS(I) 1-23 (Amendments)	: Borrowing Costs	1 January 2019
SFRS(I) 16	: Leases	1 January 2019
SFRS(I) INT 23	: Uncertainty over Income Tax Treatments	1 January 2019
SFRS(I) 1-19 Amendments	: Plan Amendment, Curtailment or Settlement	1 January 2019
SFRS(I) 3 (Amendments)	: Definition of a Business	1 January 2020
SFRS(I) 1-1, SFRS(I) 1-8 (Amendments)	: Definition of Material	1 January 2020
SFRS(I) 17	: Insurance Contracts	1 January 2021
SFRS(I) 10 and SFRS(I) 1-28 (Amendments)	: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to References to the Conceptual Framework in SFRS(I) Standards		1 January 2020
Amendments to illustrative examples, implementation guidance and SFRS(I) practice statements		1 January 2020

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

Except as disclosed below, management anticipates that the adoption of the above SFRS(I)s and SFRS(I) INT in future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

SFRS(I)s and SFRS(I) INT issued but not yet effective (Continued)

SFRS(I) 16 *Leases*

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases* and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. FRS 116 requires lessees to capitalise all leases on the statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be depreciated and the lease liabilities will be measured at amortised cost.

From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under SFRS(I) 16. SFRS(I) 16 also requires enhanced disclosures by both lessees and lessors.

The Group has performed an assessment on the adoption of SFRS(I) 16 based on currently available information as well as recognition exemptions under SFRS(I) 16. The Group expects to capitalise its operating leases on office premises, workers dormitories and copier machines on the statement of financial position by recognising a 'right-of-use' assets of $1,074,000 and their corresponding lease liabilities for the present value of future lease payments of $1,032,000 as at 31 December 2018. This assessment may be subject to changes from the ongoing analysis until the finalisation of transition entries.

The Group plans to adopt the standard in the financial year beginning on 1 January 2019 using the modified retrospective method in accordance with the transitional provisions, and therefore will only recognise leases on statement of financial position as at 1 January 2019. The Group will include the required additional disclosures in its financial statements for the financial year ending 31 December 2019.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from its involvement with the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date on which control is transferred to the Group, up to the effective date on which that control ceases, as appropriate.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides an impairment indicator of the asset concerned.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

Non-controlling interest in subsidiaries relate to the equity in subsidiaries which is not attributable directly or indirectly to the owners of the parent. They are shown separately in the statements of comprehensive income, financial position and changes in equity.

Non-controlling interests in the acquiree that are a present ownership interest and entitle its holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value, of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

In the separate financial statements of the Company, investments in subsidiaries are carried at cost, less any impairment loss that has been recognised in profit or loss.

2.3 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration transferred also includes any contingent consideration measured at the fair value at the acquisition date. Subsequent changes in fair value of contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 are recognised at their fair values at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

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

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

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

Acquisition under common control

Business combination arising from transfers of interest in entities that are under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. For this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously and no adjustments are made to reflect the fair values or recognised any new assets or liabilities, including no goodwill is recognised as a result of the combination. The components of equity of the acquired entities are added to the same components within the Group equity. Any difference between the consideration paid for the acquisition and share capital of acquiree is recognised directly to equity as merger reserve.

2.4 Property, plant and equipment

All items of property, plant and equipment are initially recognised at cost. The cost includes its purchase price and any costs 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. Dismantlement, removal or restoration costs are included as part of the cost if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.4 Property, plant and equipment (Continued)

Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives on the following bases:

	Years
Leasehold land	50
Leasehold building	46
Furniture and fittings	10
Motor vehicles	5
Office equipment	1 - 10
Plant and machinery	5
Site office	20
Steel beams and oil jacks	15

No depreciation is charged on construction-in-progress as they are not ready for use as at the end of the reporting period.

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

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each reporting period.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.5 Impairment of non-financial assets

At the end of each financial year, the Group and the Company review the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. **Summary of significant accounting policies** (Continued)

2.5 **Impairment of non-financial assets** (Continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

2.6 **Financial instruments**

The Group and the Company recognises a financial asset or a financial liability in its statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

Financial assets

The Group and the Company classifies its financial assets into one of the categories below, depending on the Group and the Company's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group shall reclassify its affected financial assets when and only when the Group changes its business model for managing these financial assets. Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade and retention receivables and contract assets as defined in SFRS(I) 15), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Interest income from these financial assets is included in interest income using the effective interest rate method.

Impairment provisions for trade receivables, retention receivables and contract assets are recognised based on the expected credit loss model within SFRS(I) 9 using the Group's historical observed default rates to determine the lifetime expected credit losses. The Group will calibrate the model to adjust historical credit loss experience with industry future outlook and credit rating of Singapore's economy. At each reporting period, historical default rates are updated and changes in the industry future outlook and credit rating of Singapore's economy are reassessed. The Group also evaluates expected credit loss on credit impaired receivables separately at each reporting period. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off in profit or loss.

NOTES TO THE **FINANCIAL STATEMENTS**

2. Summary of significant accounting policies (Continued)

2.6 Financial instruments (Continued)

Financial assets (Continued)

Amortised cost (Continued)

Impairment provisions for receivables from subsidiaries and other receivables due from third parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at each reporting date, there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group and the Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Accounting policy for financial instruments prior to 1 January 2018

Loans and receivables

Bank balances and trade and other receivables are initially recognised at their fair values plus transaction costs and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

The Company assesses at each balance sheet date whether there is objective evidence that these financial assets are impaired and recognises an allowance for impairment when such evidence exists. 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 financial 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.

These financial assets are presented as current assets except for those that are expected to be realised later than 12 months after the balance sheet date, which are presented as non-current assets

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. **Summary of significant accounting policies** (Continued)

2.6 Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

Trade and other payables

Trade and other payables, excluding deferred revenue and advance billings, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

Bank borrowings

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

Convertible bond

The total proceeds from convertible bond issued are allocated to the liability component and the equity component, which are separately presented on the statement of financial position.

The liability component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible bond. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the bond.

The difference, if any, between the total proceeds and the liability component is allocated to the conversion option (equity component), which is presented in equity, net of any deferred tax effect. The carrying amount of the conversion option is not adjusted in subsequent periods. When the conversion option is exercised, the carrying amount of the liability and equity components is transferred to the share capital. When the conversion option lapses, its carrying amount is transferred to retained profits.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.6 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial guarantee

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if these subsidiaries breach any repayment term.

Financial guarantee contract liabilities are measured initially at their fair values, net of transaction costs. Financial guarantee contracts are subsequently measured at the higher of:

a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and

b) the amount of loss provisions determined in accordance with SFRS(I) 9.

Prior to 1 January 2018, financial guarantees were subsequently measured at the higher of amount initially recognised less amortisation and the expected amounts payable to the banks in the event it is probable that the Company will reimburse the banks.

Derecognition of financial liabilities

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

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.7 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash and deposits with banks and financial institutions. Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, cash at bank and fixed deposit, net of fixed deposit pledged.

2.8 Revenue recognition

The Group recognises revenue from providing civil/structural engineering and infrastructural construction services providing civil/structural engineering and infrastructural construction services such as installation and dismantling services for structural steel works and supply of labour for tunnelling works ("Construction Services") as a sub-contractor for commercial, industrial and public infrastructural construction projects.

Revenue is measured based on the consideration specified in contracts with customers and excludes amount collected on behalf of third parties (i.e. sales related taxes).

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.8 Revenue recognition (Continued)

The Group's Construction Services are segregated into the structural steel works and tunnelling segments which are under long-term contracts with customers. Such contracts are entered before the construction of the commercial, industrial or public infrastructural projects. The Group has assessed that these Construction Services contracts qualify for over time revenue recognition as the customer simultaneously receives and consumes the benefits provided by the Group as the project progresses. The stage of completion is assessed by reference to the contract costs incurred till date in proportion to the total estimated contract costs of each contract as approved by management ("input method") and excludes goods or services for which the Group does not transfer control to its customers.

The Group becomes entitled to invoice customers for construction services based on acknowledgement of payment certification by the main contractors. The Group submits a progress claim on a monthly basis to the main contractor for assessment of work performed. The Group would have previously recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the payment exceeds the revenue recognised to date under the input method then the Group recognises a contract liability for the difference. The period between the completion of the construction services and payment by the customer may exceed one financial year. For such contracts, there is no significant financing component present as the payment terms is an industry practice to protect the customer from the Group'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.

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 the Group.

Incremental costs of obtaining a construction contract are capitalised if these costs are recoverable. Costs incurred to fulfil a construction contract are capitalised only if the costs relate directly to the contract, generate or enhance resources used in satisfying future performance obligations, and are expected to be recovered. These costs would be amortised over the duration of the construction contract. Other costs are expensed as incurred.

Rental income from supply of steel beams and oil jacks are recognised on a time-proportion basis.

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

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

2.9 Grants

Grants are recognised at the fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grants relate to expenditures, which are not capitalised, the fair value of grants are credited to profit or loss as and when the underlying expenses are included and recognised in profit or loss to match such related expenditures.

2. Summary of significant accounting policies (Continued)

2.10 Employee benefits

Defined contribution plans

Payments to defined contribution plans are charged as an expense in the period in which the related service is performed. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, and has no legal and constructive obligation to pay further once the payments are made.

Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on grant date. Non-market vesting conditions are included in the estimation of the number of shares under option that are expected to become exercisable on the vesting date. At each reporting date, the Group revises its estimates of the number of shares under option that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account.

Performance shares

Benefits to employees including the directors are provided in the form of share-based payment transactions, whereby employees render services in exchange for the shares or right over shares ("equity-settled transactions"). The fair value of the employee services rendered is determined by reference to the fair value of the shares awarded or granted, excluding the impact of any non-market vesting conditions. The amount is determined by reference to the fair value of the performance shares on the grant date. This fair value is recognised in profit or loss over the remaining vesting period of the share-based payment scheme, with the corresponding increase in equity. The value of charge is adjusted in profit or loss over the remaining vesting period to reflect expected and actual levels of shares vesting, with the adjustment made in equity. Cancellations of grants of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) are accounted as an acceleration of vesting, therefore any amount unrecognised that would otherwise have been charged is recognised immediately in profit or loss.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated undiscounted liability for annual leave expected to be settled wholly within 12 months from the reporting date as a result of services rendered by employees up to the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.11 Leases

Group as lessor

Operating leases

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

Group as lessee

Finance leases

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

Assets held under finance leases are capitalised as property, plant and equipment of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to the acquisition, construction of production of qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs in Note 2.12 to the financial statements.

Operating leases

Rentals payable under operating leases (net of any incentives received from lessors) are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.12 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised as an expense in profit or loss in the financial year in which they are incurred. Borrowing costs are recognised on a time-proportion basis in profit or loss using the effective interest method.

2.13 Income tax

Income tax expense comprises current and deferred taxes. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity, or in other comprehensive income.

Current income tax expense is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to income tax payable in respect of previous financial years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.13 Income tax (Continued)

Taxable income differs from profit reported as profit or loss because it excluded items of income or expenses that are taxable or deductible in other years and it further excludes items of income or expenses that are not taxable or tax deductible.

Deferred tax is provided, using the balance sheet liability method, for temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is measured using the tax rates expected to be applied to the temporary differences when they are realised or settled, based on tax rates enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profits will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same tax authority and where there is intention to settle the current tax assets and liabilities on a net basis.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries and associate, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.14 Foreign currencies transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. **Summary of significant accounting policies** (Continued)

2.14 **Foreign currencies transactions and translation** (Continued)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollar using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, are recognised initially in other comprehensive income and accumulated in the Group's foreign exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

On disposal of a foreign operation, the accumulated foreign exchange reserve relating to that operation is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.15 **Dividends to Company's shareholders**

Dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared for payment. Final dividends are recorded in the financial year in which the dividends are approved by shareholders.

2.16 **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

2.17 **Provisions**

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.18 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or the Company; or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

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

Contingencies are not recognised on the statements of financial position, except for contingent liabilities assumed in a business combination that are present obligations and for which the fair value can be reliably determined.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's and the Company's accounting policies, which are described in Note 2, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

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

3.1 Critical judgements made in applying the accounting policies

The following are the critical judgements, apart from those involving estimates (see below) that management has made in the process of applying the Group's accounting policies and which have a significant effect on the amounts recognised in the financial statements.

<u>Leasing of steel beams and oil jacks</u>

For revenue from contracts with customer under the structural steel works segment, the Group has identified that the supply of steel beams and oil jacks as an operating lease and revenue is measured separately from those of provision of civil/structural engineering and infrastructural construction services ("Construction Services"). This assessment requires the Group to consider whether (i) the fulfilment of the Construction Services are dependent on the use of steel beams and oil jacks; and (ii) the Constructions Services conveys a right to use the steel beams and oil jacks.

Upon considering the above factors, the Group has determined that its supply of steel beams and oil jacks embedded in the revenue from contract with customers for Construction Services constitute a leasing arrangement.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. **Critical accounting judgements and key sources of estimation uncertainty** (Continued)

3.2 Key sources of estimation uncertainty

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

<u>Loss allowance for trade receivables, retention receivables and contract assets</u>

Trade receivables, retention receivables and contract assets

As at 31 December 2018, the Group's trade receivables, retention receivables and contract assets amounted to $1,484,691, $5,083,249 and $16,336,209 (2017: $1,716,354, $6,641,274 and $8,511,742) respectively. All of the Group's receivables are with counterparties based in Singapore and mainly main contractors with similar credit profiles.

Expected credit loss model is initially based on the Group's historical observed default rates. The Group will calibrate the model to adjust historical credit loss experience with industry future outlook and credit rating of Singapore's economy. At each reporting period, historical default rates are updated and changes in the industry future outlook and credit rating of Singapore's economy are reassessed. The Group also evaluates expected credit loss on credit impaired receivables separately at each reporting period. The loss allowance for those receivables which are not credit impaired as at 31 December 2018 is disclosed in Note 12 to the financial statements. The Group's credit risk exposure is set out in Note 28.1 to the financial statements.

Loans due from subsidiaries

Management determines whether there is significant increase in credit risk of these subsidiaries since initial recognition. Management review the financial performance and results of these subsidiaries. There is no significant increase in credit risk as at 31 December 2018.

<u>Revenue from contracts with customers</u>

Estimation of total contract costs

The Group uses the contract costs incurred to date in proportion to the total estimated contract costs of each contract ("input method") to account for its contract revenue.

Where the outcome of the total contract costs are different from the original estimates, such differences will impact revenue and contract balances in the period in which such estimate has been changed. The carrying amounts of contract balances are disclosed in Note 13 to the financial statements.

Significant assumptions are used to estimate the total contract costs which will affect the revenue recognised to profit or loss. In making these estimates, management has relied on past experiences and expertise of the Group's project staff.

If total contract costs of ongoing contracts to be incurred had been higher or lower by 5% from management's estimates, the Group's profit would have been lower and higher by $424,000 and $469,000 (2017: $603,000 and $666,000) respectively.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty (Continued)

Impairment of investments in subsidiaries

The Group and the Company follow the guidance of SFRS(I) 1-36 in determining whether investments in subsidiaries are impaired. This determination requires significant judgement. The Group and the Company evaluate, among other factors, the duration and extent to which the recoverable amount of an investment in subsidiary is less than its carrying amount and the financial health of and near-term business outlook for the investment, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Depreciation of steel beams and oil jacks

The costs of steel beams and oil jacks are depreciated on a straight-line basis over their estimate useful economic lives. Management estimates the useful lives of these steel beams and oil jacks to be 15 years. The residual values of the steel beams and oil jacks are estimated to be $430 (31 December 2017: $430, 1 January 2017: $430) per ton.

Changes in the expected level of usage could impact the estimated economic useful lives and the residual values of these assets, therefore estimates of future depreciation charges could be revised if expectations differ from previous estimates. As at 31 December 2018, the carrying amounts of steel beams and oil jacks amounted to $30,424,534 (31 December 2017: $36,753,852, 1 January 2017: $44,658,007).

A difference of 3 years in the expected useful lives of these assets from the management's estimates would result in approximately $224,000 (31 December 2017: $242,000, 1 January 2017: $268,000) variance in the Group's profit for the financial year.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. Revenue

Disaggregation of revenue

The Group has disaggregated revenue into the following categories:

	Structural steel works segment				Tunnelling works segment			
	Installation and dismantling services		Rental of steel beams and oil jacks		Supply of labour		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	$	$	$	$	$	$	$	$
		(Restated)		(Restated)		(Restated)		(Restated)
Timing of transfer of services								
- Over time	13,689,323	15,265,085	9,560,477	12,043,912	2,884,617	4,328,202	26,134,417	31,637,199

The revenue of the Group are all generated within Singapore.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5. Other income

	Group	
	2018	**2017**
	$	**$**
		(Restated)
Government grants	64,896	171,112
Secondment of workers	62,543	51,762
Foreign exchange gain, net	11,092	244,110
Others	78,512	202,661
	217,043	669,645

6. Finance expenses

	Group	
	2018	**2017**
	$	**$**
Interest expense		
- Finance lease liabilities	13,043	16,595
- Bank borrowings	268,474	284,895
- Invoice overdue	-	5,317
- Overdraft interest	-	432
- Convertible bond	-	156,250
Finance expense recognised in profit or loss	281,517	463,489

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7. Profit before income tax

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, the above includes the following charges:

	Note	Group 2018 $	Group 2017 $ (Restated)
Cost of sales			
Depreciation	10	1,160,199	1,294,969
Subcontractors charges		1,251,075	1,274,855
Employee benefits expenses	i	9,519,056	13,156,176
Worksite expenses		2,832,397	3,607,746
Rental expenses		2,277,033	3,367,932
Administrative and other expenses			
Audit fees		1,393,882	1,147,017
- auditors of the Company		54,000	55,000
- other auditors		6,619	1,927
Non-audit fees			
- auditors of the Company		-	13,100
- other auditors		50,336	18,750
Employee benefits expenses	i	1,393,882	1,147,017
Professional fees		517,862	275,799
Rental expenses		465,905	144,281
Depreciation	10	369,737	521,459
Bad trade receivables written off		382,698	298,701
Loss allowance made for trade and retention sum receivables		1,036,469	-
Loss on disposals of property, plant and equipment		2,890,508	2,495,478

(i) Breakdown of employee benefits is disclosed as below:

	Group 2018 $	Group 2017 $
Employee benefits expenses		
- salaries, wages, bonuses and other short term benefits	10,616,308	13,994,573
- employer's contribution to defined contribution plans	296,630	308,620
	10,912,938	14,303,193

Included in the staff costs were key management remuneration as disclosed in Note 27 to the financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. Income tax expense

	Group 2018 $	Group 2017 $ (Restated)
Current income tax		
- current financial year	26,066	49,383
- (over)/under in prior financial years	(16,449)	27,546
	9,617	76,929
Deferred tax		
- current financial year	61,561	391,184
Total income tax expense recognised in profit or loss	71,178	468,113

Domestic income tax is calculated at 17% (2017: 17%) of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2017: 17%) to profit before income tax as a result of the following differences:

	Group 2018 $	Group 2017 $ (Restated)
Profit before income tax	322,669	2,761,612
Tax calculated at tax rate of 17% (2017: 17%)	54,854	469,474
Effects of:		
- Singapore statutory stepped income exemption	(64,006)	(49,823)
- Effect of different income tax rates in other countries	(2,548)	(10,071)
- Expenses not deductible for tax purposes	350,453	877,421
- Income not subject to tax	(15,691)	(13,253)
- Capital allowances	(280,896)	(797,932)
- Tax rebate	(1,402)	(12,345)
- Deferred income tax not recognised	27,825	13,780
- (Over)/under provision of tax in prior financial years	(16,449)	27,546
- Others	19,038	(36,684)
	71,178	468,113

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. Income tax expense (Continued)

Unrecognised deferred tax assets

	Group	
	2018	**2017**
	$	**$**
		(Restated)
Balance at beginning of financial year	13,780	-
Amount not recognised during the financial year	27,825	13,780
Balance at end of financial year	41,605	13,780

The Group's unrecognised deferred tax assets are attributable to the temporary differences of unutilised tax losses computed at Malaysia's statutory income tax rate.

As at 31 December 2018, the Group has unutilised tax losses of approximately $244,700 (2017: $81,000) available for offset against future taxable profits subject to agreement by the tax authorities and provisions of the tax legislations of Malaysia.

These deferred tax assets have not been recognised as there is no certainty that there will be sufficient future taxable profits to realise these future benefits. Accordingly, these deferred tax assets have not been recognised in the financial statements in accordance with the accounting policy in Note 2.13 to the financial statements.

9. Earnings per share

9.1 Basic earnings per share

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

	2018	**2017**
		(Restated)
The calculation of basic earnings per share is based on the following data:		
Profit attributable to owners of the parent	$251,491	$2,293,499
Weighted average number of ordinary shares outstanding for basic earnings per share	99,200,000	99,200,000
Basic earnings per share	0.003 cents	0.023 cents

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

9. **Earnings per share** (Continued)

9.2 Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company's convertible bond is the only dilutive potential ordinary shares outstanding during the financial year ended 31 December 2017. The Group does not have any dilutive potential ordinary shares for the financial year ended 31 December 2018.

Convertible bond is assumed to have been converted into ordinary shares at issuance and the net profit is adjusted to eliminate the interest expense.

Diluted earnings per share for attributable to owners of the parent is calculated as follows:

	2018	**2017 (Restated)**
The calculation of basic earnings per share is based on the following data:		
Profit attributable to owners of the parent	$251,491	$2,293,499
Weighted average number of ordinary shares outstanding for basic earnings per share	99,200,000	99,200,000
Adjustment for convertible bond	-	11,904,000
	99,200,000	111,104,000
Diluted earnings per share	0.003 cents	0.021 cents

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10. Property, plant and equipment

	Note	Leasehold land	Furniture and fittings	Motor vehicles	Office equipment	Plant and machinery	Site office	Leasehold building	Construction in-progress	Steel beams and oil jacks	Total
		$	$	$	$	$	$	$	$	$	$
Group											
Cost											
Balance at 1 January 2018		1,080,687	95,435	434,778	156,788	830,434	22,200	-	1,017,233	44,852,842	48,490,397
Additions		-	923	-	159	-	-	-	-	1,465,604	1,466,686
Disposals		-	-	(216,385)	(13,053)	-	(15,075)	-	-	(8,572,512)	(8,817,025)
Reclassifications		-	-	-	-	-	-	1,019,707	(1,019,707)	-	-
Currency translation adjustment		2,628	6	95	64	6	-	-	2,474	-	5,273
Balance at 31 December 2018		1,083,315	96,364	218,488	143,958	830,440	7,125	1,019,707	-	37,745,934	41,145,331
Accumulated depreciation and impairment											
Balance at 1 January 2018		110,561	48,850	349,924	100,891	416,834	8,082	-	-	8,098,990	9,134,132
Depreciation charge	7	23,140	8,656	40,730	7,382	103,400	356	-	-	1,346,272	1,529,936
Disposals		-	-	(216,385)	(11,803)	-	(6,660)	-	-	(2,123,862)	(2,358,710)
Currency translation adjustment		(43)	4	96	56	5	-	-	-	-	118
Balance at 31 December 2018		133,658	57,510	174,365	96,526	520,239	1,778	-	-	7,321,400	8,305,476
Carrying amount											
Balance at 31 December 2018		949,657	38,854	44,123	47,432	310,201	5,347	1,019,707	-	30,424,534	32,839,855

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10. Property, plant and equipment (Continued)

	Note	Leasehold land	Furniture and fittings	Motor vehicles	Office equipment	Plant and machinery	Site office	Construction in-progress	Steel beams and oil jacks	Total
		$	$	$	$	$	$	$	$	$
Group										
Cost										
Balance at 1 January 2017		1,059,008	123,109	433,988	151,065	343,903	53,800	987,903	52,626,391	55,779,167
Additions		-	-	-	13,080	517,000	-	9,106	465,500	1,004,686
Disposals		-	(27,726)	-	(7,876)	(30,511)	(31,600)	-	(8,239,049)	(8,336,762)
Currency translation adjustment		21,679	52	790	519	42	-	20,224	-	43,306
Balance at 31 December 2017		1,080,687	95,435	434,778	156,788	830,434	22,200	1,017,233	44,852,842	48,490,397
Accumulated depreciation and impairment										
Balance at 1 January 2017		86,027	67,456	308,405	97,342	343,902	38,572	-	7,968,384	8,910,088
Depreciation charge		22,233	9,070	40,730	7,226	103,400	1,110	-	1,632,659	1,816,428
Disposals	7	-	(27,726)	-	(4,188)	(30,511)	(31,600)	-	(1,502,053)	(1,596,078)
Currency translation adjustment		2,301	50	789	511	43	-	-	-	3,694
Balance at 31 December 2017		110,561	48,850	349,924	100,891	416,834	8,082	-	8,098,990	9,134,132
Carrying amount										
Balance at 31 December 2017		970,126	46,585	84,854	55,897	413,600	14,118	1,017,233	36,753,852	39,356,265
Balance at 1 January 2017		972,981	55,653	125,583	53,723	1	15,228	987,903	44,658,007	46,869,079

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10. Property, plant and equipment (Continued)

	Steel beams $ (Restated)
Company	
Cost	
Balance at 1 January 2017	1,719,979
Disposals	(1,719,979)
Balance at 31 December 2017, 1 January 2018 and 31 December 2018	-
Accumulated depreciation	
Balance at 1 January 2017	42,311
Depreciation charge	(42,311)
Balance at 31 December 2017, 1 January 2018 and 31 December 2018	-
Carrying amount	
Balance at 31 December 2017 and 31 December 2018	-
Balance at 1 January 2017	1,677,668

Included within additions in the consolidated financial statements is plant and machinery acquired under finance leases amounting to $Nil (31 December 2017: $413,600, 1 January 2017: $Nil). As at 31 December 2018, the carrying amounts of motor vehicle, office equipment and plant and machinery held under finance leases were $44,123 (31 December 2017: $84,854, 1 January 2017: $125,583), $30,112 (31 December 2017: $33,998, 1 January 2017:$37,883) and $310,200 (31 December 2017: $413,600, 1 January 2017: $Nil) respectively.

The details of the Group's leasehold building is as follows:

Location	Description	Tenure
PLO No. 799 Jalan Nikel 2, Zone 12C, Pasir Gudang Industrial Area, 81700 Pasir Gudang, Johor, Malaysia.	Factory building	60 years leasehold from 13 October 2014

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. Investments in subsidiaries

	Company		
	31 December 2018	31 December 2017	1 January 2017
	$	$	$
Unquoted equity shares, at cost	27,069,780	27,069,780	27,069,780

The details of the subsidiaries are as follows:

Name	Country of business/ incorporation	Principal activities	Proportion of ownership interest held		
			31 December 2018	31 December 2017	1 January 2017
			%	%	%
Kori Construction (S) Pte. Ltd. (1)	Singapore	Building construction and civil engineering work	100	100	100
Ming Shin Construction (S) Pte. Ltd. (1)	Singapore	Building construction and civil engineering work	100	100	100
Kori Construction (M) Sdn. Bhd. (2)	Malaysia	Contractors for construction works for all kind	100	100	100

Notes:

(1) Audited by BDO LLP, Singapore

(2) Audited by BDO PLT, Malaysia

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. Trade and other receivables

	Group			Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	$	$	$	$	$	$
		(Restated)	(Restated)		(Restated)	(Restated)
Trade receivables						
- Third parties	2,136,885	1,716,354	8,905,988	-	-	-
Loss allowance	(652,194)	-	(3,652,943)	-	-	-
	1,484,691	1,716,354	5,253,045	-	-	-
Unbilled receivables						
- Third parties	5,515,879	7,545,884	8,709,154	-	-	-
Retention receivables						
- Third parties	5,665,524	6,641,274	9,031,246	-	-	-
Loss allowance	(582,275)	-	(474,269)	-	-	-
	5,083,249	6,641,274	8,556,977	-	-	-
Other receivables						
- Subsidiaries	-	-	-	819,740	5,511,223	9,510,370
- Third parties	347,099	197,482	293,207	170,000	187,000	1,580
Loss allowance	(167,082)	-	(235,856)	-	-	-
	180,017	197,482	57,351	989,740	5,698,223	9,511,950
Deposits	272,747	456,150	1,093,452	-	-	-
	12,536,583	16,557,144	23,669,979	989,740	5,698,223	9,511,950

Trade receivables are unsecured, non-interest bearing and generally on 30 to 60 days credit terms.

Unbilled receivables are for rental of steel beams to customers to be billed and subject to immaterial credit loss.

Other receivables are unsecured and non-interest bearing and repayable on demand.

Retention receivables are due for settlement after more than 12 months. They have been classified as current asset because they are expected to be realised in the normal operating cycle of the Group.

The amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. Trade and other receivables (Continued)

Movements in allowance for trade and retention receivables were as follows:

	Group	
	2018	**2017**
	$	**$**
Balance at beginning of financial year under FRS 39	-	-
Adoption of SFRS(I) 9	557,000	-
Balance at beginning of financial year under SFRS(I) 9	557,000	-
Loss allowance made/(reversed) during the financial year		
- reversal of lifetime expected credit loss, not credit impaired	(20,000)	-
- lifetime expected credit loss, credit impaired	1,056,469	-
Receivables written off as uncollectilble	(359,000)	-
Balance at end of financial year	1,234,469	-

As at 31 December 2018, trade receivables of $382,698 (2017: $298,701) were written off for which loss allowance was not previously made and charged to profit or loss due to cessation of operations of the customers.

Trade and other receivables are denominated in the following currencies:

	Group			Company		
	31 December 2018	**31 December 2017**	**1 January 2017**	**31 December 2018**	**31 December 2017**	**1 January 2017**
	$	**$**	**$**	**$**	**$**	**$**
		(Restated)	**(Restated)**		**(Restated)**	**(Restated)**
Singapore dollar	12,360,540	16,542,460	23,652,765	953,701	5,679,184	9,511,950
Ringgit Malaysia	176,043	14,684	17,214	36,039	19,039	-
	12,536,583	16,557,144	23,669,979	989,740	5,698,223	9,511,950

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. Contract assets and contract liabilities

	Group		
	31 December 2018	31 December 2017	1 January 2017
	$	$	$
		(Restated)	(Restated)
Contract assets			
Structural steel works	15,666,035	7,334,720	3,407,105
Tunneling works	-	810,848	1,353,585
	15,666,035	8,145,568	4,760,690
Preliminary costs capitalised	670,174	366,174	680,977
	16,336,209	8,511,742	5,441,667
Contract liabilities			
Structural steel works	-	306,487	825,739
Tunneling works	-	-	-
	-	306,487	825,739

Contract assets are considered to be of low credit risk and subject to immaterial credit loss.

a) Significant changes in contract assets and contract liabilities

	Contract assets		Contract liabilities	
	2018	2017	2018	2017
	$	$	$	$
At 1 January	8,511,742	5,441,667	306,487	825,739
Transfer to trade receivables	(7,857,731)	(13,315,314)	-	-
Excess of revenue recognised over cash (or rights to cash)	15,278,420	16,696,147	-	-
Amount recognised as revenue	-	-	(270,881)	(1,225,499)
Cash received in advance of performance and not recognised as revenue	-	-	64,172	710,293
Preliminary costs capitalised	494,000	-	-	3,035
Amortisation for preliminary costs	(90,222)	(310,758)	(99,778)	(7,081)
At 31 December	16,336,209	8,511,742	-	306,487

The contract assets and contract liabilities arises from structural steel works and tunneling works mainly due to the Group's rights to consideration for work completed but not billed at the end of the reporting period and cumulative payments received from customers at the end of the reporting period exceeding the value of services rendered.

The contract assets relating to preliminary costs capitalised is amortised over the contractual period of the contract, which generally ranged from 2 to 6 (2017: 2 to 3) years. This amortisation charged for the year had been included in "cost of sales" of the consolidated comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. Contract assets and contract liabilities (Continued)

b) Remaining performance obligations

Certain construction contracts have been entered into for which both:

- the original contractual period was greater than 12 months; and
- the Group's right to consideration does not correspond directly with the performance.

The amount of revenue that will be recognised in future periods on these contracts when those remaining performance obligations will be satisfied is analysed as follows:

	2019	2020	2021	Total
	$	$	$	$
Structural steel works	8,721,048	490,610	31,758	9,243,416

The Group has applied the exemption in paragraph C5(d) of the transitional rules in SFRS(I) 15 and therefore has not disclosed the amount of revenue that will be recognised in future periods for the comparative period.

14. Cash and bank balances

	Group			Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	$	$	$	$	$	$
Cash and bank balances	1,365,242	1,825,759	1,939,360	12,945	109,358	129,376
Fixed deposit pledged	1,031,291	1,022,513	1,014,465	-	-	-
	2,396,533	2,848,272	2,953,825	12,945	109,358	129,376

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

	Group		
	31 December 2018	31 December 2017	1 January 2017
Cash and bank balances (as above)	2,396,533	2,848,272	2,953,825
Less: Fixed deposit pledged	(1,031,291)	(1,022,513)	(1,014,465)
Cash and cash equivalents per consolidated statement of cash flows	1,365,242	1,825,759	1,939,360

Fixed deposit will mature within 8 months (31 December 2017: 8 months, 1 January 2017: 8 months) from the end of the financial year. The effective interest rate on the fixed deposit is 1.34% (31 December 2017: 1.34%, 1 January 2017: 1.34%) per annum.

As at 31 December 2018, the fixed deposit of the Group amounting to $1,031,291 (31 December 2017: $1,022,513, 1 January 2017: $1,014,465) were pledged to banks as security for banking facilities as disclosed in Note 17 to the financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. Cash and bank balances (Continued)

Cash and bank balances are denominated in the following currencies:

	Group			Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	$	$	$	$	$	$
Singapore dollar	2,269,546	2,788,120	2,821,359	12,945	109,358	129,376
Ringgit Malaysia	126,987	60,152	132,466	-	-	-
	2,396,533	2,848,272	2,953,825	12,945	109,358	129,376

15. Trade and other payables

	Group			Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	$	$	$	$	$	$
		(Restated)	(Restated)		(Restated)	(Restated)
Trade payables						
- Third parties	3,257,302	3,362,465	15,121,006	27,067	72,412	70,279
- Retention sums	21,128	70,046	90,277	-	-	-
	3,278,430	3,432,511	15,211,283	27,067	72,412	70,279
Other payables						-
- Third parties	979,606	902,608	563,448	-	309,058	-
- Subsidiaries	-	-	-	-	41,409	1,779,922
- Goods and services tax payables	357,483	458,943	484,754	6,215	5,801	-
	1,337,089	1,361,551	1,048,202	6,215	356,268	1,779,922
Advance billings to customers	3,518,662	4,452	59,736	-	-	-
Accrued operating expenses	807,864	953,870	1,827,907	25,000	105,030	148,780
	8,942,045	5,752,384	18,147,128	58,282	533,710	1,998,981

Trade payables are unsecured, non-interest bearing and are generally on 30 to 90 days credit terms.

Advance billings to customers are for rental of steel beams in future financial periods.

Non-trade payables to third parties and subsidiaries are unsecured, non-interest bearing and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. Trade and other payables (Continued)

Trade and other payables are denominated in the following currencies:

	Group			Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	$	$	$	$	$	$
		(Restated)	(Restated)		(Restated)	(Restated)
Singapore dollar	8,465,633	5,638,328	18,014,395	58,282	533,710	1,998,981
Ringgit Malaysia	476,412	114,056	132,733	-	-	-
	8,942,045	5,752,384	18,147,128	58,282	533,710	1,998,981

16. Finance lease payables

	Group		
	31 December 2018	31 December 2017	1 January 2017
	$	$	$
Minimum lease payments due			
- Not later than one year	143,345	143,345	32,489
- Between one and five year	131,955	275,300	85,336
	275,300	418,645	117,825
Less: Future finance charges	(13,871)	(26,913)	(13,730)
Present value of finance lease liabilities	261,429	391,732	104,095

The present values of finance lease payables are analysed as follows:

	Group		
	31 December 2018	31 December 2017	1 January 2017
	$	$	$
- Not later than one year	133,921	130,203	28,715
- Between one and five year	127,508	261,529	75,380
	261,429	391,732	104,095

The finance lease terms range from are 4 to 5 (31 December 2017: 4 to 5, 1 January 2017: 5) years. The weighted average effective interest rate for finance lease payables approximates to 3.88% (31 December 2017: 3.89%, 1 January 2017: 5.05%) per annum.

Interest rates are fixed at the contract date and thus expose the Group to fair value interest rate risk. All finance leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The carrying amounts of non-current finance lease payables approximate their fair value as at the end of each reporting date.

The Group's obligations under finance leases are secured by the leased assets, which will revert to the lessors in the event of default by the Group.

The finance leases are secured by a corporate guarantee from the Company.

The finance lease payables are denominated in Singapore dollar.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

17. Bank borrowings

	Group		
	31 December 2018	31 December 2017	1 January 2017
	$	$	$
Bank borrowings	4,105,564	9,587,581	5,674,424

The Group has two types of loans:

(i) Trade facilities

One of the subsidiaries of the Group entered into trade facilities amounting to $6,000,000 on 8 August 2014 which can be drawn down to facilitate and finance the subsidiary's purchases and subcontractors' invoices. As at the end of the reporting period, the outstanding borrowings amounted to $1,329,564 (31 December 2017: $5,143,581, 1 January 2017: $5,674,424). Fixed advance facility is repayble on demand to the bank and bear interest of 4.25% per annum which is the bank prevailing prime rate. Bills receivable purchase is repayble on demand to the bank with maximum tenor up to 150 days inclusive of suppliers' credit and bear interest of 0.5% over the bank prevailing prime rate of 4.25% per annum.

The weighted average effective interest rates for trade facilities approximates to 4.41% (31 December 2017: 4.65%, 1 January 2017: 4.66%) per annum.

The trade facilities are secured by a corporate guarantee from the Company and deposit pledged with financial institution (Note 14).

(ii) Term loan

One of the subsidiaries of the Group entered into a banking facility amounting to $5,000,000 on 24 May 2017 which was drawn down by the subsidiary on 5 September 2017. As at the end of the reporting period, the outstanding borrowing amounts to $2,776,000 (31 December 2017: $4,400,000). The loan carries an interest at 2.5% per annum (31 December 2017: 2.5%) above the Singapore Interbank Offered Rate. The loan is secured by a corporate guarantee issued by the Company. The repayment is to be made via 36 monthly instalments comprising of monthly principal of $139,000 which commencing from 28 August 2017 to 28 August 2020.

The average effective interest rate for term loan is 0.05% (31 December 2017: 0.05%) per annum.

As at 31 December 2018 and 2017, a subsidiary has not been able to fulfill some of its financial ratios. Consequently, the entire balance of borrowings amounting to $2,776,000 (31 December 2017: $4,440,000) were classified as current liabilities. Subsequent to 31 December 2018 and 2017, management has engaged with the lending bank and has obtained one-off waiver of compliance with the affected financial ratios.

Management estimates that the carrying amounts of the Group's borrowings approximate their fair values as these borrowings are at floating interest rates and repriced regularly.

The bank borrowings are denominated in Singapore dollar.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

18. Convertible bond

On 19 August 2013, the Company issued a 5% convertible bond denominated in Singapore dollar with a nominal value of $5,000,000. The bond is due for repayment 3 years from the issue date at its nominal value of $5,000,000 or conversion into shares of the Company at the holder's option at the rate of $0.42 per share, being not more than a 10% discount to the prevailing market price of the shares on the last trading day prior to the date of the agreement.

The equity component of the convertible bond was not recognised as the amount is immaterial.

On 30 June 2016, the Company entered into an amendment agreement to amend the terms of the convertible bond subscription agreement dated 19 August 2013 in relation to extending the Maturity Date by one (1) year. The Company had fully redeemed the principal amount of the bond on 5 September 2017.

The convertible bond was denominated in Singapore dollar.

19. Deferred tax assets/(liabilities)

	Group		
	31 December 2018	31 December 2017	1 January 2017
	$	$	$
		(Restated)	(Restated)
Deferred tax assets	-	-	329,000
Deferred tax liabilities	(317,429)	(255,202)	(189,665)

Movements in deferred tax assets are as follows:

	Group	
	2018	2017
	$	$
		(Restated)
Balance at beginning of financial year	-	329,000
Credit to profit or loss	-	(329,000)
Balance at end of financial year	-	-

Movements in deferred tax liabilities are as follows:

	Group	
	2018	2017
	$	$
		(Restated)
Balance at beginning of financial year	(255,202)	(189,665)
Credit to profit or loss	(61,562)	(62,184)
Currency translation adjustment	(665)	(3,353)
Balance at end of financial year	(317,429)	(255,202)

Deferred tax assets are mainly attribute to unutilised capital allowances whilst deferred tax liabilities are mainly attribute to accelerated tax depreciation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

20. Share capital

	Group and Company					
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	Number of ordinary shares			$	$	$
Issued and fully-paid	99,200,000	99,200,000	99,200,000	32,290,650	32,290,650	32,290,650

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

21. Merger reserve

Merger reserve represents the difference between the consideration paid and the share capital of subsidiaries acquired.

22. Foreign currency translation reserve

Foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currency is different from that of the Group's presentation currency and is not distributable.

23. (Accumulated losses)/Retained earnings

	Company		
	31 December 2018	31 December 2017	1 January 2017
	$	$	$
		(Restated)	(Restated)
(Accumulated losses)/Retained earnings	(4,282,219)	28,778	(894,097)

Movements of (accumulated losses)/retained earnings of the Company are as follows:

	Company	
	2018	2017
	$	$
		(Restated)
Balance at beginning of financial year	28,778	(894,097)
Total comprehensive income for the financial year	(4,211,797)	1,022,075
Dividends (Note 24)	(99,200)	(99,200)
Balance at end of financial year	(4,282,219)	28,778

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

24. Dividends

	Group and Company	
	2018	2017
	$	$
First and final tax-exempt dividends paid of 0.1 cents per share in respect of financial year ended 31 December 2017	99,200	-
First and final tax-exempt dividends paid of 0.1 cents per share in respect of financial year ended 31 December 2016	-	99,200
	99,200	99,200

In the previous financial year, the Directors of the Company recommend a final tax-exempt dividend 0.1 cents per share amounting to approximately $99,200 be paid. The dividends have not been recognised as a liability as at the end of the previous financial year as it was subject to approval by shareholders at the Annual General Meeting of the Company.

25. Commitments and contingent liabilities

25.1 Operating lease commitments

The Group as a lessor

The Group has entered into operating leases on its property, plant and equipment. These non-cancellable leases have remaining lease terms of between one and five years.

At each reporting date, future minimum rentals receivable under non-cancellable operation leases at the end of the reporting period are as follows:

	Group		
	31 December 2018	31 December 2017	1 January 2017
	$	$	$
Within one year	3,323,657	4,517,427	13,740,154
After one year but within five years	202,860	2,203,830	4,953,274
	3,526,517	6,721,257	18,693,428

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

25. Commitments and contingent liabilities (Continued)

25.1 Operating lease commitments (Continued)

The Group as a lessee

As at the end of the reporting period, there were operating lease commitments for rental payable in subsequent accounting periods as follows:

	Group		
	31 December 2018	31 December 2017	1 January 2017
	$	$	$
Within one year	1,172,220	1,150,314	2,209,883
After one year but within five years	429,262	440,116	66,455
	1,601,482	1,590,430	2,276,338

The above operating lease commitments are based on existing rental rates at the end of the reporting period. The operating lease agreements provide for periodic revision of such rates in the future. The Group leases various office premises and other operating facilities under non-cancellable operating lease agreements. These leases have varying terms, escalation rights and renewal rights.

25.2 Contingent liabilities

Corporate guarantees

As at 31 December 2018, the Company had given guarantees amounting to $4,319,773 (31 December 2017: $9,899,277; 1 January 2017: $5,674,424) to certain banks in respect of banking facilities granted to a subsidiary. Such guarantees are in the form of a financial guarantee as they require the Company to reimburse the respective banks if the subsidiary to which the guarantees were extended fail to make principal or interest repayments when due in accordance with the terms of the borrowings.

The Company has considered the fair values of the corporate guarantees and the consequential liabilities derived from its guarantees to the banks with regards to the subsidiary is insignificant. The subsidiary for which the guarantees were provided is in favourable equity position and are profitable, with no default in the repayment of borrowings and credit facilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. Segment information

Management has determined the operating segments that are used to make strategic decisions.

Management considers the business from both a geographic and business segment perspective. Geographically, management manages and monitors the business in these primary geographic areas: Singapore and Malaysia.

The Group has two reportable segments being structural steel works and tunneling works.

The structural steel segment provides services to design, purchase and fabricate reusable steel struts and steel beams for temporary strutting works in earth retaining or stabilising structures for excavation works and rental of steel beams and oil jacks.

The tunneling segment supplies skilled personnel with the required technical expertise to provide macro-tunneling works.

The Group's reportable segments are strategic business units that are organised based on their function and targeted customer groups. They are managed separately because each business unit requires different skill sets and marketing strategies.

Management monitors the operating results of the segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operation profit or loss which is similar to the accounting profit or loss.

Income taxes are managed on a Group basis.

The accounting policies of the operating segments are the same of those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operation before tax expense not including non-recurring gains and losses and foreign exchange gains or losses.

The measurement methods used to determine reported segment profit or loss for 2017 has changed due to the adoption of SFRS(I) 15.

See Note 29 to the financial statements for the impact arising from the adoption of the SFRS(I) 15 in 2017.

The Group accounts for intersegment sales and transfer as if the sales or transfers were to third parties, which approximate market prices. These intersegment transactions are eliminated on consolidation.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise corporate assets, liabilities and expenses which are not directly attributable to a particular reportable segment above as they are not separately reported to the chief operating decision maker.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. Segment information (Continued)

	Structural steel	Tunneling	Unallocated	Elimination and adjustments	Total
	$	$	$	$	$
31 December 2018					
Revenue	23,249,800	2,884,617	-	-	26,134,417
Cost of sales	(18,284,317)	(3,261,863)	-	2,947,591	(18,598,589)
Gross profit	4,965,483	(377,246)	-	2,947,591	7,535,828
Other income	-	-	217,043	-	217,043
Interest income	-	-	8,778	-	8,778
Other non-cash items:					
Loss allowance on trade and retention receivables	(1,036,469)	-	-	-	(1,036,469)
Bad trade receivables written off	(382,698)	-	-	-	(382,698)
Depreciation of property, plant and equipment	(1,160,199)	-	(369,737)	-	(1,529,936)
Loss on disposals of property, plant and equipment	(2,890,508)	-	-	-	(2,890,508)
Finance expenses	-	-	(281,517)	-	(281,517)
Administrative expenses	-	-	(1,317,852)	-	(1,317,852)
(Loss)/Profit before income tax	(504,391)	(377,246)	(1,743,285)	2,947,591	322,669
Income tax expense	-	-	(71,178)	-	(71,178)
(Loss)/Profit for the financial year	(504,391)	(377,246)	(1,814,463)	2,947,591	251,491
Capital expenditure					
Additions to property, plant and equipment	1,465,604	-	1,082	-	1,466,686
Assets and liabilities					
Segment assets	23,046,683	690,851	41,041,351	-	64,778,885
Segment liabilities	3,133,769	18,147	10,500,617	-	13,652,533

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. Segment information (Continued)

	Structural steel	Tunneling	Unallocated	Elimination and adjustments	Total
	$	$	$	$	$
31 December 2017					
Revenue	27,308,997	4,328,202	-	-	31,637,199
Cost of sales	(22,648,244)	(4,554,184)	-	3,542,911	(23,659,517)
Gross profit	4,660,753	(225,982)	-	3,542,911	7,977,682
Other income	-	-	669,645	-	669,645
Interest income	-	-	8,048	-	8,048
Other non-cash items:					
Bad trade receivables written off	(298,701)	-	-	-	(298,701)
Depreciation of property, plant and equipment	(1,294,969)	-	(521,459)	-	(1,816,428)
Loss on disposals of property, plant and equipment	(2,491,810)	-	-	(3,708)	(2,495,518)
Finance expenses	-	-	(463,489)	-	(463,489)
Administrative expenses	-	-	(819,627)	-	(819,627)
Profit/(Loss) before income tax	575,273	(225,982)	(1,126,882)	3,539,203	2,761,612
Income tax expense	-	-	(468,113)	-	(468,113)
Profit/(Loss) for the financial year	575,273	(225,982)	(1,594,995)	3,539,203	2,293,499
Capital expenditure					
Additions to property, plant and equipment	465,500	-	539,186	-	1,004,686
Assets and liabilities					
Segment assets	59,168,916	1,496,851	7,095,766	-	67,761,533
Segment liabilities	3,326,045	88,162	12,828,784	-	16,242,991
1 January 2017					
Capital expenditure					
Additions to property, plant and equipment	-	-	352,825	-	352,825
Assets and liabilities					
Segment assets	62,827,366	1,171,821	15,190,479	-	79,189,666
Segment liabilities	14,442,845	70,457	15,329,770	-	29,843,072

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. Segment information (Continued)

Geographical information

The Group's two business segments operate in two main geographical areas:

- Singapore – the Company is headquartered and operates in Singapore. The operations in this area are principally building constructions and civil engineering works and investment holding.

- Malaysia – the operations in this area are principally contracting for all kinds of construction works.

Revenue from external customers

	Singapore	Malaysia	Group
	$	$	$
2018			
Revenue from external customers	26,134,417	-	26,134,417
2017			
Revenue from external customers	31,637,199	-	31,637,199

Location of non-current assets

	Singapore	Malaysia	Group
	$	$	$
31 December 2018			
Non-current assets	30,870,491	1,969,364	32,839,855
31 December 2017			
Non-current assets	37,368,906	1,987,359	39,356,265
1 January 2017			
Non-current assets	45,236,046	1,962,033	47,198,079

Non-current assets are property, plant and equipment as presented in the statement of financial position of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. Segment information (Continued)

Major customers

The revenues from 4 customers (2017: 3 customers) of the Group's structural steel and tunneling segment represent approximately $16,373,826 and $2,543,778 (2017: $24,611,037 and $3,742,219) respectively. The details of these customers which individually contributed 10 percent or more of the Group's revenue in the financial year are as follows:

	Group			
	Structural Steel		Tunneling	
	2018	2017	2018	2017
	$	$	$	$
Customer A	3,048,658	17,428,792	-	-
Customer B	2,526,682	5,056,159	2,543,778	2,740,155
Customer C	7,991,082	-	-	-
Customer D	2,807,404	-	-	-
Customer E	-	2,126,086	-	1,002,064
	16,373,826	24,611,037	2,543,778	3,742,219

27. Significant related party transactions

For the purposes of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

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

	Company	
	2018	2017
	$	$
With subsidiaries		
Management and admin fees charged to a subsidiary	441,100	1,304,672
Dividend income from a subsidiary	-	1,000,000
Collection on behalf by a subsidiary	17,000	-
Repayment from a subsidiary	815,000	-
Expenses paid on behalf by a subsidiary	89,173	5,056,289

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

27. Significant related party transactions (Continued)

Compensation of key management personnel

The remuneration of Directors of the Group and the Company during the financial year was as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$	**$**	**$**	**$**
Salaries and other short-term benefits (other than fees)	555,633	482,609	-	-
Employer's contribution to defined contribution plans	52,340	38,584	-	-
Directors' fees	131,000	120,120	131,000	120,120
Other benefits	39,480	43,983	-	-
	778,453	685,296	131,000	120,120

28. Financial instruments, financial risks and capital management

The Group's and the Company's activities expose them to credit risk, market risk (including interest rate risk and foreign exchange risk), and liquidity risk. The Group's and the Company's overall risk management strategy seek to minimise adverse effects from the volatility of financial markets on the Group's and the Company's financial performance.

The Board of Directors of the Company is responsible for setting the objectives and underlying principles of financial risk management for the Group and the Company. The Group's and the Company's management then establish the detailed policies such as risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

There has been no change to the Group's and the Company's exposures to these financial risks or the manner in which they manage and measure these risks.

28.1 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a loss to the Group and the Company. The Group is mainly exposed to credit risk from credit sales. The Group and Company place their cash and cash equivalents with creditworthy institutions. The Group has adopted policies and procedures in extending credit terms to customers and in monitoring credit risk. Credit exposure is controlled by the counterparty limits that are reviewed and approved by management.

Concentration of credit risk exists when changes in economic, industry or geographic factors similarly affect group of counterparties whose aggregate credit exposure is significant in relation to the Group's and Company's total credit exposure.

Receivables are considered to be credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that receivables have occurred (i.e. significant financial difficulty of debtor, possible bankruptcy or liquidation of debtor, default of payments, etc.).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. Financial instruments, financial risks and capital management (Continued)

28.1 Credit risk (Continued)

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 statement of financial position, except as follows:

	Company		
	31 December 2018	31 December 2017	1 January 2017
	$	$	$
Corporate guarantees provided to banks for subsidiary's banking facilities utilised as at the end of financial year	4,319,773	9,899,277	5,674,424

For the corporate guarantee issued, the Company has assessed that the subsidiary have sufficient financial capabilities to meet its contractual cash flows obligation in the near future hence, does not expect any material loss allowance under 12-month expected credit loss model.

The Group and the Company do not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics except for the Group has significant credit exposure to top three retention receivables from third parties amounting to approximately $3,377,000 and $Nil (31 December 2017: $3,349,000 and $Nil, 1 January 2017: $4,836,000 and $Nil) respectively as at the end of financial year.

The Group's and the Company's major classes of financial assets are bank deposits and trade and other receivables.

Comparative information under SFRS(I) 9

Aging profile of trade receivables that were past due but not impaired:

	Group	
	31 December 2017	1 January 2017
	$	$
Past due less than 3 months	721,310	4,659,703
Past due 3 months to 6 months	48,643	127,499
Past due more than 6 months	946,401	444,042

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. Financial instruments, financial risks and capital management (Continued)

28.1 Credit risk (Continued)

Comparative information under SFRS(I) 9 (Continued)

At 31 December 2018, the lifetime expected loss provision for the Group's trade receivables and retention receivables are as follows:

	Current	Past due 0 to 1 month	Past due over 1 to 2 months	Past due over 2 to 5 months	Past due over 5 months	Total
	$	$	$	$	$	$
Group						
Structural steel works						
Expected loss rate	3.3%	3.3%	0%	0%	3.3%	
Trade receivables						
- Third parties	1,015,318	974,194	-	-	147,373	2,136,885
Loss allowance						
- Expected credit loss	33,260	31,913	-	-	4,827	70,000
- Credit impaired	582,194	-	-	-	-	582,194
	615,454	31,913	-	-	4,827	652,194
Expected loss rate	2.1%	0%	0%	0%	0%	
Retention receivables						
- Third parties	5,665,524	-	-	-	-	5,665,524
Loss allowance						
- Expected credit loss	108,000	-	-	-	-	108,000
- Credit impaired	474,275	-	-	-	-	474,275
	582,275	-	-	-	-	582,275

Trade receivables and retention receivables for tunneling works segment are subject to immaterial credit loss.

For amount due from subsidiaries (Note 12), Board of Directors has taken into account information that it has available internally about these subsidiaries' past, current and expected operating performance and cash flow position. Board of Directors monitors and assess at each reporting date on whether there is any indicator of significant increase in credit risk on the amount due from the respective subsidiaries, by reviewing their financial performance and results. The risk of default is considered to be minimal as these subsidiaries have sufficient liquid assets and cash to repay their debts. Therefore, amount due from subsidiaries are subject to immaterial credit loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. Financial instruments, financial risks and capital management (Continued)

28.1 Credit risk (Continued)

Comparative information under SFRS(I) 9 (Continued)

Cash and bank balances

The cash and bank balances are held with the financial institutions with the following credit ratings:

	Group			Company	
	Rating	Bank balance	Short-term deposits	Rating	Bank balance
		$	$		$
31 December 2018					
International banks	AA/A	1,235,587	1,031,291	AA/A	12,945
Local banks	BAA/BBB	129,655	-		-
	Note 14	1,365,242	1,031,291		12,945
31 December 2017					
International banks	AA/A	1,762,889	1,022,513	AA/A	109,358
Local banks	BAA/BBB	62,870	-		-
	Note 14	1,825,759	1,022,513		109,358
1 January 2017					
International banks	AA/A	1,804,126	1,014,465	AA/A	129,376
Local banks	BAA/BBB	135,234	-		-
	Note 14	1,939,360	1,014,465		129,376

The credit rating above are derived from Moody's and Fitch's ratings. The Board of Directors monitors the credit ratings of counterparties regularly. Impairment of cash and bank balances has been measured based on 12-month expected credit loss model. At the reporting date, the Group and Company did not expect any credit losses from non-performance by the counterparties.

28.2 Market risk

(i) Foreign exchange risk management

The Group mainly carries out its transactions in their entities' respective functional currencies. Since the financial assets and financial liabilities are denominated in the respective functional currencies, there is no exposure to foreign exchange risk. In addition, the Group is exposed to currency translation risk on the net assets in foreign operation. Currency exposure to the net asset of the Group's foreign operation has been monitored throughout the year and the impact to the Group's financial statements is insignificant.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. Financial instruments, financial risks and capital management (Continued)

28.2 Market risk (Continued)

(i) Foreign exchange risk management (Continued)

The Company's exposure to foreign currency risk is insignificant as the business is operated in Singapore and transactions are mainly denominated in Singapore dollar, which is the functional currency of the Company.

(ii) Interest rate risk management

The Group's and the Company's exposure to market risk for changes in interest rates relates primarily to bank borrowings as shown in Note 17 to the financial statements.

The Group's and the Company's financial performance are affected by changes in interest rates due to the impact of such changes on interest expenses from bank borrowings which are at floating interest rates. It is the Group's and the Company's policy to obtain quotes from banks to ensure that the most favourable rates are made available to the Group and the Company.

The Group's borrowings at variable rates are denominated in Singapore dollar. If the Singapore dollar interest rates increase or decrease by 5% (31 December 2017: 5%, 1 January 2017: 5%) with all other variables including tax rate being held constant, the Group's profit before income tax will decrease or increase by approximately $205,278 (31 December 2017: $479,379, 1 January 2017: $283,721) as a result of higher or lower interest expense on borrowings.

28.3 Liquidity risk

Liquidity risk refers to the risk in which the Group and the Company encounter difficulties in meeting their short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

The Group and the Company actively manage their operating cash flows so as to finance the Group's and the Company's operations. As part of their overall prudent liquidity management, the Group and the Company minimise liquidity risk by ensuring the availability of funding through an adequate amount of committed credit facilities from financial institutions and maintain sufficient levels of cash to meet their working capital requirement.

The following table details the Group's and the Company's remaining contractual maturity for their non-derivative financial liabilities. The table has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group and the Company are expected to receive or pay.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. Financial instruments, financial risks and capital management (Continued)

28.3 Liquidity risk (Continued)

Contractual maturity analysis

	Within one year	After one year but within five years	Total
	$	$	$
Group			
31 December 2018			
Financial liabilities			
Non-interest bearing			
- Trade and other payables (excluding goods and services tax and advance billings to customers)	5,065,900	-	5,065,900
Interest bearing			
- Bank borrowings	4,350,780	-	4,350,780
- Finance lease payables	143,345	131,955	275,300
	9,560,025	131,955	9,691,980
31 December 2017			
Financial liabilities			
Non-interest bearing			
- Trade and other payables (excluding goods and services tax and advance billings to customers)	5,288,989	-	5,288,989
Interest bearing			
- Bank borrowings	9,959,100	-	9,959,100
- Finance lease payables	143,345	275,300	418,645
	15,391,434	275,300	15,666,734
1 January 2017			
Financial liabilities			
Non-interest bearing			
- Trade and other payables (excluding goods and services tax and advance billings to customers)	17,602,638	-	17,602,638
Interest bearing			
- Bank borrowings	5,894,781	-	5,894,781
- Finance lease payables	32,489	85,336	117,825
- Convertible bond	5,000,000	-	5,000,000
	28,529,908	85,336	28,615,244

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. Financial instruments, financial risks and capital management (Continued)

28.3 Liquidity risk (Continued)

Contractual maturity analysis (Continued)

	Within one year $	Total $
Company		
31 December 2018		
Financial liabilities		
Non-interest bearing		
- Trade and other payables (excluding goods and services tax)	52,067	52,067
Financial corporate guarantee	4,319,773	4,319,773
31 December 2017		
Financial liabilities		
Non-interest bearing		
- Trade and other payables (excluding goods and services tax)	527,909	527,909
Financial corporate guarantee	9,899,277	9,899,277
1 January 2017		
Financial liabilities		
Non-interest bearing		
- Trade and other payables (excluding goods and services tax)	1,998,981	1,998,981
Interest bearing		
- Convertible bond	5,000,000	5,000,000
	6,998,981	6,998,981
Financial corporate guarantee	5,674,424	5,674,424

The disclosed amounts for the financial guarantee contracts represent the maximum amount of issued financial guarantees in the earliest period for which the guarantees could be called upon in the contracted maturity analysis.

The Group's operations are financed mainly through equity, finance leases and bank borrowings. Adequate lines of credits are maintained to ensure the necessary liquidity is available when required.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. Financial instruments, financial risks and capital management (Continued)

28.4 Capital management policies and objectives

The Group and the Company manage their capital to ensure that the Group and the Company are able to continue as going concern and to maintain an optimal capital structure so as to maximise shareholders' value.

The management constantly reviews the capital structure to ensure the Group and the Company are able to service any debt obligations (include principal repayment and interests) based on their operating cash flows. The Group's and the Company's overall strategy remains unchanged from 2017.

The management monitors capital based on gearing ratio. The gearing ratio is calculated as net debt divided by equity attributable to owners of the parent plus net debt. The Group and the Company include within net debt, trade and other payables, finance lease payables and bank borrowings less cash and bank balances. Equity attributable to owners of the parent consists of share capital, foreign currency translation reserve, merger reserve and retained earnings.

	Group			Company		
	31 December 2018	**31 December 2017**	**1 January 2017**	**31 December 2018**	**31 December 2017**	**1 January 2017**
	$	$	$	$	$	$
Trade and other payables	8,942,045	5,752,384	18,147,128	58,282	533,710	1,998,981
Finance lease payables	261,429	391,732	104,095	-	-	-
Bank borrowings	4,105,564	9,587,581	5,674,424	-	-	-
Convertible bond	-	-	5,000,000	-	-	5,000,000
Less: Cash and bank balances	(2,396,533)	(2,848,272)	(2,953,825)	(12,945)	(109,358)	(129,376)
Net debt	10,912,505	12,883,425	25,971,822	45,337	424,352	6,869,605
Equity attributable to owners of the parent	51,126,352	51,518,542	49,346,594	28,008,431	32,319,428	31,396,553
Total capital	62,038,857	64,401,967	75,318,416	28,053,768	32,743,780	38,266,158
Gearing ratio (%)	18	20	34	*	1	18

* Less than 1%.

28.5 Fair value of financial assets and financial liabilities

The carrying amounts of the Group's and the Company's current financial assets and current financial liabilities approximate their respective fair values due to the relative short term maturity of these financial instruments. The fair values of and non-current liabilities in relation to finance lease payables are disclosed in the respective notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. Financial instruments, financial risks and capital management (Continued)

28.6 Categories of financial instruments

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

	Group			Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	$	$	$	$	$	$
Financial assets, at amortised cost						
Trade and other receivables	12,536,583	16,557,144	23,669,979	989,740	5,698,223	9,511,950
Cash and bank balances	2,396,533	2,848,272	2,953,825	12,945	109,358	129,376
	14,933,116	19,405,416	26,623,804	1,002,685	5,807,581	9,641,326
Financial liabilities, at amortised cost						
Trade and other payables (excluding goods and services tax and advance billings to customers)	5,065,900	5,288,989	17,602,638	52,067	527,909	1,998,981
Bank borrowings	4,105,564	9,587,581	5,674,424	-	-	-
Finance lease payables	261,429	391,732	104,095	-	-	-
Convertible bond	-	-	5,000,000	-	-	5,000,000
	9,432,893	15,268,302	28,381,157	52,067	527,909	6,998,981

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. Comparatives

29.1 The Group has transited to SFRS(I)s on 1 January 2018. In transiting to SFRS(I)s, the Group is required to apply all of the specific transition requirements under SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*.

The accounting policies set out in Note 2 to the financial statements comply with SFRS(I)s effective on 1 January 2018. These accounting policies have been applied in preparing the financial statements of the Group for the financial year ended 31 December 2018, as well as comparative information presented in these financial statements for the financial year ended 31 December 2017 and in the preparation of the opening statements of financial position at 1 January 2017 (“date of transition”).

Optional exemptions applied

The Group has applied the following exemptions in preparing their first set of financial statements in accordance with SFRS(I)s:

<u>Short-term exemption on adoption of SFRS(I) 9 *Financial Instruments*</u>

The Group has elected to apply the short-term exemptions upon adoption of SFRS(I) 9 on 1 January 2018. As a result, the financial instruments included in the comparatives have been accounted for in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*. The Group is also exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosure* on the disclosure requirements in relation to SFRS(I) 9.

<u>Practical expedients on adoption of SFRS(I) 15 *Revenue from Contracts with Customers*</u>

On 1 January 2017, the Group has elected to apply the transitional provisions under SFRS(I) 1:D34 and has used the following practical expedients:

- the Group did not restate contracts that (i) completed prior to or on 1 January 2017 and (ii) begin and end within the same financial year;

- for completed contracts with variable consideration, the Group has used the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting period;

- for contracts that were modified before 1 January 2017, the Group did not retrospectively restate the contract for those contract modifications; and

- the Group did not disclose the amount of the transaction price allocated to the remaining performance obligation for financial year ended 31 December 2017 and an explanation of when the Group expects to recognised that amount as revenue.

29.2 Restatement of revenue, cost of sales and inventories (steel beams and oil jacks)

In conjunction with the application of SFRS(I) 15, the Group has revisited all the salient terms of its construction contracts, including the arrangements of sale and buyback of steel beams typically stipulated in these contracts. The accounting treatment of these arrangements involves significant judgement and the Group has identified that the supply of steel beams and oil jacks as an operating lease and revenue is measured separately from the provision of civil/structural engineering and infrastructural construction services (“Construction Services”). This assessment requires the Group to consider whether (i) the fulfilment of the Construction Services are dependent on the use of steel beams and oil jacks; and (ii) the Constructions Services conveys a right to use the steel beams and oil jacks.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. Comparatives (Continued)

29.2 Restatement of revenue, cost of sales and inventories (steel beams and oil jacks) (Continued)

Upon considering the above factors, the Group has determined that its supply of steel beams and oil jacks embedded in the revenue from contract with customers for Construction Services constitute a leasing arrangement. The steel beams and oil jacks should be classified as property, plant and equipment as it would more faithfully represent and reflect the economic substance of the arrangements. Accordingly, certain financial statements line items have been restated and reclassified.

<u>The effect on the Group's consolidated statement of financial position were as follows:</u>

(i) Property, plant and equipment had increased by $36,695,899 and $44,601,217 as at 31 December 2017 and 1 January 2017 respectively;

(ii) Deferred tax assets had increased by $Nil and $329,000 as at 31 December 2017 and 1 January 2017 respectively;

(iii) Trade and other receivables had decreased by $30,635,805 and $38,877,907 as at 31 December 2017 and 1 January 2017 respectively;

(iv) Inventories had decreased by $2,508,387 and $4,887,567 as at 31 December 2017 and 1 January 2017 respectively;

(v) Trade and other payables had decreased by $79,391 as at 31 December 2017 and increase by $59,734 and 1 January 2017 respectively;

(vi) Current income tax payable had decreased by $127,747 and $548,617 as at 31 December 2017 and 1 January 2017 respectively;

(vii) Deferred tax liabilities had increased by $242,683 and $177,146 as at 31 December 2017 and 1 January 2017 respectively;

(viii) Retained earnings had increased by $4,027,692 and $1,468,147 as at 31 December 2017 and 1 January 2017 respectively; and

(ix) Current income tax recoverable had increased by $515,346 and $Nil as at 31 December 2017 and 1 January 2017 respectively.

<u>The effect on the Company's statement of financial position were as follows:</u>

(x) Property, plant and equipment had increased by $1,677,668 as at 1 January 2017;

(xi) Inventories had decreased by $1,719,979 as at 1 January 2017; and

(xii) Accumulated losses had increased by $42,311 as at 1 January 2017.

<u>The effect on the Group's consolidated statement of comprehensive income were as follows:</u>

(xiii) Revenue had decreased by $3,899,534 for 31 December 2017;

(xiv) Cost of sales had decreased by $5,838,403 for 31 December 2017; and

(xv) Other expenses had increased by $78,397 for 31 December 2017.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. Comparatives (Continued)

29.2 Restatement of revenue, cost of sales and inventories (steel beams and oil jacks) (Continued)

The effect on the Group's consolidated statement of cash flows were as follows:

(xvi) Profit before income tax had increased by $1,860,472 for 31 December 2017;

(xvii) Depreciation of property, plant and equipment had increased by $1,632,659 for 31 December 2017;

(xviii) Loss on disposals of property, plant and equipment had increased by $2,491,790 for 31 December 2017;

(xix) Movements of trade and other receivables had decreased by $3,614,391 for 31 December 2017;

(xx) Movements of inventories had decreased by $2,421,783 for 31 December 2017;

(xxi) Movements of trade and other payables had increased by $170,033 for 31 December 2017;

(xxii) Income tax paid had decreased by $3,353 for 31 December 2017;

(xxiii) Proceeds from disposal of plant and equipment had increased by $4,245,206 for 31 December 2017; and

(xxiv) Purchase of property, plant and equipment had increased by $473,271 for 31 December 2017.

29.3 Explanatory notes to reconciliation

The effects of transition to SFRS(I)s mainly arises from the adoption of SFRS(I) 15 and SFRS(I) 9.

Adoption of SFRS(I) 15

In accordance with requirements of SFRS(I) 1, the Group has adopted SFRS(I) 15 retrospectively. As disclosed in (a), the Group has elected to apply the transition provisions in accordance with SFRS(I) 15:C5. The adoption of SFRS(I) 15 has resulted in adjustments to the previously reported financial statements due to the followings:

(A) Contract assets and contract liabilities

Accounting for costs to fulfil a contract

The Group incurs preliminary costs such as design and drawing fees. Under SFRS(I) 15, these costs relate directly to the Group's contracts with customers and are expected to be recovered, they are capitalised as costs to fulfil a contract and included within other current assets.

As at 31 December 2017, cumulative costs relating to the preliminary works to fulfil a contract amounted to $366,174 (1 January 2017: $680,977) were capitalised and amortised to profit or loss over the period of the contracts.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. Comparatives (Continued)

29.3 Explanatory notes to reconciliation (Continued)

Adoption of SFRS(I) 15 (Continued)

(A) Contract assets and contract liabilities (Continued)

Change in presentation

The Group has changed the presentation of certain amounts in the consolidated statement of financial position on adopting SFRS(I) 15 as at 31 December 2017:

- the previously presented "construction contracts due from customers" and "construction contracts due to customers" of $8,411,964 (1 January 2017: $5,337,844) and $206,709 (1 January 2017: $721,916) have been reclassified to "contract assets" and "contract liabilities" respectively.

The Group has changed the presentation of certain amounts in the consolidated statement of cash flows on adopting SFRS(I) 15 as at 31 December 2017:

- the previous movement in amount due from contracts customers presented as "trade and other receivables" of $3,074,120 had been reclassified and included in "contract liabilities"; and
- the previous movement in amount due to contracts customers presented as "trade and other payables" of $515,207 had been reclassified and included in "contract liabilities".

Adoption of SFRS(I) 9

As disclosed above in (a), the Group has elected to apply the short-term exemption by not restating the comparatives on adoption of SFRS(I) 9. The relevant accounting policy for financial instruments is disclosed in Note 2.6 to the financial statements.

(B) Loss allowance for trade receivables, retention receivables and contract assets

SFRS(I) 9 introduces a new-forward looking impairment model based on expected credit losses to replace incurred loss model. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk from initial recognition.

- Trade receivables, retention receivables and contract assets

  The Group has adopted the simplified approach in determining the loss allowance for trade and retention receivables and contract assets and recorded a loss allowance for lifetime expected losses from initial recognition. The Group considered the historical default rates and adjusted for forward looking estimates in deriving the expected credit losses for trade and retention receivables and contract assets and recognised a loss allowance of $557,000 as at 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. Comparatives (Continued)

29.4 Reconciliation of the Group's equity reported in accordance with FRSs to SFRS(I)s and prior year restatements:

	Note	As previously reported under FRSs	Prior year restatements	As restated under FRSs	Effect of applying SFRS(I) 15	Reported under SFRS(I)s
		$	$	$	$	$
At 1 January 2017						
Non-current assets						
Property, plant and equipment	i	2,267,862	44,601,217	46,869,079	-	46,869,079
Deferred tax assets	ii	-	329,000	329,000	-	329,000
		2,267,862	44,930,217	47,198,079	-	47,198,079
Current assets						
Trade and other receivables	iii	66,482,836	(38,877,907)	27,604,929	(3,934,950)	23,669,979
Contract assets	A	-	-	-	5,441,667	5,441,667
Prepayments		29,939	-	29,939	-	29,939
Inventories	iv	4,887,567	(4,887,567)	-	-	-
Cash and bank balances		1,939,360	-	1,939,360	-	1,939,360
Fixed deposit pledged		1,014,465	-	1,014,465	-	1,014,465
		74,354,167	(43,765,474)	30,588,693	1,506,717	32,095,410
Less:						
Current liabilities						
Trade and other payables	v	18,087,394	59,734	18,147,128	-	18,147,128
Contract liabilities	A	-	-	-	825,739	825,739
Finance lease payables		28,715	-	28,715	-	28,715
Bank borrowings		5,674,424	-	5,674,424	-	5,674,424
Convertible bond		5,000,000	-	5,000,000	-	5,000,000
Current income tax payable	vi	554,461	(548,617)	5,844	-	5,844
		29,344,994	(488,883)	28,856,111	825,739	29,681,850
Net current assets		45,009,173	(43,276,591)	1,732,582	680,978	2,413,560
Less:						
Non-current liabilities						
Finance lease payables		75,380	-	75,380	-	75,380
Deferred tax liabilities	vii	12,519	177,146	189,665	-	189,665
		87,899	177,146	265,045	-	265,045
		47,189,136	1,476,480	48,665,616	680,978	49,346,594
Equity						
Share capital		32,290,650	-	32,290,650	-	32,290,650
Merger reserves		(25,627,521)	-	(25,627,521)	-	(25,627,521)
Foreign currency translation reserve		1,294	8,333	9,627	-	9,627
Retained earnings	viii	40,524,713	1,468,147	41,992,860	680,978	42,673,838
Total equity		47,189,136	1,476,480	48,665,616	680,978	49,346,594

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. **Comparatives** (Continued)

29.4 Reconciliation of the Group's equity reported in accordance with FRSs to SFRS(I)s and prior year restatements: (Continued)

		At 31 December 2017					At 1 January 2018	
	Note	As previously reported under FRSs	Prior year restatements	As restated under FRSs	Effect of applying SFRS(I) 15	Reported under SFRS(I)s	Effect of applying SFRS(I) 9	Reported under SFRS(I)
		$	$	$	$	$	$	$
Non-current assets								
Property, plant and equipment	i	2,660,366	36,695,899	39,356,265	-	39,356,265	-	39,356,265
		2,660,366	36,695,899	39,356,265	-	39,356,265	-	39,356,265
Current assets								
Trade and other receivables	iii, B	55,713,007	(30,635,805)	25,077,202	(8,520,058)	16,557,144	(557,000)	16,000,144
Contract assets	A	-	-	-	8,511,742	8,511,742	-	8,511,742
Inventories	iv	2,508,387	(2,508,387)	-	-	-	-	-
Prepayments		72,542	-	72,542	-	72,542	-	72,542
Current income tax recoverable	ix	-	515,346	515,346	-	515,346	-	515,346
Cash and bank balances		1,825,759	-	1,825,759	-	1,825,759	-	1,825,759
Fixed deposit pledged		1,022,513	-	1,022,513	-	1,022,513	-	1,022,513
		61,142,208	(32,628,846)	28,513,362	(8,316)	28,505,046	(557,000)	27,948,046
Less:								
Current liabilities								
Trade and other payables	v	5,831,775	(79,391)	5,752,384	-	5,752,384	-	5,752,384
Contract liabilities	A	-	-	-	306,487	206,709	-	206,709
Finance lease payables		130,203	-	130,203	-	130,203	-	130,203
Bank borrowings		9,587,581	-	9,587,581	-	9,587,581	-	9,587,581
Current income tax payable	vi	177,130	(127,747)	49,383	-	49,383	-	49,383
		15,726,689	(207,138)	15,519,551	306,487	15,826,038	-	15,826,038
Net current assets		45,415,519	(32,421,708)	12,993,811	(314,803)	12,679,008	(557,000)	12,122,008
Less:								
Non-current liabilities								
Finance lease payables		261,529	-	261,529	-	261,529	-	261,529
Deferred tax liabilities	vii	12,519	242,683	255,202	-	255,202	-	255,202
		274,048	242,683	516,731	-	516,731	-	516,731
		47,801,837	4,031,508	51,833,345	(314,803)	51,518,542	(557,000)	50,961,542
Equity								
Share capital		32,290,650	-	32,290,650	-	32,290,650	-	32,290,650
Merger reserves		(25,627,521)	-	(25,627,521)	-	(25,627,521)	-	(25,627,521)
Foreign currency translation (account)/ reserve		(16,540)	3,816	(12,724)	-	(12,724)	-	(12,724)
Retained earnings	viii, B	41,155,248	4,027,692	45,182,940	(314,803)	44,868,137	(557,000)	44,311,137
Total equity		47,801,837	4,031,508	51,833,345	(314,803)	51,518,542	(557,000)	50,961,542

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. Comparatives (Continued)

29.5 Reconciliation of the Company's equity reported in accordance with FRSs to SFRS(I)s and prior year restatements:

	Note	As previously reported under FRSs	Prior year restatements	As restated under FRSs	Effect of applying SFRS(I) 15	Reported under SFRS(I)
		$	$	$	$	$
At 1 January 2017						
Non-current assets						
Property, plant and equipment	x	-	1,677,668	1,677,668	-	1,677,668
Investments in subsidiaries		27,069,780	-	27,069,780	-	27,069,780
		27,069,780	1,677,668	28,747,448	-	28,747,448
Current assets						
Trade and other receivables		9,511,950	-	9,511,950	-	9,511,950
Prepayments		6,760	-	6,760	-	6,760
Inventories	xi	1,719,979	(1,719,979)	-	-	-
Cash and bank balances		129,376	-	129,376	-	129,376
		11,368,065	(1,719,979)	9,648,086	-	9,648,086
Less:						
Current liabilities						
Trade and other payables		1,998,981	-	1,998,981	-	1,998,981
Convertible bond		5,000,000	-	5,000,000	-	5,000,000
		6,998,981	-	6,998,981	-	6,998,981
Net current assets		4,369,084	(1,719,979)	2,649,105	-	2,649,105
Net assets		31,438,864	(42,311)	31,396,553	-	31,396,553
Equity						
Share capital		32,290,650	-	32,290,650	-	32,290,650
Accumulated losses	xii	(851,786)	(42,311)	(894,097)	-	(894,097)
Total equity		31,438,864	(42,311)	31,396,553	-	31,396,553

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. **Comparatives** (Continued)

29.5 Reconciliation of the Company's equity reported in accordance with FRSs to SFRS(I) and prior year restatements: (Continued)

		At 31 December 2017					At 1 January 2018	
	Note	As previously reported under FRSs	Prior year restatements	As restated under FRSs	Effect of applying SFRS(I) 15	Reported under SFRS(I)	Effect of applying SFRS(I) 9	Reported under SFRS(I)
		$	$	$	$	$	$	$
Non-current assets								
Investments in subsidiaries		27,069,780	-	27,069,780	-	27,069,780	-	27,069,780
Current assets								
Trade and other receivables		5,698,223	-	5,698,223	-	5,698,223	-	5,698,223
Prepayments		6,722	-	6,722	-	6,722	-	6,722
Cash and bank balances		109,358	-	109,358	-	109,358	-	109,358
		5,814,303	-	5,814,303	-	5,814,303	-	5,814,303
Less:								
Current liabilities								
Trade and other payables		533,710	-	533,710	-	533,710	-	533,710
Current income tax payable		30,945	-	30,945	-	30,945	-	30,945
		564,655	-	564,655	-	564,655	-	564,655
Net current assets		5,249,648	-	5,249,648	-	5,249,648	-	5,249,648
Net assets		32,319,428	-	32,319,428	-	32,319,428	-	32,319,428
Equity								
Share capital		32,290,650	-	32,290,650	-	32,290,650	-	32,290,650
Retained earnings		28,778	-	28,778	-	28,778	-	28,778
Total equity		32,319,428	-	32,319,428	-	32,319,428	-	32,319,428

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. Comparatives (Continued)

29.6 Reconciliation of the Group's total comprehensive income reported in accordance with FRSs to SFRS(I)s and prior year restatements:

	Note	Group: As previously reported under FRSs	Prior year restatements	As restated under FRSs	Effect of Applying SFRS(I) 15	Reported Under SFRS(I)
		$	$	$	$	$
2017						
Revenue	xiii	35,536,733	(3,899,534)	31,637,199	-	31,637,199
Cost of sales	xiv	(29,497,920)	5,838,403	(23,659,517)	-	(23,659,517)
Gross profit		6,038,813	1,938,869	7,977,682	-	7,977,682
Other items of income						
Other income		669,645	-	669,645	-	669,645
Interest income		8,048	-	8,048	-	8,048
Other items of expense						
Administrative and other expenses		(2,934,776)	-	(2,934,776)	-	(2,934,776)
Other expenses	xv	(2,417,101)	(78,397)	(2,495,498)	-	(2,495,498)
Finance costs		(463,489)	-	(463,489)	-	(463,489)
Profit before income tax		901,140	1,860,472	2,761,612	-	2,761,612
Income tax expense		(171,405)	(296,708)	(468,113)	-	(468,113)
Profit for the financial year		729,735	1,563,764	2,293,499	-	2,293,499
Other comprehensive income/(loss)						
Items that may be reclassified subsequently to profit or loss						
Foreign currency differences on translation of foreign operations		(22,351)	-	(22,351)	-	(22,351)
Income tax relating to items that may be reclassified subsequently to profit or loss		-	-	-	-	-
Other comprehensive income/(loss), net of tax		(22,351)	-	(22,351)	-	(22,351)
Total comprehensive income for the financial year, attributable to owners of the parent		707,384	1,563,764	2,271,148	-	2,271,148

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. **Comparatives** (Continued)

29.7 Reconciliation of the Group's consolidated statement of cash flows reported in accordance with FRSs to SFRS(I)s and prior year restatements:

		Group				
	Note	As previously reported under FRSs	Prior year restatements	As restated under FRSs	Effect of Applying SFRS(I) 15	Reported Under SFRS(I)
		$	$	$	$	$
2017						
Operating activities						
Profit before income tax	xvi	901,140	1,860,472	2,761,612	-	2,761,612
Adjustments for:						
Bad trade receivables written off		298,701	-	298,701	-	298,701
Depreciation of property, plant and equipment	xvii	183,769	1,632,659	1,816,428	-	1,816,428
Loss on disposals of property, plant and equipment	xviii	3,688	2,491,790	2,495,478	-	2,495,478
Interest expense		463,489	-	463,489	-	463,489
Interest income		(8,048)	-	(8,048)	-	(8,048)
Unrealised foreign exchange loss/(gain)		(58,609)	35,325	(23,284)	-	(23,284)
Operating cash flows before working capital changes		1,784,130	6,020,246	7,804,376	-	7,804,376
Working capital changes:						
Trade and other receivables	xix	10,428,525	(3,614,391)	6,814,134	-	6,814,134
Contract assets	A	-	-	-	(3,074,120)	(3,074,120)
Inventories	xx	2,421,783	(2,421,783)	-	-	-
Trade and other payables	xxi	(12,270,072)	(170,033)	(12,440,105)	-	(12,440,105)
Contract liabilities	A				(515,207)	(515,207)
Prepayments		(42,603)	-	(42,603)	-	(42,603)
Cash generated from operations		2,321,763	(185,961)	2,135,802	(3,589,327)	(1,453,525)
Income tax paid	xxii	(548,736)	3,353	(545,383)	-	(545,383)
Net cash generated from operating activities		1,773,027	(182,608)	1,590,419	(3,589,327)	(1,998,908)

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. **Comparatives** (Continued)

29.7 Reconciliation of the Group's consolidated statement of cash flows reported in accordance with FRSs to SFRS(I)s and prior year restatements: (Continued)

	Note	As previously reported under FRSs	Prior year restatements	As restated under FRSs	Effect of Applying SFRS(I) 15	Reported Under SFRS(I)
		Group				
		$	$	$	$	$
2017						
Investing activities						
Interest income		8,048	-	8,048	-	8,048
Proceeds from disposal of plant and equipment	xxiii	-	4,245,206	4,245,206	-	4,245,206
Purchase of property, plant and equipment	xxiv	(117,815)	(473,271)	(591,086)	-	(591,086)
Net cash generated from investing activities		(109,767)	3,771,935	3,662,168	-	3,662,168
Financing activities						
Fixed deposit pledged with a financial institution		(8,048)	-	(8,048)	-	(8,048)
Repayments of finance lease payables		(142,558)	-	(142,558)	-	(142,558)
Proceeds from bank borrowings		15,020,735	-	15,020,735	-	15,020,735
Repayments of bank borrowings		(11,392,473)	-	(11,392,473)	-	(11,392,473)
Repayments of convertible bond		(5,156,250)	-	(5,156,250)	-	(5,156,250)
Dividends paid to owners of the parent		(99,200)	-	(99,200)	-	(99,200)
Net cash used in financing activities		(1,777,794)	-	(1,777,794)	-	(1,777,794)
Net change in cash and cash equivalents		(114,534)	3,589,327	3,474,793	(3,589,327)	(114,534)
Cash and cash equivalents at beginning of financial year		1,939,360	-	1,939,360	-	1,939,360
Effects of exchange rate changes on cash and cash equivalents		933	-	933	-	933
Cash and cash equivalents at end of financial year		1,825,759	3,589,327	5,415,086	(3,589,327)	1,825,759

SHAREHOLDINGS **STATISTICS**

DISTRIBUTION OF SHAREHOLDINGS BY SIZE OF SHAREHOLDINGS AS AT 1 APRIL 2019

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	0	0.00	0	0.00
1,00 – 1,000	8	6.30	3,000	0.00
1,001 – 10,000	32	25.20	220,400	0.22
10,001 – 1,000,000	74	58.27	8,288,900	8.36
1,000,001 and above	13	10.23	90,687,700	91.42
Total	127	100.00	99,200,000	100.00

LIST OF 20 LARGEST REGISTERED SHAREHOLDERS AS AT 1 APRIL 2019

No.	Name	No. of Shares	%
1	HOOI YU KOH	18,892,200	19.04
2	KEONG HONG HOLDINGS LIMITED	15,000,000	15.12
3	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	14,924,000	15.04
4	HONG LEONG FINANCE NOMINEES PTE LTD	7,314,900	7.37
5	KGI SECURITIES (SINGAPORE) PTE LTD	6,733,100	6.79
6	KORI NOBUAKI	6,592,000	6.65
7	RHB SECURITIES SINGAPORE PTE LTD	4,927,400	4.97
8	UOB KAY HIAN PTE LTD	3,832,800	3.86
9	DBS NOMINEES PTE LTD	3,422,000	3.45
10	MAYBANK KIM ENG SECURITIES PTE LTD	2,992,600	3.02
11	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	2,740,800	2.76
12	LAU ENG TIONG	1,843,900	1.86
13	SIA LING SING	1,472,000	1.48
14	OW YEOW BUNG	889,000	0.90
15	TAN LEE CHING (CHEN LIZHEN)	615,000	0.62
16	LIM VOON NNA @ LIM BOON NAA	520,000	0.52
17	TAN LEE WAH	350,000	0.35
18	TEOU KEM ENG @ TEOU KIM ENG	309,000	0.31
19	LEO TING PING RONALD	300,000	0.30
20	LOW YEW THUAN (LIU YOUTUAN)	282,000	0.28
	Total:	**93,419,700**	**94.15**

SHAREHOLDINGS **STATISTICS**

Issued and paid-up capital	:	S$33,669,650
Number of issued shares	:	99,200,000
Class of shares	:	Ordinary shares
Number of treasury shares	:	Nil
Number of subsidiary holdings	:	Nil
Voting rights	:	1 vote for each ordinary share

SUBSTANTIAL SHAREHOLDERS AS AT 1 APRIL 2019

	Name of Substantial Shareholders	Direct Interest	%	Deemed Interest	%
1	Hooi Yu Koh	18,892,200	19.04	14,924,000(1)	15.04
2	Keong Hong Holdings Limited	15,000,000	15.12	–	–
3	Foo Tiang Ann	18,000	0.02	8,735,100(2)(3)(4)(5)(6)	8.80
4	Kori Nobuaki	6,592,000	6.65	–	–

Notes:

(1) The deemed interest in 14,924,000 shares are held through BNP Paribas Nominees Singapore Pte. Ltd.

(2) The deemed interest in 3,205,800 shares are held through Hong Leong Finance Nominees Pte Ltd

(3) The deemed interest in 2,139,600 shares are held through RHB Securities Singapore Pte Ltd

(4) The deemed interest in 1,503,700 shares are held through CGS-CIMB Securities (Singapore) Pte Ltd

(5) The deemed interest in 959,500 shares are held through KGI Securities (Singapore) Pte. Ltd.

(6) The deemed interest in 926,500 shares are held through Maybank Kim Eng Securities Pte. Ltd.

SHARES HELD BY PUBLIC

Based on the information provided to the Company as at 1 April 2019, approximately 35.32% of the issued shares of the Company was held in the hands of the public as defined in the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**Catalist Rules**"). Accordingly, Rule 723 of the Catalist Rules has been complied with.

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of Kori Holdings Limited (the "**Company**") will be held at Shaw Foundation Alumni House, 11 Kent Ridge Drive, Thyme Room, Singapore 119244 on Tuesday, 30 April 2019 at 10.00 a.m. for the following purposes:

As Ordinary Business

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2018 and the Directors' Statement together with the Auditors' Report. **(Resolution 1)**

2. To re-elect Mr Kuan Cheng Tuck, who is retiring pursuant to Regulation 93 of the Company's Constitution, and who, being eligible, offered himself for re-election.
[See Explanatory Note (1)(a)] **(Resolution 2)**

3. To re-elect Mr Lim Yeok Hua, who is retiring pursuant to Regulation 93 of the Company's Constitution and who, being eligible, offered himself for re-election.
[See Explanatory Note (1)(b)] **(Resolution 3)**

4. To approve the payment of Directors' fees of up to S$145,000.00 for the financial year ending 31 December 2019, payable quarterly in arrears [FY2018: S$145,000.00]. **(Resolution 4)**

5. To re-appoint Messrs BDO LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

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

As Special Business

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

7. **Authority to Allot and Issue Shares**

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

(I) (i) allot and issue shares in the capital 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) options, warrants, debentures or other instruments convertible into Shares,

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

(II) (notwithstanding that 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:

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

(b) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) that may be issued under sub-paragraph (a) above, the percentage of the issued Shares shall be based on the total number of issued Shares (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;

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

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

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

(d) the authority conferred by this Resolution shall, unless revoked or varied by the Company in general meeting, continue to be in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (2)] **(Resolution 6)**

8. **Authority to allot and issue shares under the Kori Employee Share Option Scheme (the "Share Option Scheme")**

That pursuant to Section 161 of the Act, authority be and is hereby given to the Directors of the Company to offer and grant options ("**Options**") in accordance with the provisions of the Share Option Scheme and to allot and issue from time to time such number of Shares as may be required to be allotted and issued pursuant to the exercise of Options, provided always that the aggregate number of Shares to be allotted and issued pursuant to the Share Option Scheme, when added to the number of Shares issued and issuable in respect of all Options granted under the Share Option Scheme including the Performance Share Plan (as defined herein), and any other share-based incentive schemes of the Company, shall not exceed fifteen per cent. (15%) of the total number of issued Shares (including treasury shares and subsidiary holdings) on the date preceding the date of the relevant grant of Options.
[See Explanatory Note (3)] **(Resolution 7)**

NOTICE OF **ANNUAL GENERAL MEETING**

9. **Authority to allot and issue shares under the Kori Performance Share Plan (the "Performance Share Plan")**

That pursuant to Section 161 of the Act, authority be and is hereby given to the Directors of the Company to grant awards ("**Awards**") in accordance with the provisions of the Performance Share Plan and to allot and issue from time to time such number of Shares as may be required to be allotted and issued pursuant to the Awards granted under the Performance Share Plan, provided always that aggregate number of Shares to be allotted and issued pursuant to the Performance Share Plan, and the total number of existing Shares which may be purchased from the market for delivery pursuant to the Awards granted under the Performance Share Plan, when added to the number of Shares issued and issuable in respect of all Awards granted under the Performance Share Plan, and including the Share Option Scheme and any other share-based incentive schemes of the Company, shall not exceed fifteen per cent (15%) of the total issued Shares (including treasury shares and subsidiary holdings) on the date preceding the date of the grant of the relevant Awards.
[See Explanatory Note (4)] **(Resolution 8)**

10. **The Proposed Renewal of the Share Purchase Mandate**

(I) That for the purposes of Sections 76C and 76E of the Act, the Directors of the Company be and are hereby authorized to exercise all the powers of the Company to purchase or otherwise acquire the Shares not exceeding in aggregate the Maximum Limit (as defined below), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as defined below), whether by way of:

(a) market purchase(s) (each a "**Market Purchase**") on the SGX-ST; and/or

(b) off-market purchase(s) (each an "**Off-Market Purchase**") in accordance with an 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 Catalist Rules and the Act;

and otherwise in accordance with all other laws and regulations, including but not limited to, the Constitution of the Company, the provisions of the Act and the Catalist Rules as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

(II) That unless varied or revoked by the members of the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors of the Company at any time and from time to time during the Relevant Period (as defined below) and expiring on the earliest of:

(a) the date on which the next annual general meeting of the Company is held or required by law to be held;

(b) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent mandated; or

(c) the date on which the authority conferred by the Share Purchase Mandate is varied or revoked by shareholders in a general meeting;

NOTICE OF ANNUAL GENERAL MEETING

(III) For the purposes of this Resolution:

"**Maximum Limit**" means that number of issued Shares representing not more than 10% of the issued ordinary share capital of the Company as at the date of the passing of this Resolution, unless the Company has effected a reduction of the share capital of the Company (other than a reduction by virtue of a share buy-back) in accordance with the applicable provisions of the Act, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered by such capital reduction (excluding any treasury shares that may be held by the Company from time to time). Any Shares which are held as treasury shares will be disregarded for purposes of computing the 10% limit;

"**Relevant Period**" means the period commencing from the date of the passing of this Resolution and expiring on the earliest of the date on which the next annual general meeting of the Company is held or is required by law to be held, the date on which the share buy-backs are carried out to the full extent of the Share Purchase Mandate, or the date the said mandate is revoked or varied by the Company in a general meeting;

"**Maximum Price**", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(a) in the case of Market Purchase, 105% of the Average Closing Price; and

(b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 110% of the Average Closing Price,

where:

"**Average Closing Price**" means the average of the closing market prices of the Share over the last five (5) Market Days, on which transactions in the Shares were recorded, before the day on which the purchase or acquisition of Shares was made, or as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days;

"**day of the making of the offer**" means the day on which the Company makes an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

(IV) That the number of Shares which may in aggregate be purchased or acquired by the Company during the Relevant Period shall be subject to the Maximum Limit;

(V) That the Directors of the Company and/or any of them be and are hereby authorised to deal with the Shares purchased by the Company, pursuant to the Share Purchase Mandate in any manner as they think fit, which is permitted under the Act; and

NOTICE OF ANNUAL GENERAL MEETING

(VI) That 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 necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.
[See Explanatory Note (5)] **(Resolution 9)**

By Order of the Board

Shawn Chan Changyun
Company Secretary
Singapore
15 April 2019

Notes:

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

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

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

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 deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services, at 80 Robinson Road, #11-02, Singapore 068898, not less than 48 hours before the time appointed for the holding of the AGM.

5. A depositor shall not be regarded as a member of the Company entitled to attend and vote at the AGM unless his name appears on the Depository Register not less than seventy-two (72) hours before the time of the AGM.

   In view of Section 81SJ(4) of the SFA, a depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his/her name appears in the Depository Register maintained by the CDP at least seventy-two (72) hours before the AGM. Any Shareholder who is holding his shares via the CDP but whose name is not registered with the CDP seventy-two (72) hours before the AGM will not be entitled to attend and vote at the AGM. Accordingly, even if such shareholder deposits his proxy form forty-eight (48) hours before the AGM, his proxy will not be entitled to attend and vote at the AGM.

Explanatory Notes:

(1) (a) Mr Kuan Cheng Tuck will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees. There are no relationships including immediate family relationships between Mr Kuan Cheng Tuck and the other Directors, the Company or its 5% shareholders. The Board considers him to be independent for the purpose of Rule 704(7) of the Catalist Rules. Detailed information on Mr Kuan Cheng Tuck can be found under the "Board of Directors" and "Corporate Governance Report" sections in the Company's Annual Report.

(b) Mr Lim Yeok Hua will, upon re-election as a Director of the Company, remain as the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees. There are no relationships including immediate family relationships between Mr Lim Yeok Hua and the other Directors, the Company or its 5% shareholders. The Board considers him to be independent for the purpose of Rule 704(7) of the Catalist Rules. Detailed information on Mr Lim Yeok Hua can be found under the "Board of Directors" and "Corporate Governance Report" sections in the Company's Annual Report.

(2) The proposed Resolution 6 in item 7, if passed, will empower the Directors of the Company, effective until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue Shares and/or convertible securities in the Company, without seeking any further approval from shareholders in general meeting but within the limitation imposed by this Resolution 6, for such purposes as the Directors may consider would be in the best interests of the Company. The number of Shares and convertible securities that the Directors may allot and issue under this Resolution 6 would not exceed one hundred per cent (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time of passing of this Resolution 6. For issue of Shares and convertible securities other than on a pro-rata basis to all shareholders, the aggregate number of Shares and convertible securities to be issued shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time of passing of this Resolution 6.

NOTICE OF ANNUAL GENERAL MEETING

(3) The proposed Resolution 7 in item 8, if passed, will empower the Directors, from the date of the AGM until the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue Shares pursuant to the exercise of Options granted or to be granted under the Share Option Scheme and such other share-based incentive scheme or share plan up to a number not exceeding, in total, fifteen per cent (15%) of the total number of issued Shares (including treasury shares and subsidiary holdings) on the date preceding the date of the relevant grant.

(4) The proposed Resolution 8 in item 9, if passed, will empower the Directors, from the date of the AGM until the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue Shares pursuant to the vesting of Awards under the Performance Share Plan and such other share-based incentive scheme or share plan (including the total number of existing Shares which may be purchased from the market for delivery pursuant to the Awards granted) up to a number not exceeding, in total, fifteen per cent (15%) of the total number of issued Shares (including treasury shares and subsidiary holdings) on the date preceding the date of the relevant grant.

(5) The proposed Resolution 9 in item 10, if passed, will empower the Directors of the Company, from the date of the AGM until the next annual general meeting or the date by which the next annual general meeting of the Company is required by law to be held or when varied or revoked by the Company in general meeting, whichever is earlier, to purchase or acquire up to ten per centum (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings), at prices up to but not exceeding the Maximum Price (as defined above), as at the date of the passing of this Resolution 9. Details the proposed renewal of the Share Purchase Mandate are set out in the Appendix accompanying the Company's Annual Report.

Personal data privacy:

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

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KORI HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 201212407R)

PROXY FORM

Important:
1. A relevant intermediary as defined in Section 181(6) of the Companies Act, Chapter. 50, may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For SRS investors who have used their SRS monies to buy shares of Kori Holdings 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. SRS investors should contact their respective agent banks if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 15 April 2019.

I/We, ______________________ (name) of ______________ (NRIC/Passport No./Company Registration No.)

of ____ (address)

being a *member/members of Kori Holdings Limited (the "**Company**"), hereby appoint:

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

and/or (delete as appropriate)

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

or failing him/them*, the Chairman of the Annual General Meeting ("**AGM**"), as *my/our *proxy/proxies to attend, speak and vote for me/us on my/our behalf at the AGM of the Company to be held at Shaw Foundation Alumni House, 11 Kent Ridge Drive, Thyme Room, Singapore 119244 on Tuesday, 30 April 2019 at 10.00 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies may vote or abstain from voting at his/their discretion, as *he/they may on any other matter arising at the AGM.

Ordinary Resolutions		**For#**	**Against#**
AS ORDINARY BUSINESS			
Resolution 1	To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2018 and the Directors' Statement together with the Auditors' Report		
Resolution 2	To re-elect Mr Kuan Cheng Tuck as a Director of the Company		
Resolution 3	To re-elect Mr Lim Yeok Hua as a Director of the Company		
Resolution 4	To approve the payment of Directors' Fees up to S$145,000 for the financial year ending 31 December 2019, payable quarterly in arrears		
Resolution 5	To re-appoint Messrs BDO LLP as Auditors of the Company and to authorise the Directors to fix their remuneration		
AS SPECIAL BUSINESS			
Resolution 6	To approve the authority to allot and issue shares		
Resolution 7	To approve the authority to allot and issue shares under the Kori Employee Share Option Scheme		
Resolution 8	To approve the authority to allot and issue shares under the Kori Performance Share Plan		
Resolution 9	To approve the proposed renewal of the Share Purchase Mandate		

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

* Delete where applicable.

Date this ________ day of ________________ 2019

Total Number of Shares held in:	
CDP Register	
Register of Members	

____
Signature(s) of Member(s)/Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

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 shares 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 the shares held by the member.

2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. If no proportion of shareholdings is specified, the proxy whose name appears first shall be deemed to carry one hundred per cent (100%) of the shareholdings of his/its appointor and the proxy whose name appears after shall be deemed to be appointed in the alternate.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

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

3. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.

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

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

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.

7. 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.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the general meeting, in accordance with Section 179 of the Act.

9. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the meeting.

10. The Company shall be entitled to reject an instrument appointing a proxy or proxies which is incomplete, 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). In addition, in the case a member whose shares are entered in the Depository Register, the Company may reject an instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

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

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KORI HOLDINGS LIMITED

(Company Registration No.: 201212407R)
(Incorporated in the Republic of Singapore on 18 May 2012)