



OCEAN SKY

OCEAN SKY INTERNATIONAL LIMITED

2016 ANNUAL REPORT



Contents

Corporate Profile	2
Corporate Information	3
Financial Highlights	4
Board of Directors	6
Key Management	8
Chairman's Statement	10
Operations Review	12
Corporate Governance	13
Financial Contents	34

Sponsor Statement

The annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, UOB Kay Hian Private Limited (the "**Sponsor**"), for compliance with the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalyst. The Sponsor has not independently verified the contents of this annual report.

This annual report has not been examined or approved by the SGX-ST. 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 Mr Alvin Soh, Head of Catalyst Operations, Senior Vice President, at 8 Anthony Road, #01-01, Singapore 229957, telephone (65) 6590 6881.

Corporate Profile

Ocean Sky International Limited (“**Ocean Sky**” or the “**Company**” and together with its subsidiaries, the “**Group**”) is an investment holding company with an interest in civil engineering, construction and related services business (“**Construction and Engineering Business**”), and the business of property development, investment and management (“**Property Business**”).

The Group is involved in the Construction and Engineering Business through its wholly-owned civil engineering and construction subsidiary, Ang Tong Seng Brothers Enterprises Pte. Ltd. (“**ATS**”). ATS operates primarily in Singapore, providing engineering services including earthwork, roadwork, drainage work, basement work and structural works involving demolition and underground infrastructure as well as other general building works.

Registered with the Building and Construction Authority of Singapore, ATS is currently classified under Grade C3 for General Building category and Grade C1 for Civil Engineering category.

In the Property Business, the Group leases out land in Cambodia to generate rental income.

The Group aims to deliver more value for stakeholders by further developing its Construction and Engineering Business and Property Business. It also seeks to enhance its growth through acquisitions, joint ventures and strategic alliances as well as by leveraging business opportunities.

Corporate Information

BOARD OF DIRECTORS

Mr Ang Boon Cheow Edward
Executive Chairman & Chief Executive Officer

Mr Chia Yau Leong
Executive Director

Mr Chua Keng Hiang
Lead Independent Director

Mr Ng Ya Ken
Independent Director

Ms Tan Min-Li
Independent Director

AUDIT COMMITTEE

Mr Chua Keng Hiang (Chairman)

Mr Ng Ya Ken

Ms Tan Min-Li

NOMINATING COMMITTEE

Ms Tan Min-Li (Chairman)

Mr Chua Keng Hiang

Mr Ang Boon Cheow Edward

REMUNERATION COMMITTEE

Mr Ng Ya Ken (Chairman)

Mr Chua Keng Hiang

Ms Tan Min-Li

SECRETARY

Mr Chia Yau Leong

REGISTERED OFFICE AND BUSINESS ADDRESS

29 Tuas South Street 1

Singapore 638036

Tel: (65) 6789 9988

Fax: (65) 6789 9933

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.

50 Raffles Place

#32-01 Singapore Land Tower

Singapore 048623

Tel: (65) 6536 5355

Fax: (65) 6536 1360

AUDITORS

BDO LLP

Public Accountants and Chartered Accountants

600 North Bridge Road

#23-01 Parkview Square

Singapore 188778

Partner in Charge: Mr Adrian Lee Yu-Min

(First appointed in respect of the financial year ended 31 December 2013)

SPONSOR

UOB Kay Hian Private Limited

8 Anthony Road

#01-01

Singapore 229957

BANKERS

The Hongkong and Shanghai Banking Corporation Limited

United Overseas Bank Limited

Financial Highlights

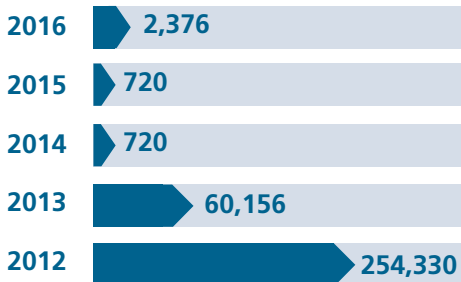
(US\$'000)	2012	2013	2014	2015	2016
SUMMARISED COMPREHENSIVE INCOME STATEMENT					
Revenue	254,330	60,156	720	720	2,376
Profit/(Loss) before income tax	12,033	13,701*	23	(1,478)	1,352
Net profit/(loss) attributable to owners of the parent	10,465	11,315	(461)	(1,768)	859
SUMMARISED FINANCIAL POSITION STATEMENT					
Non-current assets	5,718	10,744	13,947	14,236	33,472
Current assets	120,220	39,117	23,413	19,049	19,609
Current liabilities	(44,635)	(6,659)	(5,452)	(2,725)	(7,444)
Non-current liabilities	(82)	(109)	(67)	(72)	(7,442)
Capital and reserves	81,221	43,093	31,841	30,488	38,195
FINANCIAL RATIOS					
Earnings/(Loss) per share (US cents)	2.36	2.52	(0.10)	(0.79)**	0.37
Profit/(Loss) before income tax margin	4.7%	22.8%	3.2%	-205.3%	56.9%
Net profit/(loss) margin	4.1%	18.8%	-64.0%	-245.6%	36.2%
Net tangible assets per share (US cents)	18.07	9.59	7.08	6.78	9.07
Return on assets	8.3%	22.7%	-1.2%	-5.3%	1.6%
Return on equity	12.9%	26.3%	-1.4%	-5.8%	2.2%

* Includes gain on disposal of subsidiaries of US\$15,878,000.

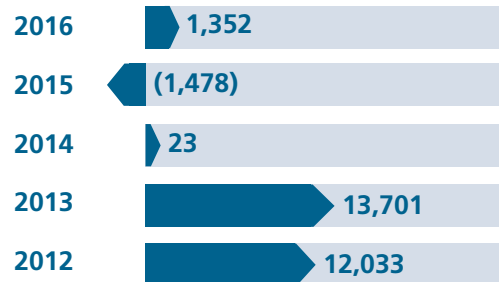
** Adjusted for the share consolidation on 30 November 2016.

Financial Highlights

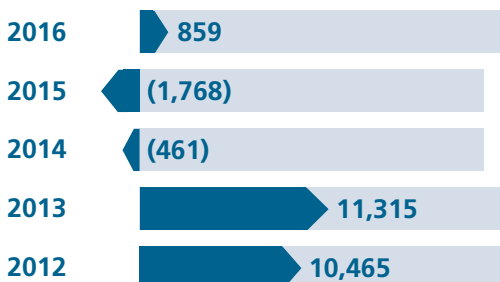
Revenue in US\$'000



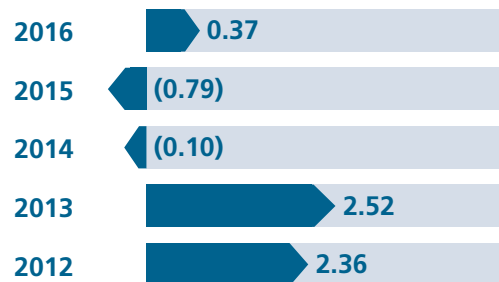
Profit/(Loss) before income tax in US\$'000



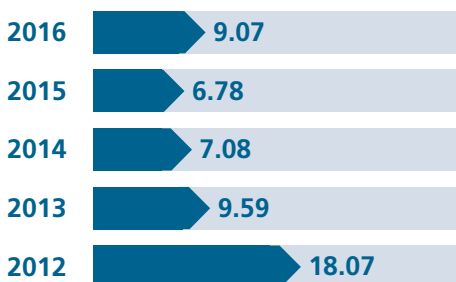
Net profit/(loss) attributable to owners of the parent in US\$'000



Earnings/(Loss) per share in US cents



Net tangible assets per share in US cents



Board of Directors

Mr Ang Boon Cheow Edward

*Executive Chairman &
Chief Executive Officer*

Mr Ang Boon Cheow Edward has been instrumental in spearheading the Group's expansion since its inception in 1995 and provides strong leadership to the Group in the area of strategic direction and planning. Before the divestment of the Group's apparel business, Mr Ang has been in the apparel industry for more than 15 years, with his contribution to the industry being recognised by his peers when he was elected President of the Textile & Fashion Federation (Singapore) from 2002 to 2006 and has been Honorary President since 2007.

In addition, Mr Ang is familiar with the construction and civil engineering sector as he has invested in ATS, now a wholly-owned subsidiary of the Group, for more than 20 years. As Managing Director of ATS from 1992 to 2003, Mr Ang was actively involved in the executive management of ATS with responsibilities for overall business development, strategic planning and project management. Since 2003, he has been the non-executive chairman of ATS and maintains oversight of ATS' operations at the board level.

Mr Ang has a Business Degree from the USA and is currently the Vice-Chairman for International Affairs Committee and Council Member of Singapore Chinese Chamber of Commerce & Industry.

Mr Chia Yau Leong

Executive Director

Mr Chia Yau Leong joined the Group in May 2008 and assumed the current position of Financial Controller in 2009 and Company Secretary in 2011. He is responsible for the overall planning and management of the Group's financial, taxation and corporate governance functions. He also plays an important advisory role towards the formulation of the Group's strategic development plans. Mr Chia was appointed to the Board on 6 May 2016.

Mr Chia is a non-practicing member of the Institute of Singapore Chartered Accountants. He has more than 20 years of auditing, accounting and financial management experience. He graduated with a Bachelor of Science (Mathematics) degree awarded by the National University of Singapore in 1995 and obtained a ACCA professional degree in 1998.

Board of Directors

Mr Chua Keng Hiang

Lead Independent Director

Mr Chua Keng Hiang is a practicing member of the Institute of Singapore Chartered Accountants. He has more than 30 years of experience in public accounting, corporate finance and management. He holds an honours degree in accountancy from the then University of Singapore and is a fellow member of the Association of Chartered Certified Accountants (UK). Mr Chua currently sits on the board of two other listed companies – Jadason Enterprises Ltd and Memtech International Limited.

Mr Ng Ya Ken

Independent Director

Mr Ng Ya Ken holds a Master's degree in economics from New Zealand. Mr Ng worked as a senior economics statistician in the Ministry of Trade and Industry in the 1970s and early 1980s, after which he joined a market research company as a senior research manager. He later worked at the Singapore Press Holdings for nine years, first as a senior research manager and later as an Assistant General Manager in its Advertising and Marketing Division. After leaving SPH, Mr Ng worked as a senior consulting manager at the Marketing Institute of Singapore and the Enterprise Promotion Centres. He later worked as a freelance consultant and has recently retired. In the course of his consulting career, Mr Ng has worked with enterprises and institutions from a diverse range of industries, from manufacturing and construction to telecommunication and banks.

Ms Tan Min-Li

Independent Director

Ms Tan Min-Li is currently a partner at Colin Ng & Partners LLP, a firm of advocates and solicitors in Singapore, and has over 15 years of experience in the legal profession. Ms Tan has considerable experience in the areas of initial public offerings, regional investments, corporate restructuring, cross border joint ventures and mergers and acquisitions in the region. She regularly advises on Singapore Exchange compliance and corporate governance issues. Ms Tan heads the Corporate Finance Practice Group, Greater China Practice Group and Japan Focus Group at Colin Ng & Partners LLP. Her principal areas of practice are in corporate and financial services with particular emphasis on corporate finance and mergers and acquisitions in Singapore and the region. Prior to joining Colin Ng & Partners LLP in 2003, she was a partner with KhattarWong, a firm of advocates and solicitors in Singapore, and had also held other positions at other law firms since graduation. Ms Tan graduated with a Bachelor of Laws (Honours) from the National University of Singapore and a Master of Laws from University College London, University of London, and was admitted as an Advocate and Solicitor of the Supreme Court of Singapore in 1992. Ms Tan currently sits on the board of two other listed companies – Anchun International Holdings Ltd and Union Steel Holdings Limited.

Key Management

Mr Ang Boon Cheow Edward

Chief Executive Officer

Mr Ang Boon Cheow Edward spearheads the Group's overall corporate strategies where he plans and oversees the Corporate Services division. He is responsible for leading Ocean Sky in its overall corporate support including finance & accounting, IT, corporate social responsibility, administration and human resource management functions.

Mr Chia Yau Leong

Financial Controller

Mr Chia Yau Leong is responsible for the overall planning and management of the Group's financial, taxation and corporate governance functions. He also plays an important advisory role towards the formulation of the Group's strategic development plans through financial analysis and providing recommendations to the management.

TEAMWORK

We encourage employee involvement and participation, and respect individual contribution to our success.

INTEGRITY

We are committed to the highest standards of integrity in all aspects of our business and are responsible to our customers and stakeholders.

PASSION

We seek to innovate and to be the best in all areas: products, services, processes and individual contribution that will enhance the competitiveness of our customers.

CORPORATE SOCIAL RESPONSIBILITY

In our actions as an individual and as a corporate citizen, to enhance the quality of life and protect the environment of the communities where we do our business.

FUN & WARMTH

To provide a happy and caring environment. "Find a job that you love and you'll never have to work a day in your life."

Chairman's Statement



Dear Shareholders,

On behalf of the board and management, I am pleased to present to you the annual report of Ocean Sky International Limited ("**Ocean Sky**" or the "**Group**") for the financial year ended 31 December 2016 ("**FY2016**").

Let me begin by taking stock of the macro-economic conditions that we were operating under last year.

The global markets over the past 12 months were largely spooked by the confluence of unprecedented political events, from the United Kingdom's vote to withdraw from the European Union to the election of a new administration in the United States. The tentative market mood cast a dampener on global economic conditions. An open economy like Singapore was inevitably challenged, as its economy stayed largely benign for much of the year. At the sectoral level, total construction demand in Singapore came in lower than forecasted due to the re-scheduling of a few major public sector projects as the economic uncertainties persisted.

Operating in an uncertain climate

Against this climate of uncertainty, the Group recorded revenue of US\$2.38 million for FY2016 compared with US\$0.72 million for the previous corresponding year ("**FY2015**"). The improvement of approximately US\$1.66 million and together with the cost of works of US\$1.79 million incurred, were contributed by the Group's newly acquired and wholly-owned civil engineering and construction business, Ang Tong Seng Brothers Enterprises Pte Ltd ("**ATS**"), which was formerly a 30%-owned associated company. I will elaborate more on our acquisition of ATS in subsequent paragraphs.

At the net profit level, the Group registered a profit after income tax of US\$0.86 million for FY2016 as compared to a loss after income tax of US\$1.77 million for FY2015. The significant improvement was helped by recognition of fair value gain on investment property in Cambodia and lower administrative and other operating expenses incurred during the year.

Strengthening our core

One of the biggest challenges we faced since the disposal of our apparel business in 2013 was seeking out opportunities that will allow us to build strong core businesses within the Group that will drive our long-term growth.

For this reason, we took an important initiative to increase our investment in the construction and civil engineering sector, through the acquisition of the remaining 70% stake in ATS, which we are confident will bolster the business fundamentals of our Group. This acquisition was completed in November 2016.

With nearly three decades in the civil engineering and construction business in Singapore, ATS is well-recognised in the industry for its solid expertise and excellent track record. Its expertise includes earthwork, roadwork, drainage work, basement work, structural works as well as other general building works.

With its strong financial performance and niche standing in the industry, we believe that ATS has the potential to generate a steady stream of revenue and profits, strengthening the business fundamentals of the Group as a result.

Additionally, Ocean Sky's increased presence in the construction and civil engineering industry is a natural complement to our existing real estate interest. We currently have a footprint in Cambodia, where we are leasing out land for a lease period of 20 years commencing January 2013, enabling us to generate stable rental income into the long-term.

Chairman's Statement

It is also appropriate for me to mention at this point that there is scope for us to further expand and deepen our activities into real estate development and investment both in Singapore and the region, to complement our civil engineering and construction business. This proposed move ties in with our longer term strategy of strengthening our core built on the foundation of two growth engines. Leveraging our network and market knowledge, we will identify and assess the opportunities in the real estate sector when they are made available to us.

Enhancing our long-term prospects

In Singapore, the outlook for the construction industry in 2017 is stable with construction demand forecasted to grow in line with an anticipated increase in public sector construction.

According to the Building and Construction Authority ("BCA"), the public sector is expected to drive about 70% of total construction demand, boosted by an increase in demand for most building types and civil engineering works. Based on BCA projections, construction contracts to be awarded in 2017 will reach between S\$28 billion and S\$35 billion, higher than the preliminary estimate of S\$26.1 billion for 2016¹.

While the industry prospects look healthy, the reality is that the overall civil engineering and construction industry in Singapore is highly competitive, fueled by intense biddings for projects by numerous players. To capture value in this business, we are mindful that we have to continuously streamline our operations for greater productivity and lower wastages for better cost control and margins. At the same time, we have to strategically allocate the appropriate level of manpower resources to manage the entire work flow at every stage of our project execution, as the labour market is extremely tight and likewise costs are high.

Nevertheless, we remain confident that with its strong track record, ATS will remain a strong and competent participant in the industry, proactively seeking out new projects that have the potential to generate earnings growth for the Group.

Beyond Singapore, Ocean Sky will also seek to leverage its distinct strengths in construction, civil engineering and real estate to explore business opportunities in the region by way of acquisition, joint venture or strategic alliances.

Acknowledgements

On behalf of the Board and Management, I would like to express my gratitude to all our shareholders for their continuous support of Ocean Sky during the year. Our listing was effectively transferred to the Catalist Board from the Main Board on 1 September 2016. We believe this is beneficial for us as the Catalist listing will afford us more flexibility and efficiency in pursuing corporate actions and business opportunities. We will also enjoy the guidance of our continuing sponsor in meeting our corporate governance obligations.

I am also grateful to our staff for their commitment, dedication and diligence, without which we would not be where we are today. Last but not least, I would also like to thank our business associates for their valuable assistance, service and support over the years.

As the Group seeks to build a sustainable and stronger future for all stakeholders, we will endeavour to stay the course on our strategy of expanding our core civil engineering and construction business while seeking new opportunities in the real estate segment. As we look ahead to the future, I am thankful to have your support as we steer Ocean Sky to greater heights.

Yours Sincerely



Ang Boon Cheow Edward
Executive Chairman and Chief Executive Officer

¹ Building and Construction Authority, Media Release on "Public sector construction demand is expected to increase this year", 6 January 2017.

Operations Review

Revenue & Other Income

Ocean Sky (or the “**Group**”) recorded a revenue of US\$2.38 million for the financial year ended 31 December 2016 (“**FY2016**”) compared with US\$0.72 million in the previous corresponding year (“**FY2015**”). The increase of approximately US\$1.66 million or 230.0% and together with the cost of works of US\$1.79 million incurred, were contributed by the Group’s newly acquired civil engineering and construction business, Ang Tong Seng Brothers Enterprises Pte Ltd (“**ATS**”), which was previously a 30%-owned associated company. The acquisition was completed on 30 November 2016. The Group’s other income increased from US\$0.03 million for FY2015 to US\$2.73 million for FY2016 due mainly to the recognition of fair value gain on investment property in Cambodia for FY2016.

Expenses

The Group saw a 8.1% decline to US\$2.68 million in administrative and other operating expenses for FY2016, as compared to US\$2.92 million a year ago. This was due mainly to one-off expenses incurred for FY2015, which included the reclassification of cumulative exchange loss from currency translation reserve on winding up of foreign operations, recognition of fair value loss on investment property, underprovision of prior years’ property tax on investment property, and provision for tax penalties and interest. The FY2015 one-off expenses were partly offset by higher professional fees incurred for corporate exercises, loss on deemed disposal of associate and expenses relating to the Group’s newly acquired civil engineering and construction business for FY2016.

The share of results of the associate increased 9.5% from US\$0.69 million for FY2015 to US\$0.75 million for FY2016 up to November 2016, due mainly to lower operating expenses incurred by ATS. There will be no further share of results of associate following the completion of the acquisition of ATS.

Income tax expenses increased to US\$0.49 million for FY2016 from US\$0.29 million for FY2015 due mainly to higher income tax payable on investment property for the fair value gain recognised in FY2016.

Financial Position

Property, plant and equipment increased to US\$11.94 million as at 31 December 2016 from US\$0.23 million as at 31 December 2015 due mainly to the consolidation of ATS balances which comprised two properties used as office and workshop, machinery and vehicles used for the construction and engineering businesses. Investment property increased to US\$12.81 million as at 31 December 2016 from US\$10.14 million as at 31 December 2015 due to the recognition of gain in fair value of the land in Cambodia. The goodwill figure of US\$8.12 million as at 31 December 2016 was the excess of the consideration transferred over such carrying amounts of the net identifiable assets and liabilities of ATS purchased by

the Group as at acquisition date. The investment in associate of US\$3.86 million as at 31 December 2015 has been deemed disposed following the completion of the acquisition of ATS on 30 November 2016.

Trade and other receivables increased to US\$5.25 million as at 31 December 2016 from US\$0.05 million as at 31 December 2015 due mainly to the consolidation of ATS balances.

Trade and other payables increased to US\$5.33 million as at 31 December 2016 from US\$2.40 million as at 31 December 2015 due mainly to the consolidation of ATS balances. The provisions figure of US\$0.32 million as at 31 December 2016 was due to the consolidation of ATS balances which comprised of provision for defect liabilities in relation to the completed projects of the construction and engineering business. Income tax payable increased to US\$1.20 million as at 31 December 2016 from US\$0.29 million as at 31 December 2015 due mainly to the tax on fair value gain on investment property and the consolidation of ATS balances. Total bank borrowings figure of US\$7.05 million as at 31 December 2016 was due to the consolidation of ATS balances which were incurred to finance the purchase of the two properties used for the construction and engineering business. Total finance lease payables increased to US\$0.78 million as at 31 December 2016 from US\$0.11 million as at 31 December 2015 due mainly to the consolidation of ATS balances which were incurred to finance the purchase of machinery and vehicles used for the construction and engineering business.

As at 31 December 2016, cash and cash equivalents decreased to US\$14.27 million from US\$19.00 million a year ago due mainly to the cash consideration paid for the acquisition of ATS, payment of professional fees for corporate exercises, operating expenses and income taxes as well as repayment of bank borrowings and finance lease payables, which were partly offset by dividend income received from associate.

Share capital increased to US\$36.52 million as at 31 December 2016 from US\$29.34 million as at 31 December 2015 due to the issuance of shares as part consideration for the acquisition of ATS.

Cashflows

For FY2016, the Group incurred cash outflow from operating activities of US\$0.90 million due mainly to payment of professional fees for corporate exercises, operating expenses and income taxes. The Group also incurred cash outflow from both investing activities of US\$3.89 million due mainly to net cash paid for the acquisition of ATS which was partly offset by the dividend income received from associate and financing activities of US\$0.16 million due mainly to repayment of bank borrowings and finance lease payables.

Overall, the Group’s total cash and cash equivalents decreased from US\$19.00 million as at 31 December 2015 to US\$14.12 million as at 31 December 2016.

Corporate Governance

Ocean Sky International Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) is committed to maintaining a high standard of corporate governance, and adherence to the principles and guidelines of the revised Code of Corporate Governance 2012 (the “**Code**”) so as to ensure greater transparency, accountability and maximisation of long-term shareholder value. This report outlines the Company’s corporate governance practices throughout the financial year under review with specific reference to the Code. The Company has complied with the principles of the Code where appropriate.

(A) BOARD MATTERS

PRINCIPLE 1: THE BOARD’S CONDUCT OF AFFAIRS

The Board of Directors (the “**Board**”) comprises:

Ang Boon Cheow Edward	(Executive Chairman & Chief Executive Officer)
Chia Yau Leong	(Executive Director)
Chua Keng Hiang	(Lead Independent Director)
Ng Ya Ken	(Independent Director)
Tan Min-Li	(Independent Director)

All the Directors exercise due diligence and independent judgement in dealing with the business affairs of the Group and are obliged to act in good faith and to take objective decisions in the interest of the Group.

The Board’s key responsibilities are in the following areas:

- formulate the Group’s overall corporate strategies and directions and ensure adequate resources are available to meet these objectives;
- assume responsibility for overall performance of the Group;
- approve major funding, investment and divestment decisions;
- ensure adequate and effective system of internal controls and risk management processes to safeguard shareholders’ interest and Group’s assets;
- ensure compliance with statutory and financial reporting requirements, including approval of results, annual report and financial statements;
- ensure compliance with the law and the Company’s Constitution;
- determine and propose payment of dividends;
- provide guidance and advice to Management;
- determine and monitor corporate governance practices;
- identify key shareholder groups and recognise their perceptions affect the Group’s reputation;
- set the Group’s value and standards, and ensure that obligations to shareholders and other stakeholders are understood and met; and
- consider sustainability issues including environmental and social factors in the formulation of the Group’s strategies.

Corporate Governance

Matters that require the Board's approval include, amongst others, the following:

- strategic direction of the Group;
- business practices and risk management of the Group;
- annual budgets, major funding proposals, investment and divestment of proposals;
- the Group's internal control, financial performance, compliance practices and resources allocation;
- material acquisitions and disposal of assets;
- convening of shareholders' meetings;
- corporate or financial restructuring;
- share issuance, dividends and other returns to shareholders; and
- interested person transaction.

The Board meets on a quarterly basis. Ad-hoc meetings are held whenever circumstances require. The Company's Constitution allow the Board to convene meetings through teleconferencing, video conferencing or similar communication equipment whereby all persons participating in the meeting are able to hear one another.

The Board recognises that in the ordinary course of the operations, there are instances where it would not be time or cost efficient to convene a meeting of all directors to approve general matters that are routine or immaterial in nature. In this regard, the Board has an Executive Committee comprising the Executive Directors to whom the Board has delegated authority over recurring operational matters and matters that are not material in nature.

Recurring operational matters include:

- review the Company's and the Group's financial requirements and approve matters relating to:
 - opening and closing of bank accounts;
 - opening and closing of securities trading accounts;
 - change in banking signatories and signing conditions; and
 - acceptance of banking facilities and other banking related matters;
- approve the incorporation, acquisition and/or disposal of company or companies resulting from internal restructuring and re-organisation within the Group;
- authorise the affixation of the Common Seal of the Company in accordance with the Company's Constitution;
- review and approve yearly business plans of all operating companies within the Group including amendments thereto;
- review quarterly and monthly reports of all operating companies within the Group;
- review and decide on appropriate actions on major variances in budgets for operating companies within the Group; and
- review and approve remuneration packages of all senior appointments (other than directors), of all companies within the Group.

Corporate Governance

Matters that are considered immaterial include:

- approve the incorporation and acquisition of companies other than those intended for material transactions; and
- approve the disposal/de-registration/application for strike off/liquidation in respect of companies whose values are not material.

With effect from 15 May 2013, the Executive Committee was temporarily suspended. The Executive Committee will be re-formed as and when appropriate.

The Board has also delegated specific responsibilities to three committees namely, the Audit Committee (the “**AC**”), the Nominating Committee (the “**NC**”) and the Remuneration Committee (the “**RC**”) to assist in the execution of its responsibilities. These committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis. The Board acknowledges that while these various Board Committees have the authority to examine particular issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters lies with the Board.

The Board holds four scheduled meetings each year and such additional meetings as may be necessary to address any specific matters that may arise. The Directors’ attendance at Board and Board Committee meetings held during the financial year under review is as follows:

		Meetings							
		Board		Audit Committee		Remuneration Committee		Nominating Committee	
		Number of meetings							
Name of Director	Board of Directors	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Ang Boon Cheow Edward	Executive Chairman & Chief Executive Officer	4	4	N/A	N/A	N/A	N/A	1	1
Chia Yau Leong*	Executive Director	2	2	N/A	N/A	N/A	N/A	N/A	N/A
Ang Boon Chong**	Non-Executive Director	2	2	N/A	N/A	N/A	N/A	N/A	N/A
Chua Keng Hiang	Lead Independent Director	4	4	4	4	1	1	1	1
Ng Ya Ken	Independent Director	4	4	4	4	1	1	N/A	N/A
Tan Min-Li	Independent Director	4	4	4	4	1	1	1	1

* Appointed as Executive Director with effect from 6 May 2016.

** Resigned as Non-Executive Director with effect from 6 May 2016.

Corporate Governance

The Board is updated on a regular basis on key changes in relevant regulatory requirements, code of corporate governance, financial reporting standards, risk management and industry-related matters so as to enable them to properly discharge their duties as Board or Board Committee members. For the financial year under review, the Board was briefed on the strategic and business development of the Group by the Chief Executive Officer, releases issued by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and Accounting and Corporate Regulatory Authority (“**ACRA**”) which were relevant to the Board, including but not limited to KPMG’s review of Mainboard companies’ code of corporate governance disclosures, sustainability reporting effective 2017, full IFRS convergence effective 2018, ACRA’s audit quality indicators disclosure framework and recommendations of ACRA’s Financial Reporting Surveillance Programme were circulated to the Board by the Company Secretary, and Financial Reporting updates by the external auditors.

When a new director is to be appointed, a formal letter of appointment setting out the duties and obligations shall be given to the new director. The Company ensures that incoming new Directors are given guidance and orientation program by Management to get them familiarised with the Group’s businesses, organisation structure, corporate strategies and policies and corporate governance practices upon their appointment and to facilitate the effective discharge of their duties.

For new Directors who do not have prior experience as a director of a public listed company in Singapore, they will have to undergo training programme, particularly courses conducted by the Singapore Institute of Directors, to develop the requisite individual skills, such as knowledge on the Companies Act (Chapter 50) of Singapore and the Listing Manual Section B: Rules of Catalist of the SGX-ST (the “**Catalist Rules**”). They will be given training appropriate to the level of their previous experience and were provided with extensive background information about the Group’s history and core values, its strategic direction and corporate governance practices as well as industry-specific knowledge. The Directors will also have the opportunity to visit the Group’s operational facilities and meet with the Management to gain a better understanding of the Group’s business operations.

For the financial year under review, a new Executive Director has been appointed following the resignation of a Non-Executive Director.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

The Board now consists of two Executive Directors and three Independent Directors. The Independent Directors make up more than half of the Board.

Name of Directors	Board of Directors	Audit Committee	Remuneration Committee	Nominating Committee
Ang Boon Cheow Edward	Executive Chairman & Chief Executive Officer	–	–	Member
Chia Yau Leong	Executive Director	–	–	–
Chua Keng Hiang	Lead Independent Director	Chairman	Member	Member
Ng Ya Ken	Independent Director	Member	Chairman	–
Tan Min-Li	Independent Director	Member	Member	Chairman

Corporate Governance

Taking into account the nature and scope of the Group's business and the number of board committees, in concurrence with the NC, the Board believes that the current size and composition provide sufficient diversity without interfering with efficient decision making.

The NC believes that the current composition and size of the Board provides an appropriate balance of skills, experience, gender and knowledge, which facilitates effective decision-making. At present, the Board has one female Independent Director, namely Ms Tan Min-Li.

The Board possesses the core competencies in areas such as accounting and finance, legal, business and management experience, industry knowledge and strategic planning experience to lead and control the Company. In particular, the Executive Directors possess good industry knowledge while the Independent Directors, who are mostly professionals and experts in their own fields, are able to take a broader view of the Group's activities, contribute their valuable experiences and provide independent judgement during Board deliberations.

The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience, customer-based experience or knowledge.

The Board takes steps to maintain or enhance its balance and diversity through 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 an 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.

The role of Independent Directors is to constructively challenge and help develop proposals on strategy, review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.

The Board, particularly the Independent Directors, who are non-executive directors, are kept well informed of the Group's business and are knowledgeable about the industry the Group operates in. To ensure that the Independent Directors are well supported by accurate, complete and timely information, they have unrestricted access to Management, and have sufficient time and resources to discharge their oversight functions effectively. The Independent Directors also receive board briefings on prospective deals and potential developments at an early stage before formal board approval is sought.

When necessary, the Independent Directors meet without the presence of Management to discuss and review any matters regarding the Group. For the financial year under review, the Independent Directors have met four times without the presence of Management.

The composition of the Board and independence of each Independent Director are reviewed annually by the NC. All the Independent Directors have confirmed in writing of their independence in accordance with the Code for the financial year under review.

The NC, in its deliberation as to the independence of a Director, took into account examples of relationships as set out in the Code, considered whether a Director had business relationships with the Group, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independence judgement. The Independent Directors do not have any relationship as stated in the Code that would otherwise deem him/her not to be independent.

Corporate Governance

Mr Chua Keng Hiang has served on the Board as Independent Director for more than nine years.

The NC has subject Mr Chua Keng Hiang's independence to a particularly rigorous review. In particular, the NC has considered specifically his length of service and continued independence and determined that the Director concerned has demonstrated strong independence in character and judgement over the years in discharging his duties and responsibilities as Independent Director of the Company in upholding the interest of the non-controlling shareholders.

The Board is of the view that Mr Chua Keng Hiang brings invaluable expertise, experience and knowledge to the Board and with the recommendation of the NC, resolved that Mr Chua Keng Hiang continue to be considered Independent Director, notwithstanding he has served on the Board as Independent Director for more than nine years from the date of his first appointment.

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr Ang Boon Cheow Edward is the Executive Chairman and Chief Executive Officer ("**CEO**") of the Group. The Board believes that this arrangement is appropriate due to his instrumental role in developing and managing the Group's business, competitive and industry factors, and ownership structure. The roles of the Chairman and the CEO are assumed by the same person, Mr Ang Boon Cheow Edward. The Board feels that the separation of the said roles is not necessary as Mr Ang is able to perform his roles and responsibilities so as to ensure balance of power and authority such that no individual represents a concentration of power. The Chairman, with the assistance of the Company Secretary, schedules board meetings, determines meeting agendas in consultation with other Board members, co-ordinates the flow of information between Management and the Board and ensures compliance with the Code.

As recommended by the Code, the Board has appointed Independent Director, Mr Chua Keng Hiang, as the Lead Independent Director with effect from 25 March 2014. Shareholders of the Company with serious concerns that could have a material impact on the Group shall be able to contact Mr Chua Keng Hiang for which contact through the normal channels of the Chairman, CEO or Financial Controller have failed to resolve or is inappropriate.

Led by the Lead Independent Director, the Independent Directors meet periodically without the presence of the Executive Directors, and the Lead Independent Director provides feedback to the Executive Chairman and CEO after such meetings as appropriate.

The NC, the RC and the AC are all chaired by the Independent Directors.

PRINCIPLE 4: BOARD MEMBERSHIP

The Nominating Committee comprises:

Ms Tan Min-Li (Chairman)	Independent Director
Mr Chua Keng Hiang	Lead Independent Director
Mr Ang Boon Cheow Edward	Executive Chairman & Chief Executive Officer

A majority of the NC members, including the Chairman of the NC, are Independent Directors. The NC holds at least one meeting in each financial year.

Corporate Governance

The principal functions of the NC under its written terms of reference include:

- make recommendations to the Board on all Board appointments, including re-nominations, having regard to the Director's contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an Independent Director;
- review the Board's structure, size and composition, having regard to the principles of corporate governance and the Code;
- identify and nominate candidates for the approval of the Board to fill vacancies in the Board as and when they arise;
- review the Board succession plans for directors, in particular, the Chairman and the CEO;
- determine annually, and as and when required, whether or not a Director is independent, based on the Code's definition of what constitutes independence in a director;
- in respect of a Director who has multiple board representations on various companies, decide whether or not such Director is able to and has been adequately carrying out his/her duties as a Director;
- decide how the Board's performance may be evaluated and propose objective performance criteria as approved by the Board and address how the Board can enhance long term shareholders' value. Such relevant performance evaluation criteria may include the Company's share price performance and returns on assets/equity/investment;
- assess annually the effectiveness of the Board as a whole and the contribution of individual Directors to the effectiveness of the Board; and
- review and recommend to the Board, training and professional development programmes for the Directors.

The NC adopts the Code's definition of what constitutes an independent director in its review. The NC is of the view that the three Independent Directors (who represent more than one-half of the Board) are independent. No individual or small groups of individuals dominate the Board's decision making process. The Board exercises independent judgement on corporate affairs and provide management with a diverse, professional and objective perspective on issues.

In consideration of the expected and/or competing time commitments of Directors, geographical location of Directors, size and composition of the Board, and the nature and scope of the current Group's operations, the NC reviews each of the Directors' contributions at meetings of the Board and Board Committees, and their time commitment to the affairs of the Company. The NC is of the view that the multiple board representations presently held by the Directors do not impede their performance in carrying out their duties to the Company. Therefore, it would not be necessary to put a maximum limit on the number of listed company board representations and other principal commitments of each Director. The NC will continue to review from time to time the board representations and other principal commitments of each Director to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately.

For the financial year under review, the NC has reviewed the time spent and attention given by each of the Directors to the Company's affairs, and is satisfied that all the Directors have discharged their duties adequately.

Currently, there is no alternate director on the Board.

Corporate Governance

The NC would assess performance of each Director in accordance with the performance criteria set by the Board, which included, *inter-alia*, commitment of time, knowledge and abilities, teamwork and overall effectiveness. 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. The NC would review the performance criteria used in assessing the performance of the Directors from time to time and will recommend revised performance criteria to be approved by the Board to better assess the performance of the Directors.

When a vacancy on the Board arises, the NC will identify the current needs of the Board in terms of expertise and skills that are required in the context of strengths and weaknesses of the existing Board to complement and strengthen the Board, tap on the Directors' personal contacts and recommendations and/or through search companies in identifying suitable candidates for new appointment as director and consider each candidate for directorship based on the qualification and experience of such candidate, his/her ability to increase the effectiveness of the Board and to add value to the Group's business. The NC will then recommend the appropriate candidate to the Board for approval. For the financial year under review, a new Executive Director has been appointed to the Board following the resignation of a Non-Executive Director.

New directors are appointed by way of a Board resolution, after the NC approves their appointments. Such new directors must submit themselves for re-election at the next Annual General Meeting ("**AGM**") of the Company pursuant to Article 88 of the Company's Constitution. Article 89 of the Company's Constitution requires one third of the Board to retire by rotation at every AGM and be re-elected at least once every three years. The exception is in respect of the Executive Chairman and CEO who is not subject to retirement pursuant to Article 85 of the Company's Constitution.

The year of initial appointment and the year of last re-election of the Directors are set out below:

Name of Director	Year of Initial Appointment	Year of Last Re-election
Ang Boon Cheow Edward	1995	2000
Chia Yau Leong	2016	–
Chua Keng Hiang	2003	2016
Ng Ya Ken*	2003	2016
Tan Min-Li	2014	2015

* Re-designated from Non-Executive Director to Independent Director with effect from 13 August 2010.

According to Article 89 of the Company's Constitution, Ms Tan Min-Li will retire at the Company's forthcoming AGM and will submit herself for re-election. According to Article 88 of the Company's Constitution, Mr Chia Yau Leong will retire at the Company's forthcoming AGM and will submit himself for re-election. The retiring Directors have offered themselves for re-election. In making the recommendations, the NC had considered the Directors' overall contribution and performance. The Board has accepted the recommendation of the NC.

Key information regarding the Directors can be found on pages 6-7 of the Annual Report. The shareholding of Mr Ang Boon Cheow Edward can be found on page 109 of the Annual Report. Mr Chia Yau Leong holds 45,000 shares in the Company. None of the Independent Directors hold shares in the Company.

Directors who are seeking re-appointment at the forthcoming AGM to be held on 27 April 2017 are stated in the Notice of AGM set out on pages 110 to 114 of this Annual Report.

Corporate Governance

PRINCIPLE 5: BOARD PERFORMANCE

The NC is responsible for recommending and implementing a process to assess the performance and effectiveness of the Board and the Board Committees as well as the contributions of each individual Director to the overall effectiveness of the Board. The NC uses a self-assessment process to assess the contribution by each Director to the effectiveness of the Board. The criteria for assessing directors include assessing each Director's contribution and commitment to the role taking into consideration, *inter alia*, attendance at meetings, the quality of contributions and functional expertise. The review of Board performance is undertaken collectively by the Board annually taking into account the performance criteria of Board composition and functions, Board strategic planning and accountability, measuring and monitoring performance and financial reporting. In assessing the effectiveness of the Board as a whole, both quantitative and qualitative criteria are considered. The results of the assessments are analysed and discussed with a view to implementing any recommendation(s) to enhance the effectiveness of the Board.

For the financial year under review, no external facilitator has been engaged to perform the Board assessment process. Where relevant and when the need arises, the NC will consider such an engagement. The NC has assessed the current Board and Board Committees' performances to-date, as well as the performance of each individual Director, and is of the view that the Board and its Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board for the financial year under review. The Board has met its performance objectives.

PRINCIPLE 6: ACCESS TO INFORMATION

Key Management personnel will also provide any additional material or 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.

Board members have unrestricted access to the Company's records and are given all information and documents in advance of each Board and Board Committee meeting. Any additional materials or information requested by the Directors to make informed decisions are promptly furnished by Management.

All the Directors have separate and independent access to the Company Secretary who attends all Board and Board Committee meetings and prepares minutes of meetings. The Company Secretary is responsible for ensuring that Board procedures are followed and that the relevant rules and regulations, including requirements of the Companies Act, Chapter 50 of Singapore and Securities and Futures Act, and the provisions in the Catalist Rules are complied with. The Company Secretary also assists the Chairman in ensuring good information flows within the Board and its Board Committees and between the Management and Independent Directors. The appointment and removal of the Company Secretary are subject to the approval of the Board.

Subject to the approval of the Chairman, Management can assist the Directors, either individually or as a group, to obtain independent professional advice to assist them in furtherance of their duties, at the expense of the Company.

Corporate Governance

(B) REMUNERATION MATTERS

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The Remuneration Committee comprises:

Mr Ng Ya Ken (Chairman)	Independent Director
Mr Chua Keng Hiang	Lead Independent Director
Ms Tan Min-Li	Independent Director

All the RC members, including the Chairman, are Independent Directors. The RC holds at least one meeting in each financial year.

The principal functions of the RC under its written terms of reference include:

- recommend to the Board a framework of remuneration for the Directors and Key Management personnel, and to determine specific remuneration packages for each Executive Director and the CEO, such recommendations to be made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board and would cover all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, share options, and benefits-in-kind. The Group's remuneration policy is to provide compensation packages at market rates which reward successful performance and attract, retain and motivate the Directors and Key Management personnel to run the Group successfully;
- in the case of service contracts, consider what compensation commitments the Directors' contracts of service, if any, would arise in the event of early termination with a view to be fair and avoid rewarding poor performance;
- in respect of long-term incentive schemes (if any) including share schemes as may be implemented, consider whether Directors should be eligible for benefits under such long-term incentive schemes; and
- set the remuneration packages of Executive Directors not under service contracts, taking into account the pay and employment conditions within the industry, the performance of the Group and that of the individual Executive Director.

Each RC member does not participate in discussions, and abstains from decision-making, in relation to any remuneration, compensation, options or any form of benefits to be granted to him/her. No Director is involved in deciding his own remuneration, compensation or any form of benefits to be granted to him/her.

If necessary, the RC would seek professional advice internally and/or externally pertaining to the remuneration of all Directors. For the financial year under review, the RC has not engaged any external remuneration consultant to advise on remuneration matters.

PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

In determining the level of remuneration, the RC shall ensure that performance-related remuneration system was implemented to ensure that the interests of the shareholders are aligned with the Board and Management in order to promote the long-term success of the Company.

Corporate Governance

In setting the remuneration packages, the RC considers that the level of remuneration should be appropriate to attract, retain and motivate the Directors and Key Management personnel to run the Company successfully.

The remuneration packages of Executive Directors and Key Management personnel comprise a basic salary component and a variable component which is the annual bonus based on the performance of the Group as a whole and their individual performance. This is designed to align the remuneration of Executive Directors and Key Management personnel with the interests of shareholders and link rewards to corporate and individual performance. Executive Directors are not paid directors' fees.

For those Executive Directors under service contracts, there is a fixed appointment period. The remuneration package of such Executive Directors comprise a basic salary component, fixed annual bonus component, variable performance-related component which is based on the profitability level of the Group as a whole and other benefits. The service contracts do not have excessively long or onerous removal from office clauses.

The RC has reviewed and is satisfied that the performance conditions of the Executive Directors and the Key Management personnel were met for the financial year under review.

The Board concurred with the RC that the proposed directors' fees are appropriate and that the Independent Directors receive directors' fees in accordance with their level of contribution, taking into account factors such as effort and time spent in serving on the Board and Board Committees, as well as the responsibilities and obligations of the Directors. The Company recognises the need to pay competitive fees to attract, motivate and retain the Independent Directors without being excessive to the extent that their independence might be compromised.

Independent Directors' fees are recommended by the Board for approval by the shareholders at the AGM of the Company.

The Company does not have any share-based compensation schemes or any long-term scheme involving the offer of shares in place to encourage the Independent Directors to hold shares in the Company.

Having reviewed and considered the variable components of the Executive Directors and the Key Management personnel, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of the Executive Directors' remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss. The Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

PRINCIPLE 9: DISCLOSURE ON REMUNERATION

The Group's remuneration policy is to provide compensation packages at market rates comprising a fixed component, a variable component and other benefits. The fixed and variable components are in the form of a base salary and bonus, and variable bonus that is linked to the performance of the Company and individual which seek to reward successful performance and attract, retain and motivate the Directors and Key Management personnel to run the Group successfully.

Corporate Governance

The breakdown of remuneration of Directors of the Company and Key Management personnel of the Group for the financial year under review are as follows:

Directors	Salary %	Bonus %	Incentive Bonus %	Fees %	Benefits %	Total %
(a) Between S\$750,001 and S\$1,000,000						
Ang Boon Cheow Edward	58	16	12	–	14	100
(b) Below S\$250,000						
Chia Yau Leong*	85	15	–	–	–	100
Ang Boon Chong	–	–	–	100	–	100
Chua Keng Hiang	–	–	–	100	–	100
Ng Ya Ken	–	–	–	100	–	100
Tan Min-Li	–	–	–	100	–	100

Key Management	Salary %	Bonus %	Incentive Bonus %	Fees %	Benefits %	Total %
Below S\$250,000						
Chia Yau Leong*	100	–	–	–	–	100

* Appointed as Executive Director with effect from 6 May 2016. The remuneration disclosed under Director was for the period from May to December 2016. The remuneration disclosed under Key Management was for the period from January to April 2016.

The Board is of the view that it would not be in the best interest of the Group to disclose the specific remuneration of each individual Director and Key Management personnel, in light of the sensitivities of remuneration in a small and medium size enterprise environment, for competitive reasons.

Similarly, as there was only one key management personnel (who is not a director or the CEO) in the Group during the financial year under review, it would not be in the best interest of the Company to disclose the aggregate total remuneration paid to the top five key management personnel (who are not directors or the CEO) as required under Rule 1204(12) of the Catalist Rules for competitive reasons. The Board believes that the above disclosure of the remuneration in bands of S\$250,000 provides sufficient overview and is of the opinion that such disclosure would be adequate for purposes of compliance with the Code.

Save as the below said, there was no other employee of the Group who was an immediate family member of a Director or the CEO.

Ms Hoon Pang Heng Joanna, VP, Corporate Affairs of the Company, is the spouse of Mr Ang Boon Cheow Edward, who is the Executive Chairman and Chief Executive Officer of the Company and substantial shareholder of the Company. The remuneration of Hoon Pang Heng Joanna was between S\$100,000 to S\$150,000 for the financial year under review.

Corporate Governance

The employees related to directors or the CEO and whose remuneration exceed S\$50,000 for the financial year under review are as follows:

	Salary %	Bonus %	Benefits %	Total %
Between S\$100,001 and S\$150,000				
Hoon Pang Heng Joanna Spouse of Ang Boon Cheow Edward	76	–	24	100

The Company previously had a share option scheme known as the “Ocean Sky Share Option Scheme” which had lapsed. There were no share options granted by the Company for the financial year under review. The Company has no outstanding share options of unissued reserved shares as at the end of financial year. The RC will be reviewing and setting performance conditions used to determine the remuneration of Executive Directors and Key Management personnel to motivate the Executive Directors and Key Management personnel to work in alignment with the goals of all stakeholders following the completion of acquisition of the remaining 70% of Ang Tong Seng Brothers Enterprises Pte Ltd not previously owned by the Company.

(C) ACCOUNTABILITY AND AUDIT

PRINCIPLE 10: ACCOUNTABILITY

The Board is accountable to shareholders and ensures that all material information is fully disclosed in a timely manner to shareholders in compliance with statutory and regulatory requirements. The Board is responsible for providing shareholders a balanced and understandable assessment of the Group’s performance, position and prospects. The Group makes announcement of its financial results on a quarterly and full year basis and other price-sensitive Information via SGXNET on a timely manner. Management is accountable to the Board and provides members of the Board with management accounts which present a balanced and understandable assessment of the Group’s performance, position and prospects on a quarterly and full year basis. As and when circumstances arise, the Board can request Management to provide any necessary explanation and/or information on the management accounts of the Group.

The Board reviews legislative and regulatory compliance reports from the Management to ensure that the Group complies with the relevant requirements, including the Catalist Rules. The Independent Directors in consultation with Management will request for Management’s consideration for the establishment of written policies for any particular matter that is deemed to be essential to form part of management control.

In line with the Catalist Rules, the Board provides a negative assurance statement in its quarterly financial results announcement, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

The Company has obtained from all the Directors and executive officers of the Group the signed letter of undertaking in the format set out in Appendix 7H pursuant to the amended Rule 720(1) of the Catalist Rules.

Corporate Governance

PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the governance of risk and sets the tone and direction for the Group in the way risks are managed in the Group's businesses. The Board has ultimate responsibility for approving the internal processes of the Group in a manner which addresses stakeholders' expectations and does not expose the Group to an unacceptable level of operational, financial and compliance risks. The Board approves the key management policies and ensures a sound system of risk management and internal controls.

Management highlights and discusses (if any) salient risk management matters to the Board on a quarterly basis. The Company's risk management framework and internal control system covers financial, operational, compliance and information technology risks and internal controls. Following the completion of acquisition of the remaining 70% of Ang Tong Seng Brothers Enterprises Pte Ltd not previously owned by the Company, the AC is currently in the process of evaluating internal audit proposals for the Group from external independent auditors.

The Group does not have a Risk Management Committee. However, the Management regularly reviews the Company's business, operations and activities to identify possible areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures and highlights all significant matters to the Board and the AC.

The Board acknowledges that it is responsible for ensuring that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the Group's assets. In addition to determining the approval to risk governance, the Board sets and instills the right risk-focused culture throughout the Group for effective risk governance. The AC, together with the Board, reviews the effectiveness of the Group's system of internal controls put in place to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained and financial information are reliable. The AC evaluates the findings of the external and internal auditors of the Group's internal controls annually. Internal audit will be outsourced to a third party professional firm.

The Group does not utilise sophisticated and complex computer systems in its operations and considers its exposure to information technology risks to be low.

The Board is of the opinion that the system of internal controls maintained by the Management and that was in place throughout the financial year was adequate and provides reasonable, but not absolute, assurance against material financial misstatements of loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk.

For the financial year under review, the Board has received assurance from the CEO and Financial Controller that:

- the Group's risk management and internal controls system in place is adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks; and
- the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances.

Corporate Governance

Based on the framework of risk management controls and internal controls established and maintained by the Group, work performed by the external auditors and reviews performed by the Management, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management systems in place, which addresses the financial, operational, compliance and information technology risks were adequate and effective as at 31 December 2016.

PRINCIPLE 12: AUDIT COMMITTEE

The Audit Committee comprises:

Mr Chua Keng Hiang (Chairman)	Lead Independent Director
Mr Ng Ya Ken	Independent Director
Ms Tan Min-Li	Independent Director

All the AC members, including the Chairman, are Independent Directors.

The Board ensures that the members of the AC are qualified to discharge their responsibilities. The members of the AC, collectively, bring with them many years of accounting and related financial management, legal, economics and marketing expertise and experience. The AC has at least 2 members, including the AC Chairman, who have recent and relevant accounting and related financial management expertise and experience.

The AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly. The AC holds at least 4 meetings in each financial year.

The duties of the AC include:

- review with the external auditors the audit plan of their evaluation of the system of internal controls, their audit report and the assistance given by the Company's officers to the external auditors;
- review of the scope and results of the external audit and cost effectiveness and the independence and objectivity of external auditors;
- meet with the external auditors without the presence of Management;
- review of the financial statements of the Company and consolidated financial statements of the Group before their submission to the Board;
- review of the nature and extent of non-audit services provided by external auditors to the Company, seeking to balance the maintenance of objectivity and value for money;
- make recommendations on the appointment, re-appointment and removal of external auditors;
- review of the scope and results of internal audit procedures;
- review of the adequacy and effectiveness of the internal audit function; and
- review of the transactions falling within the scope of Chapter 9 of the Catalist Rules.

The AC assists the Board with regard to discharging its responsibility to safeguard the Company's assets, maintain adequate accounting records, and develop and maintain effective system of internal controls with an overall objective of ensuring that the Management has created and maintained an effective control environment in the Group, and that the Management demonstrates and stipulates the necessary aspects of the Group's internal control structure among all parties.

Corporate Governance

The AC will also commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity or failure of internal controls or infringement of any Singapore law, rules or regulations which have or is likely to have a material impact on the Group's operating results and/or financial position. In the event that a member of the AC is interested in any matter being considered by the AC, he/she will abstain from reviewing and deliberating on that particular transaction or voting on that particular resolution.

The AC held four meetings during the financial year under review.

The AC meets regularly with the Management and the external auditors to review auditing and risk management matters and discuss accounting implications of any major transactions including significant financial reporting issues.

The AC is kept abreast by the Management and the external auditors of changes to accounting standards, the Catalist Rules and other regulations which could have an impact on the Group's business and financial statements.

On a quarterly basis, the AC also reviews the interested person transactions and the financial results announcements before their submission to the Board for approval.

The AC meets with the external auditors at least once a year without the presence of the Management to review any matters that might be raised.

The AC recommends to the Board the appointment, re-appointment and removal of external auditors, and the remuneration and terms of engagement of the external auditors. The re-appointment of the external auditors is always subject to shareholders' approval at the AGM of the Company.

The AC undertook the review of the independence and objectivity of the external auditors annually through discussions with the external auditors as well as reviewing the non-audit fees awarded to them to satisfy the AC that the nature and extent of such services will not prejudice the independence of the external auditors. The AC is satisfied with their independence and hence has recommended to the Board the re-appointment of BDO LLP as the Company's external auditors at the forthcoming AGM. BDO LLP, which is registered with the Accounting and Corporate Regulatory Authority, is the external auditor of the Company. In this respect, the Company complies with Rule 712 of the Catalist Rules.

Other BDO Member Firms are auditors of all its significant subsidiaries. The Company is therefore in compliance with Rule 715 read with 716 of the Catalist Rules.

The aggregate amount of fees paid/payable to the auditors of the Company for audit services amount to US\$57,000 in respect of the audit for financial year ended 31 December 2016 and US\$20,000 for non-audit services relating to tax compliance and corporate secretarial services. The AC has undertaken a review of all non-audit services provided by the auditors and the AC is satisfied that the provision of such services does not affect the independence of the auditors.

No former partner or director of the Company's existing auditing firm or auditing corporation is a member of the AC. No AC member holds any financial interest in the existing auditing firm or auditing corporation.

The Company has put in place a whistle-blowing framework whereby staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The framework includes arrangements for independent investigation and appropriate follow-up of such matters.

To ensure independent investigation of such matters and for appropriate follow-up action, all whistle-blowing reports are to be addressed and sent to the AC Chairman.

Corporate Governance

Details of the whistle-blowing policy and arrangements will be given to all staff for their easy reference. New staff is briefed on the policy during the orientation programme. No whistle-blowing report was received during the financial year under review.

PRINCIPLE 13: INTERNAL AUDIT

The AC evaluates the need for an internal audit function so as to align it to the changing needs and risk profile of the Group's activities. On the recommendation of the AC, the Board has, from time to time, engaged external independent auditors to undertake an internal audit. If an internal audit is deemed necessary, the AC will set the internal audit scope, approve the internal audit plans, review the internal audit reports and assess the effectiveness of the internal auditor, such as its scope of work and the quality of its audit reports. Any material weaknesses and risks identified in the course of the audit will be communicated to the Management. Management will provide updates to the AC on the status of the remedial action plans.

Following the divestment of apparel business operations, no internal audit has been performed. The AC enquired and relied on reports from Management and external auditors on any material non-compliance and internal control weakness. The AC has reviewed with the external auditors their findings of the existence and adequacy of material internal control procedures as part of their audit for the financial year under review. The AC is of the view that in the light of the present business operations of the Group, the internal controls put in place by Management are adequate to address the key risks identified.

Following the completion of acquisition of the remaining 70% of Ang Tong Seng Brothers Enterprises Pte Ltd not previously owned by the Company in November 2016, the AC is currently in the process of evaluating internal audit proposals for the Group.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

PRINCIPLES 14: SHAREHOLDER RIGHTS

The Company is committed to maintaining high standards of corporate disclosure, transparency and accountability to its shareholders. The Board ensures that all the Company's shareholders are treated equitably and the rights of all investors, including non-controlling shareholders are protected.

The Company welcomes the views of shareholders on matters affecting the Company, whether at shareholders' meetings or on an ad-hoc basis. Shareholders are informed of shareholders' meetings through notices published in the Annual Report sent to all shareholders and via SGXNET, and advertised in a major local newspaper. Resolutions tabled at general meetings are passed through a process of voting by poll whereby procedures are clearly explained by the scrutineers at such general meetings.

At the Company's general meetings, shareholders are given the opportunity to voice their views and ask the Directors questions regarding the Company. In addition, the Chairman of the various Board Committees and the External Auditors are also present at the AGM to assist the Directors to address shareholders' queries about the conduct of audit and the preparation and contents of the auditors' report.

The Company's Constitution provide for a shareholder to appoint one or two proxies to attend and vote in his stead at all general meetings. On 3 January 2016, the legislation was amended, among other things to allow certain members, defined as "relevant intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant intermediary includes corporations holding licences in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

Corporate Governance

There is no provision in the Company's Constitution to allow for other absentia voting methods such as by mail, email and fax until security, integrity, legitimacy and other related issues are satisfactorily resolved.

PRINCIPLES 15: COMMUNICATIONS WITH SHAREHOLDERS

The Board subscribes to the Code's principle that the Company should engage in regular, effective and fair communication with shareholders and the investing public. To this end, it is the Company's policy that all material information will be disseminated on a timely basis through SGXNET and not released to any selected group of persons. The Company does not practise selective disclosure. The Group's financial results and annual reports are announced or issued within the period specified under the Catalist Rules, and are also made available to the public via SGXNET. The Company also strives to promptly respond to enquiries from shareholders, investors, analysts, fund managers and the press. The Company has a team of investor relations personnel who focus on facilitating the communications with all stakeholders on a regular basis and to attend to their queries or concern.

Shareholders, the investment community, media and analysts are kept informed of the Group's performance, progress and prospects and major developments of the Company on a timely basis through various means of communication as follows:

- (1) Announcements including quarterly and full-year announcements of financial results, price sensitive information, significant transactions or other announcements or press release through SGXNET;
- (2) Annual reports and notices of AGM issued to all shareholders; and
- (3) Company's general meetings.

Annual or extraordinary general meetings have been and are still the principal forum for dialogue with shareholders. At these meetings, shareholders are able to engage the Board and Management on the Group's business activities, financial performance and other business-related matters.

The Group does not have a fixed dividend policy at present. The form, frequency and the amount of dividends declared each year will take into consideration the Group's profit, cash position, and other factors as the Board may deem appropriate. For the financial year under review, the Board has not declared or recommended any dividend as the Company does not have accumulated profits.

PRINCIPLES 16: CONDUCT OF SHAREHOLDER MEETINGS

All shareholders receive reports or circulars of the Company including notice of general meeting by post within the mandatory period. Notice of general meeting is announced through SGXNET and published in a major local newspaper within the same period.

All registered shareholders are invited to participate and given the right to vote on resolutions at general meetings. Every matter requiring shareholder's approval is proposed as a separate resolution. Each item of special business included in the notice of meeting is accompanied by an explanation for the resolution to be passed. Proxy form is sent with notice of general meeting to all shareholders. A shareholder may appoint one or two proxies to attend and vote in his stead at all general meetings. For the time being, the Company has decided not to allow for absentia voting methods such as by mail, email and fax at the general meetings due to concern over the authentication of shareholders' identity.

Corporate Governance

All the Directors, Management, Company Secretary and external auditors are normally present at the general meetings to address any questions. General meetings provide shareholders the opportunity to ask questions relating to each resolution tabled for approval and open communication are encouraged by the shareholders with the Directors on their view on matters relating to the Company. All resolutions at general meetings are put to vote by poll which are verified by an appointed scrutineer for the general meeting and the results showing the number of votes cast for and against each resolution and the respective percentage are announced to the audience at the general meetings. The polling results are also announced after the meeting via SGXNET.

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

DEALINGS IN SECURITIES

The Company has issued guidelines to directors and employees prohibiting dealings in securities while in possession of unpublished price-sensitive information. They are also prohibited from dealing in securities of the Company during the period of two weeks before the announcement of the Group's quarterly results and one month before the announcement of the Group's financial year-end results. In addition, they are also prohibited from dealing in the Company's securities on short-term considerations.

The Group has adopted the best practices on dealings in securities according to Rule 1204(19) of the Catalist Rules.

INTERESTED PERSON TRANSACTIONS

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

The Board and the AC will review all interested person transactions ("**IPTs**") to be entered to ensure that the relevant rules under Chapter 9 of the Catalist Rules are complied with. When a potential conflict of interest arises, the Director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

The AC is satisfied that the review procedures for IPTs and the reviews to be made periodically by the AC in relation thereto are adequate to ensure that the IPTs will be transacted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

Save for the acquisition of the remaining 70% of Ang Tong Seng Brothers Enterprises Pte Ltd not previously owned by the Company for which an extraordinary general meeting was convened on 21 November 2016, there were no interested person transactions for the financial year under review.

Corporate Governance

IPTs with value of S\$100,000 or more entered into during FY2016 is as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Catalist Rules) \$'000	Aggregated value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Catalist Rules (excluding transactions less than S\$100,000) \$'000
Share purchase of Ang Tong Seng Brothers Enterprises Pte Ltd between the Company and Mr Ang Boon Cheow Edward	S\$21,198 (or approximately US\$15,662)*	-

* Based on exchange rate as at 21 September 2016 of US\$1 = S\$1.3535.

MATERIAL CONTRACTS

Save for the service agreement of Executive Director, Mr Ang Boon Cheow Edward, there were no material contracts entered into by the Company and its subsidiaries involving the interest of the Chairman, each Director or controlling shareholder, which were either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

NON-SPONSOR FEES

During the financial year under review, non-sponsor fees paid to the Company's sponsor, UOB Kay Hian Pte Ltd, amounted to US\$173,000 for financial advisory services in relation to the acquisition of the remaining 70% of Ang Tong Seng Brothers Enterprises Pte Ltd not previously owned by the Company.

Corporate Governance

USE OF PROCEEDS

On 29 March 2012, the Company issued 23,630,000 shares by way of a private placement and the net proceeds amounted to approximately US\$2,468,000. The following table shows an update on the use of proceeds which has been fully utilised as at the date of this report:

Use of Proceeds	Amount Used in FY2016 US\$'000	Amount Used To-Date US\$'000
Professional fees pertaining to corporate exercises:		
(1) Transactions in relation to proposed acquisition of ChiwayLand Group (Singapore) Pte Ltd as announced on 2 April 2012	–	71
(2) Transactions in relation to acquisition of Ang Tong Seng Brothers Enterprises Pte Ltd as announced on 29 October 2012	–	169
(3) Transactions in relation to disposal of Ocean Sky Global (S) Pte Ltd as announced on 6 January 2013	–	1,446
(4) Transactions in relation to proposed acquisition of Ezion Offshore Logistics Hub (Tiwi) Pty Ltd as announced on 30 September 2013	–	209
(5) Transactions in relation to proposed acquisition of Link (THM) Holdings Pte Ltd as announced on 25 March 2015	46	259
(6) Transactions in relation to listing transfer from Main Board to Catalist Board of the SGX-ST as announced on 27 February 2016	120	120
(7) Transactions in relation to acquisition of the remaining 70% of Ang Tong Seng Brothers Enterprises Pte Ltd as announced on 21 September 2016	194	194
Total	360	2,468

Financial Contents

Directors' Statement	35
Independent Auditor's Report	38
Statements of Financial Position	45
Consolidated Statement of Comprehensive Income	46
Consolidated Statement of Changes in Equity	47
Consolidated Statement of Cash Flows	48
Notes to the Financial Statements	50
Statistics of Shareholdings	108
Notice of Annual General Meeting	110
Appendix 1	115
Proxy Form	

Director's Statement

The Directors of Ocean Sky International 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 2016 and the statement of financial position of the Company as at 31 December 2016.

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 properly 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 2016, and of the consolidated financial performance, consolidated changes in equity and consolidated 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:

Ang Boon Cheow Edward
Chia Yau Leong (Appointed on 6 May 2016)
Chua Keng Hiang
Ng Ya Ken
Tan Min-Li

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 was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Director's Statement

4. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

The Directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act") except as follows:

	Shareholdings registered in name of Director		Shareholdings in which Director is deemed to have an interest	
	At beginning of year or date of appointment, if later	At end of year	At beginning of year or date of appointment, if later	At end of year
The Company				
Ocean Sky International Limited				
(No. of ordinary shares)				
Ang Boon Cheow Edward	–	93,061,224	139,814,634	69,907,317
Chia Yau Leong	90,000	45,000	–	–

By virtue of Section 7 of the Act, Mr Ang Boon Cheow Edward is 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 (the "SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interests as at 21 January 2017 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2016.

5. SHARE OPTIONS

There were no share options granted by the Company or its subsidiary corporations during the financial year.

There were no shares 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 option as at the end of the financial year.

6. AUDIT COMMITTEE

The audit committee of the Company is chaired by Chua Keng Hiang, an independent Director, and includes Ng Ya Ken and Tan Min-Li, who are both independent Directors. The audit committee has met four times since the last Annual General Meeting ("AGM") and has carried out its functions in accordance with section 201B(5) of the Act, including reviewing the following, where relevant, with the Executive Directors and external and internal auditors of the Company:

- the audit plan of the external auditor and the results of the auditor's examination and evaluation of the Group's systems of internal accounting controls;
- the Company's and the Group's financial and operating results and accounting policies;
- the statement of financial position of the Company and the consolidated financial statements of the Group and external auditor's report on those financial statements before their submission to the Directors of the Company;

Director's Statement

6. AUDIT COMMITTEE (CONTINUED)

- (d) the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;
- (e) the co-operation and assistance given by the management to the Company's external auditor; and
- (f) the re-appointment of the external auditor of the Company.

The audit committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any Director and executive officer to attend its meetings. The external auditor has unrestricted access to the audit committee.

The audit committee has recommended to the Directors the nomination of BDO LLP for re-appointment as external auditor of the Company at the forthcoming AGM of the Company.

7. INDEPENDENT AUDITOR

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

On behalf of the Board of Directors

Ang Boon Cheow Edward

Director

Chia Yau Leong

Director

Singapore
5 April 2017

Independent Auditor's Report

TO THE MEMBERS OF OCEAN SKY INTERNATIONAL LIMITED

Report on the Audit of the Financial Statements

We have audited the financial statements of Ocean Sky International 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 2016;
- 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 Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

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

Key Audit Matter

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

Independent Auditor's Report

TO THE MEMBERS OF OCEAN SKY INTERNATIONAL LIMITED

1

Business Combination Related to Ang Tong Seng Brothers Enterprises Pte Ltd ("ATS") and the Recognition and Subsequent Measurement of Goodwill

Key Audit Matter

The Company obtained control over ATS (a former associate) through the acquisition of the remaining 70% equity interest in ATS on 30 November 2016, at a purchase consideration of US\$14.1 million. The management, assisted by its external valuer, performed valuations to determine the fair values of ATS' identifiable assets acquired and liabilities assumed and the fair value of the Company's previously held equity interest of 30% in ATS as at the date of acquisition.

As disclosed in Note 8 to the financial statements, following the business combination, a goodwill of US\$8.4 million was recognised. Under FRS 36 Impairment of Assets, the Group is required to test goodwill for impairment annually, or more frequently if there are indicators that goodwill may be impaired.

We have determined the business combination of ATS and the resultant goodwill to be a key audit matter as the acquisition is a material transaction during the financial year and involved significant judgements and estimates with regard to the valuation process and key assumptions on the future market conditions, growth rates and discount rates used in the discounted cash flow forecasts prepared by management.

Related Disclosures

Refer to Notes 3.2, 6 and 8 to the financial statements.

Audit Response

Our procedures on the business combination of ATS included, amongst others, the following:

- Assessed the independence and competency of the external valuer which included considering their experiences and qualification in performing valuations for such business combinations;
- Discussed with the external valuer on the valuation methodologies used and the results of their work;
- Compared the key assumptions used by the external valuer in their valuations of assets to externally published benchmarks where available;
- Engaged our internal valuation specialists to evaluate the valuation methodologies used and the reasonableness of the discount rate applied;
- Evaluated the key business performance assumptions made by management, including the revenue growth rate against historical performance; and
- Assessed the adequacy of the disclosure in the financial statements in relation to this business combination.

Furthermore, we performed the following additional procedures on the goodwill impairment, amongst others:

- Performed sensitivity analysis around the key assumptions, including the revenue growth rate and discount rate, used in cash flow forecasts; and
- Assessed the adequacy of the disclosure in the financial statements with respect to the goodwill impairment.

Independent Auditor's Report

TO THE MEMBERS OF OCEAN SKY INTERNATIONAL LIMITED

2

Accounting for Construction Contracts

Key Audit Matter

For the financial year ended 31 December 2016, arising from the business combination of ATS, the Group recorded revenue from construction contracts amounting to US\$1.6 million which represents approximately 70% of the Group's revenue. Accounting for construction contracts in accordance with FRSs involves significant management judgements and estimates of:

- total contract revenue, including the initial contract sum and variation orders approved by the customers;
- total contract costs, including costs to complete the contracts;
- the stage of completion of the contract activity at the end of the financial year based on surveys of contract work performed approved by customers; and
- foreseeable losses when total contract costs exceed revenue.

As part of the Group's contractual obligations, the Group may be required to carry out rectification of construction defects during the warranty periods. Management exercises judgements in determining whether provisions should be made for defect liability.

We have determined this to be a key audit matter because it is a new business segment for the Group which contributes significantly to the Group's financial statements and the accounting for construction contracts requires the exercise of significant judgements.

Related Disclosures

Refer to Notes 3.1, 11, 15 and 21 to the financial statements.

Audit Response

Our procedures included, amongst others, the following:

- Checked the initial contract sum and variation orders to contracts and agreements with customers;
- Evaluated the projects' budgeted costs and budgeted gross profit margins for reasonableness;
- Obtained the surveys of contract work performed approved by customers to verify the stage of completion and the revenue recognised;
- Checked the actual costs incurred to supplier invoices;
- Obtained the project summary for ongoing projects costs to evaluate management's assessment of provision for foreseeable losses;
- Assessed the adequacy of management's provision for defect liability for completed projects by comparing against historical level of rectification work; and
- Reviewed the adequacy of disclosure in the financial statements.

Independent Auditor's Report

TO THE MEMBERS OF OCEAN SKY INTERNATIONAL LIMITED

3

Fair Value of Investment Property Held by a Subsidiary in Cambodia

Key Audit Matter

The Group has an investment property comprising a freehold land stated at fair value, determined by an independent professional valuer engaged by the Group.

We have determined the valuation of the investment property to be a key audit matter because significant judgement and estimation are involved in evaluating the appropriateness of the valuation methodology (income capitalisation approach) and reasonableness of the key assumptions used by the valuer. This includes the capitalisation rate of investment property.

Related Disclosures

Refer to Note 5 to the financial statements.

Audit Response

Our procedures included the following, amongst others, with the involvement of the component auditor:

- Assessed the competency and independence of the valuer which included considering the valuer's experience and qualification in assessing similar investment property;
- Held discussions with the valuer to understand their valuation methodology;
- Engaged our internal valuation specialist to evaluate the valuation methodology used and the reasonableness of the key assumptions used in the valuation; and
- Evaluated the adequacy of the relevant disclosures in the financial statements.

Independent Auditor's Report

TO THE MEMBERS OF OCEAN SKY INTERNATIONAL LIMITED

4

Tax Reassessment for a Subsidiary in Cambodia

Key Audit Matter

In the previous financial year, a provision of US\$450,000 was made in relation to a notice of tax reassessment on a subsidiary in Cambodia of approximately US\$1.0 million issued by the Cambodian tax authority ("Tax Reassessment") as disclosed in Note 34 of the financial statements.

During the financial year, based on an updated written advice received from an independent tax advisor, management has determined that the provision of US\$450,000 remains adequate. Following a meeting with the independent tax advisor, the Cambodian tax authority has verbally agreed to remove certain reassessed items and will issue a revised tax reassessment ("Revised Tax Reassessment"). As at the date of these financial statements, the Revised Tax Reassessment has not been issued by the Cambodian tax authority.

We have determined this to be a key audit matter as significant judgement is involved in assessing the amount of provision to be recognised. Depending on the outcome of the Revised Tax Reassessment, the final tax liabilities may be higher or lower than the provision made by management.

Related Disclosures

Refer to Note 34 to the financial statements.

Audit Response

Our procedures included the following, amongst others, with the involvement of the component auditor:

- Assessed the independence and competency of the independent tax advisor which included considering their qualification and experiences in Cambodian tax laws;
- Obtained and read the independent tax advice received by the management to assess the adequacy of the provision;
- Held discussions with management to understand if there were any material developments subsequent to the receipt of the tax advice;
- Evaluated the adequacy of the relevant disclosures in the financial statements.

Other Information

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

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

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

Independent Auditor's Report

TO THE MEMBERS OF OCEAN SKY INTERNATIONAL LIMITED

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Independent Auditor's Report

TO THE MEMBERS OF OCEAN SKY INTERNATIONAL LIMITED

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Adrian Lee Yu-Min.

BDO LLP

Public Accountants and
Chartered Accountants

Singapore
5 April 2017

Statements of Financial Position

AS AT 31 DECEMBER 2016

	Note	Group		Company	
		2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Non-current assets					
Property, plant and equipment	4	11,936	232	385	232
Investment property	5	12,810	10,144	–	–
Goodwill	6	8,122	–	–	–
Intangible assets	7	604	1	–	1
Subsidiaries	8	–	–	23,638	7,017
Investment in associate	9	–	3,859	–	2,502
Investment in joint venture	10	–*	–	–	–
		33,472	14,236	24,023	9,752
Current assets					
Inventories		74	–	–	–
Due from customers for contract work	11	22	–	–	–
Trade and other receivables	12	5,245	46	58	39
Cash and cash equivalents	13	14,268	19,003	10,864	18,484
		19,609	19,049	10,922	18,523
Current liabilities					
Trade and other payables	14	5,331	2,399	2,319	2,513
Provisions	15	321	–	–	–
Bank term loans	16	280	–	–	–
Finance lease payable	17	312	36	46	36
Income tax payable		1,200	290	–	–
		7,444	2,725	2,365	2,549
Net current assets		12,165	16,324	8,557	15,974
Non-current liabilities					
Bank term loans	16	6,774	–	–	–
Finance lease payable	17	469	72	171	72
Deferred tax liabilities	18	199	–	–	–
		7,442	72	171	72
Net assets		38,195	30,488	32,409	25,654
Equity					
Share capital	19	36,522	29,344	36,522	29,344
Reserves	20	4,768	5,098	–	–
Accumulated losses	20	(3,095)	(3,954)	(4,113)	(3,690)
Equity attributable to owners of the parent		38,195	30,488	32,409	25,654

* Amount less than US\$1,000.

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

Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 US\$'000	2015 US\$'000
Revenue	21	2,376	720
Cost of works		(1,793)	–
Gross profit		583	720
Other income	22	2,733	34
Administrative and other operating expenses		(2,679)	(2,916)
Finance costs	23	(37)	(3)
Share of results of associate, net of tax		752	687
Profit/(Loss) before tax	24	1,352	(1,478)
Income tax expense	26	(493)	(290)
Profit/(Loss) for the financial year attributable to owners of the parent		859	(1,768)
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences on translating foreign operations		(714)	(131)
<i>Reclassification to profit or loss from foreign currency translation reserve:</i>			
– Liquidation of foreign subsidiary	8	–	546
– Deemed disposal of associate	8	384	–
Other comprehensive income for the financial year, net of tax		(330)	415
Total comprehensive income for the financial year attributable to owners of the parent		529	(1,353)
Earnings/(Loss) per share (US cents)	27		
– Basic		0.37	(0.79)
– Diluted		0.37	(0.79)

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

Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Share capital US\$'000	Foreign currency translation reserve US\$'000	Revaluation reserve US\$'000	Accumulated losses US\$'000	Equity attributable to owners of the parent US\$'000
Balance at 1 January 2016	29,344	(191)	5,289	(3,954)	30,488
Changes in ownership interests in a subsidiary					
Acquisition of subsidiary (Note 8)	7,211	-	-	-	7,211
Share issuance expense (Note 19)	(33)	-	-	-	(33)
Total	7,178	-	-	-	7,178
Profit for the financial year	-	-	-	859	859
Other comprehensive income for the financial year					
Reclassification to profit or loss:					
- Loss on deemed disposal of associate	-	384	-	-	384
Exchange differences on translating foreign operations	-	(714)	-	-	(714)
Total other comprehensive income for the financial year	-	(330)	-	-	(330)
Total comprehensive income for the financial year	-	(330)	-	859	529
Balance at 31 December 2016	36,522	(521)	5,289	(3,095)	38,195
Balance at 1 January 2015	29,344	(606)	5,289	(2,186)	31,841
Loss for the financial year	-	-	-	(1,768)	(1,768)
Other comprehensive income for the financial year					
Reclassification to profit or loss:					
- Loss on liquidation of foreign subsidiary	-	546	-	-	546
Exchange differences on translating foreign operations	-	(131)	-	-	(131)
Total other comprehensive income for the financial year	-	415	-	-	415
Total comprehensive income for the financial year	-	415	-	(1,768)	(1,353)
Balance at 31 December 2015	29,344	(191)	5,289	(3,954)	30,488

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

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	2016 US\$'000	2015 US\$'000
Operating activities		
Profit/(Loss) before income tax	1,352	(1,478)
Adjustments for:		
Allowance for impairment of intangible assets	7	–
Depreciation of property, plant and equipment	500	105
Amortisation of intangible assets	62	–
Fair value (gain)/loss on investment property	(2,666)	340
(Gain)/Loss on disposal of property, plant and equipment	(36)	7
Interest expense	37	3
Interest income	(27)	(25)
Loss on deemed disposal of associate	734	–
Provision for penalties and interest	–	278
Property, plant and equipment written off	7	–
Settlement of provision for warranty claims	–	(2,700)
Unrealised foreign exchange gain	(187)	(101)
Reclassification of loss from foreign currency translation reserve on liquidation of a foreign subsidiary (Note 8)	–	546
Share of results of associate	(752)	(687)
Operating cash flows before working capital changes	(969)	(3,712)
Working capital changes:		
Inventories	(63)	–
Trade and other receivables	(335)	189
Trade and other payables	481	58
Due from customers for contract work	138	–
Provisions	(11)	–
Net cash used in operations	(759)	(3,465)
Interest paid	(28)	(3)
Income taxes paid	(115)	(665)
Net cash used in operating activities	(902)	(4,133)

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

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	2016 US\$'000	2015 US\$'000
Investing activities		
Purchase of property, plant and equipment (Note 4)	(362)	(48)
Proceeds from disposals of property, plant and equipment	96	42
Acquisition of subsidiary, net of cash acquired (Note 8)	(4,905)	–
Proceeds from dividend income from associate	1,254	–
Interest received	27	25
Net cash (used in)/generated from investing activities	(3,890)	19
Financing activities		
Payment of share issuance expense	(33)	–
Repayment of bank borrowings	(24)	–
Repayment of finance lease obligations	(100)	(31)
Net cash used in financing activities	(157)	(31)
Net change in cash and cash equivalents	(4,949)	(4,145)
Cash and cash equivalents at beginning of financial year	19,003	23,317
Effects of foreign exchange rate changes on the balance of cash held in foreign currencies	67	(169)
Cash and cash equivalents at end of financial year (Note 13)	14,121	19,003

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

1. GENERAL CORPORATE INFORMATION

Ocean Sky International Limited (the "Company") is a public limited company incorporated and domiciled in Singapore with its registered office and principal place of business at 29 Tuas South Street 1, Singapore 638036. The Company is listed on the Catalist Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Company's registration number is 198803225E.

The principal activity of the Company is that of an investment holding company. The principal activity of the subsidiaries is disclosed in Note 8 to the financial statements.

The financial statements for the financial year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Directors on 5 April 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS ("INT FRS") and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

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 United States dollar, which is the functional currency of the Company and the presentation currency for the consolidated financial statements. The financial statements are expressed in United States dollar ("US\$") and rounded to the nearest thousand ("US\$'000"), unless otherwise stated.

The preparation of financial statements in conformity with FRS 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. Critical accounting judgements and key sources of estimation uncertainty used that are significant to the financial statements are disclosed in Note 3 to the financial statements.

In the current financial year, the Group and the Company adopted all the new or revised FRS that are relevant to their operations and effective for the current financial year. The adoption of the new or revised FRS did not result in any changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current and prior financial years.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective

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

		Effective date (annual periods beginning on or after)
FRS 7 (Amendments)	: Disclosure Initiative	1 January 2017
FRS 40 (Amendments)	: Transfers of Investment Property	1 January 2018
FRS 109	: Financial Instruments	1 January 2018
FRS 110, FRS 28 (Amendments)	: Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
FRS 115	: Revenue from Contracts with Customers	1 January 2018
FRS 115 (Amendments)	: Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116	: Leases	1 January 2019
INT FRS 122	: Foreign Currency Transactions and Advance Consideration	1 January 2018

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

The management anticipates that, based on the Group's and the Company's current operations, the adoption of the above FRS and INT FRS in future periods, will not have a material impact on the financial statements of the Group and the Company in the period of their initial adoption except as discussed below.

FRS 109 Financial Instruments

FRS 109 supersedes FRS 39 Financial Instruments: Recognition and Measurement with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

FRS 109 Financial Instruments (Continued)

Classification and measurement

Under FRS 109, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the Group can elect to recognise the gains and losses in other comprehensive income. Debt instruments that meet the Solely Payments of Principal and Interest contractual cash flow characteristics test and where the Group is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets can also be measured at fair value through other comprehensive income.

FRS 109 carries forward the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, FRS 109 retains the requirements in FRS 39 for de-recognition of financial assets and financial liabilities. The Group has performed its preliminary assessment of the classification and measurement of its financial assets and liabilities and does not expect any significant changes to the classification and measurement of its financial assets and liabilities currently measured at amortised cost upon adoption of the standard.

Impairment

FRS 109 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in FRS 39. This determines the recognition of impairment loss allowances as well as interest revenue. For financial assets at amortised cost or debt instruments at fair value through other comprehensive income, the Group will recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition under the three-stage model or from initial recognition if the simplified model is applied.

The new impairment requirements are expected to result in changes to and likely increases in impairment loss allowances on trade and other receivables, due to earlier recognition of credit losses. The Group expects to adopt the simplified model for its trade receivables and will record an allowance for lifetime expected losses from initial recognition. For other receivables, the Group will initially provide for 12 months expected losses under the three-stage model. The Group is still in the process of determining how it will estimate expected credit losses and the sources of forward-looking data.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

FRS 109 Financial Instruments (Continued)

Transition

The Group plans to adopt FRS 109 in the financial year beginning on 1 January 2018 with retrospective effect in accordance with the transitional provisions and intends to elect not to restate comparatives for the previous financial year. The Group will include additional disclosures in its financial statements in the year when FRS 109 is adopted.

FRS 115 Revenue from Contracts with Customers

FRS 115 introduces a comprehensive model that applies to revenue from contracts with customers and supersedes all existing revenue recognition requirements under FRS. The model features a five-step analysis to determine whether, how much and when revenue is recognised, and two approaches for recognising revenue: at a point in time or over time. The core principle is that an entity recognises revenue when control over promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FRS 115 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group recognises the revenue from construction contracts from its newly acquired subsidiary by reference to the stage of completion of the contract activity at the end of the financial year (percentage-of-completion method), except where this would not be representative of the stage of completion. Based on the preliminary assessment of the revenue recognition policy, the Group did not identify any significant impact on the timing and pattern of revenue recognition under FRS 115. Under FRS 115, the Group expects to qualify to continue to recognise revenue over time over the term of the construction contracts based on certification by a quantity surveyor.

The Group also recognises revenue from variations in contract work, claims and incentive payments to the extent that they have been agreed with the customer. The Group is still in the process of making its assessment on the potential impact under FRS 115 from new guidance on linked contracts, contract modifications, incentives and other variable consideration, the allocation of consideration to separate performance obligations and the accounting for contract costs, contract assets and contract liabilities.

The Group plans to adopt FRS 115 in the financial year beginning on 1 January 2018 using the full retrospective method in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

FRS 116 Leases

FRS 116 supersedes FRS 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 FRS 116. FRS 116 also requires enhanced disclosures by both lessees and lessors.

On initial adoption of FRS 116, the management does not expect a significant impact on the accounting treatment for leases, as the Group currently has no material on-going operating leases where the Group is a lessee.

Adoption of IFRS-identical financial reporting standards

Singapore-incorporated companies listed on the SGX-ST are required to apply a new financial reporting framework identical to IFRS in 2018. The Group will adopt the new framework on 1 January 2018 and will apply the equivalent of IFRS 1 *First-time Adoption of International Financial Reporting Standards to the transition*. This will involve restating the comparatives for the financial year ended 31 December 2017 and the opening statements of financial position as at 1 January 2017 in accordance with the new framework. The Group is in the process of assessing the impact of transition, including the impact from the adoption from the adoption of IFRS 9 and 15 which is expected to be similar to the impact of FRS 109 and 115 disclosed above, as well as other transitional adjustments that may be required or elected under IFRS 1.

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 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 obtained by the Group up to the effective date on which control is lost, as appropriate.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses may be 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.

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 Company.

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 FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

2.3 Business combinations

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.

Business combinations from 1 January 2010

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 also includes the fair value of any contingent consideration. Contingent consideration classified as a financial liability is remeasured subsequently to fair value through profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

Business combinations from 1 January 2010 (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 assumed.

If, after reassessment, the Group's interest in 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 gain.

Business combinations before 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations were accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests were treated as a revaluation and recognised in equity.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that would otherwise have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was probable and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

Financial assets

All financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of these financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade and other receivables (excluding prepayments), due from customers for contract work and cash and cash equivalents that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost, where applicable, using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Financial instruments (Continued)

Impairment of financial assets (Continued)

The carrying amounts of all financial assets are reduced by the impairment losses directly with the exception of trade receivables where the carrying amounts are reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivables.

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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Other financial liabilities

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

Borrowings

Interest-bearing bank loans are initially measured at fair value, net of transaction costs 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.

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.

2.5 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.6 Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the financial year (percentage-of-completion method), except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer. The Group measures the stage of completion based on the proportion of surveys of contract work performed to date compared to the total contract sum.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Construction contracts (Continued)

At the end of the financial year, the aggregated costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented on the face of the statement of financial position as "Due from customers for contract work". Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as "Due to customers for contract work".

Progress billings not yet paid by customers and retentions are included within "Trade and other receivables".

2.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash balances, demand deposits and other short-term highly liquid investments which 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 are presented net of fixed deposits pledged.

2.8 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment 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 of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure relating to the property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as expense during the financial year in which it is incurred.

Depreciation for property, plant and equipment is provided on straight-line basis so as to write off their depreciable amounts over their estimated useful lives as follows:

Leasehold property	Over the lease terms of 41 to 44 years
Plant and equipment	10 years
Renovation	10 years
Computer equipment	5 years
Motor vehicles	5 years
Furniture, fittings and other equipment	3 to 10 years

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property, plant and equipment (Continued)

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 value and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

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.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

2.9 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise. No depreciation expense is recognised as the investment property is a freehold property.

Investment property is subject to renovations or improvements at regular intervals. The costs of major renovations and improvements are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss. The costs of maintenance, repairs and minor improvement are charged to profit or loss when incurred.

On disposal or retirement of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property that will be carried at fair value, any difference between the carrying amount and fair value as at the date of change in use is accounted for in the same way as revaluation in accordance with FRS 16 Property, Plant and Equipment whereby any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the consideration transferred (see Note 2.3), the amount of any non-controlling interests in the acquiree and the acquisition date fair value of any previously held equity interest in the acquiree over the acquisition date fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition.

Goodwill on subsidiaries and jointly controlled entities is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

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

Goodwill on associates and joint ventures is included in the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

On disposal of a subsidiary, jointly controlled entity or an associate, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

2.11 Intangible assets

Construction contracts

Construction contracts arising from the acquisition of the remaining equity interests in a former associate (Note 8) is stated at cost less accumulated amortisation and accumulated impairment losses. The construction contracts have remaining useful lives ranging from 1 to 3 years. The intangible assets are amortised to profit or loss based on the revenue recognised from the contracts during the period over the total contract revenue.

Club memberships

Club memberships are stated at cost less any impairment losses.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Joint arrangements

The Group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries (Note 2.2). The Group classifies its interests in joint arrangements as either:

- Joint ventures: where the Group has rights to only the net assets of the joint arrangement; or
- Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures in the same manner as investments in associates (i.e. using the equity method) as described in Note 2.13 below.

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

2.13 Associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Associates and joint ventures are initially recognised in the consolidated statement of financial position at cost, and subsequently accounted for using the equity method less any impairment losses. Any premium paid for an associate or a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is included in the carrying amount of the investment in associate or joint venture.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Associates and joint ventures (Continued)

Under the equity method, the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of comprehensive income. Post-acquisition changes in the Group's share of net assets of associates or joint ventures and distributions received are adjusted against the carrying amount of the investments.

Losses of an associate or a joint venture in excess of the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment) are not recognised, unless the Group has incurred legal or constructive obligations to make good those losses or made payments on behalf of the associate or joint venture.

Where the Group transacts with an associate or a joint venture, unrealised profits are eliminated to the extent of the Group's interest in the associate or joint venture. Unrealised losses are also eliminated, but only to the extent that there is no impairment.

2.14 Impairment of non-financial assets excluding goodwill

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

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.

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 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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 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.

2.16 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

2.17 Leases

The Group and the Company as lessees

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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Leases (Continued)

The Group and the Company as lessees (Continued)

Finance leases (Continued)

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

Operating leases

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

The Group as a lessor

Operating leases

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

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.

2.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, other similar allowances and sales related taxes.

Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the relevant lease.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Revenue recognition (Continued)

Contract revenue

Revenue from construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (Note 2.6).

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

2.19 Retirement benefit costs

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

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the financial year.

2.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

2.21 Dividends

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Taxes

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

Current income tax

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit reported as profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is recognised at the amount expected to be paid or recovered from the tax authorities and is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

Current income taxes are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle its assets and liabilities.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Taxes (Continued)

Deferred tax (Continued)

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

Deferred tax is recognised in profit or loss, except when it relates to items recognised outside profit or loss, in which case the tax is also recognised either in other comprehensive income or directly in equity, or where it arises from the initial accounting for a business combination. Deferred tax arising from a business combination, is taken into account in calculating goodwill on acquisition.

Sales tax

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

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

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

2.23 Foreign currency 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 financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. 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 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Foreign currency 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 United States dollar using exchange rates prevailing at the end of the financial year. 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 currency translation 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 currency translation 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.

2.24 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 chief executive officer who make strategic decisions.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2 to the financial statements, 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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

3.1 Critical judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimations 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.

Accounting for construction contracts and provision for foreseeable losses

The Group recognises contract revenue and contract costs based on the stage of completion method, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference to surveys of work performed. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Significant judgement is required in determining the stage of completion, the extent of contract costs incurred, the estimated total contract revenue and contract costs, as well as the recoverability of the contracts. Total contract revenue also includes estimation for variation works that are recoverable from customers. In making these estimates, the Group relies on past experience and the surveys of work performed by the quantity surveyors.

Provisions for defects liabilities and liquidated damages

Determining the provision for defects liabilities in respect of cost of work required to be carried out for the rectification of construction defects requires an assessment of the potential defects that could arise, the estimation of the timing of incurring such costs and of the future costs of carrying out such rectification works.

Significant judgement is required in determining if the Group has to make provision for any potential liquidated damages exposures.

The carrying amount of and the movements in the provision for defects liabilities are disclosed in Note 15 to the financial statements.

3.2 Key sources of estimation uncertainty

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

3.2 Key sources of estimation uncertainty (continued)

Accounting for business combination

The Group obtained control over Ang Tong Seng Brothers Enterprises Pte Ltd (“ATS”) through the acquisition of the remaining 70% equity interest in ATS on 30 November 2016, for a purchase consideration of US\$14.1 million. Accounting for the business combination requires an estimation of the fair value of identifiable assets and liabilities as at the date of acquisition and the previously held equity interests. Management engaged an external valuer to assist in the valuation process which requires significant judgment and estimation on key assumptions, such as future market conditions, growth rates and discount rates.

The fair values determined for the identified assets and liabilities and previously held equity interest are disclosed in Note 8 to the financial statements.

Impairment of goodwill

Management performs impairment test on goodwill on an annual basis and whenever there is objective evidence or indication that they are impaired. The process of evaluating the potential impairment of goodwill is subjective and requires significant judgement. Management estimates the recoverable amount based on the expected future cash flows from the cash generating units to which the goodwill belong. The carrying values of the cash generating units are then compared against the recoverable amounts. Any excess of the carrying values over the discounted future cash flows are recognised as impairment loss in profit or loss.

The carrying amount of goodwill as at 31 December 2016 is disclosed in Note 6 to the financial statements.

Income taxes

The Group has exposure to income taxes in several jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made. The carrying amounts of the Group’s income tax payable and deferred tax liabilities as at 31 December 2016 were US\$1,200,000 (2015: US\$290,000) and US\$199,000 (2015: US\$Nil) respectively.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

3.2 Key sources of estimation uncertainty (Continued)

Fair value of investment property

The Group's investment property is stated at fair value as determined by independent valuers. These estimated market values may differ from the prices at which the Group's asset could be sold at a particular time, since actual selling prices are negotiated between willing buyers and sellers. In addition, certain estimates require an assessment of factors not within management's control, such as overall market conditions. As a result, actual results of the realisation of the investment property in the future could differ from the estimates set forth in these financial statements. The carrying amount of the Group's investment property is disclosed in Note 5 to the financial statements.

Impairment of investments in subsidiaries

The Company assesses annually whether its investment in subsidiaries exhibits any indication of impairment. Where such indications exist, the recoverable amounts of the investments will be determined based on estimated fair value of net assets less costs to sell. The carrying amount of the investment in subsidiaries is disclosed in Note 8 to the financial statements respectively.

Allowance for trade and other receivables

The provision policy for doubtful receivables is based on the aging analysis and management's ongoing evaluation of the recoverability of the outstanding receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables including the assessment of the creditworthiness and the past collection history of each customer. If the financial condition of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amount of trade and other receivables is disclosed in Note 12 to the financial statements.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold property	Plant and machinery	Renovation	Computer equipment	Motor vehicles	Furniture, fittings and other equipment	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cost							
At 1 January 2016	-	-	-	-	313	146	459
Acquisition of subsidiary (Note 8)	9,665	848	328	7	1,196	171	12,215
Additions	-	13	73	-	313	149	548
Disposals	-	(2)	-	-	(217)	-	(219)
Written-off	-	-	-	-	-	(105)	(105)
Currency re-alignment	(390)	(35)	(15)	-	(49)	(10)	(499)
At 31 December 2016	9,275	824	386	7	1,556	351	12,399
Accumulated depreciation							
At 1 January 2016	-	-	-	-	124	103	227
Depreciation	14	20	3	1	431	31	500
Disposals	-	-*	-	-	(159)	-	(159)
Written-off	-	-	-	-	-	(98)	(98)
Currency re-alignment	(1)	(1)	-	-	(4)	(1)	(7)
At 31 December 2016	13	19	3	1	392	35	463
Carrying amount							
At 31 December 2016	9,262	805	383	6	1,164	316	11,936

* Amount less than US\$1,000

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Motor vehicles US\$'000	Furniture, fittings and other equipment US\$'000	Total US\$'000
Group			
Cost			
At 1 January 2015	306	146	452
Additions	96	–	96
Disposals	(89)	–	(89)
At 31 December 2015	313	146	459
Accumulated depreciation			
At 1 January 2015	102	60	162
Depreciation	62	43	105
Disposals	(40)	–	(40)
At 31 December 2015	124	103	227
Carrying amount			
At 31 December 2015	189	43	232
Company			
Cost			
At 1 January 2016	313	146	459
Additions	313	–	313
Disposals	(217)	–	(217)
Written-off	–	(105)	(105)
At 31 December 2016	409	41	450
Accumulated depreciation			
At 1 January 2016	124	103	227
Depreciation	64	31	95
Disposals	(159)	–	(159)
Written-off	–	(98)	(98)
At 31 December 2016	29	36	65
Carrying amount			
At 31 December 2016	380	5	385
Cost			
At 1 January 2015	306	146	452
Additions	96	–	96
Disposals	(89)	–	(89)
At 31 December 2015	313	146	459
Accumulated depreciation			
At 1 January 2015	102	60	162
Depreciation	62	43	105
Disposals	(40)	–	(40)
At 31 December 2015	124	103	227
Carrying amount			
At 31 December 2015	189	43	232

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at the end of the financial year, the carrying amounts of the Group's leasehold property which have been pledged for banking facilities was approximately US\$9,262,000 (2015: US\$Nil).

As at 31 December 2016, the Group and the Company had plant and equipment with carrying amount of US\$1,131,000 (2015: US\$189,000) and US\$380,000 (2015: US\$189,000) respectively, purchased under finance lease arrangements.

During the financial year, the Group and Company acquired plant and equipment amounting to US\$548,000 (2015: US\$96,000) and US\$313,000 (2015: US\$96,000) of which cash payments of US\$362,000 (2015: US\$48,000) and US\$126,000 (2015: US\$48,000) respectively, were made to purchase the plant and equipment and the remaining was purchased by means of a finance lease.

5. INVESTMENT PROPERTY

	Group	
	2016 US\$'000	2015 US\$'000
At fair value		
At 1 January	10,144	10,484
Fair value gain/(loss)	2,666	(340)
At 31 December	12,810	10,144

As at 31 December 2016, the fair value of the freehold land amounted to approximately US\$12,810,000 (2015: US\$10,144,000), with a fair value gain of US\$2,666,000 (2015: fair value loss of US\$340,000) recognised in "Other income" (2015: "Administrative and other operating expenses").

The freehold land was revalued by an independent professional valuer who holds a recognised and relevant professional qualification, with recent experience in the location and category of the property held by the Group. The valuation was determined by using the Income Capitalisation approach whereby the value of the property was determined to be the sum of the present value of the expected cash flows from rental income over the initial lease term, and the present value of reversion, which is derived by using selling prices of comparable properties adjusted for differences in key attributes such as property size, location, development potential, land condition and asking price of the comparable properties in similar location at the end of the existing lease term. The valuation conforms to International Valuation Standards and is based on the assets' highest and best use, which is in line with their actual use. In the previous financial year, the sales comparison approach was based on recent market prices without any significant adjustments to the market observable data.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. INVESTMENT PROPERTY (CONTINUED)

Details of the Group's investment property and information about the fair value hierarchy as at 31 December 2016 and 2015 are as follows:

	Level 1	Level 2	Level 3	Fair value as at 31 December 2016
Investment property				
Freehold land (US'000)	–	–	12,810	12,810

	Level 1	Level 2	Level 3	Fair value as at 31 December 2015
Investment property				
Freehold land (US'000)	–	10,144	–	10,144

Owing to the change of the independent professional valuer and valuation techniques, investment property was transferred from fair value hierarchy level 2 to level 3. The Directors have exercised their judgement in relying on the valuation reports and are satisfied that the fair values are reflective of current market situations.

Management of the Group oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts to perform the valuation. Management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 Fair Value Measurement guidance.

For valuations performed by external valuation experts, the management reviews the appropriateness of the valuation methodologies and assumptions adopted. The management also evaluates the appropriateness and reliability of the inputs used in the valuations.

Significant changes in fair value measurements from period to period are evaluated by the management for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

Details of investment property:

Location:	Trapeing Thleung Village, Sangkat Cham Chao, Khan Dangkor, Phnom Penh, Kingdom of Cambodia
Approximate site area:	122,097 sq m
Existing use:	Rental of land to the lessee for a lease period of 20 years commencing from 4 January 2013, with an option to renew for a first term of 10 years and a further second term of 15 years.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. INVESTMENT PROPERTY (CONTINUED)

The following table presents the valuation technique and key inputs that were used to determine the fair value of the freehold land categorised under level 3 of the fair value hierarchy.

Description	Valuation technique	Significant unobservable inputs	Sensitivity
Freehold land	Income Capitalisation approach	Monthly market rent, at US\$60,000 per month.	A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.
		Capitalisation rate, taken into account the capitalisation of rental income potential, and nature of the property, of 9.25%.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.

The following amounts are recognised in profit or loss:

	Group	
	2016 US\$'000	2015 US\$'000
Rental income from investment property	720	720
Property tax	(29)	(108)

6. GOODWILL

	Group	
	2016 US\$'000	2015 US\$'000
At 1 January	–	–
Acquisition of subsidiary (Note 8)	8,454	–
Currency re-alignment	(332)	–
At 31 December	8,122	–

Goodwill acquired in a business combination is allocated to the cash-generating units ("CGU") that are expected to benefit from that business combination. The carrying amount of goodwill was allocated to the Group's construction segment in Singapore.

The recoverable amount of the CGU is determined from value-in-use calculations based on cash flow forecasts derived from the most recent financial budgets approved by management. The key assumptions for these value-in-use calculations are based on gross margin ranging from 14% to 16%, a discount rate at 9.3% and revenue growth rate of between 2% to 12% for the first five years, and growth rates of 2% beyond the first 5 years.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. GOODWILL (CONTINUED)

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates beyond the first 5 years are based on country growth forecasts and historical performance of the recently acquired subsidiary (Note 8).

The Group tests the CGU for impairment annually, or more frequently when there is an indication that the unit may be impaired.

There is no reasonable possible change in key assumptions on which management has based its determination of the CGU's recoverable amount that would cause the CGU's carrying amount to exceed its recoverable amount.

7. INTANGIBLE ASSETS

Group	Construction contracts US\$'000	Club memberships US\$'000	Software US\$'000	Total US\$'000
Cost				
At 1 January 2016	–	–	2	2
Acquisition of subsidiary (Note 8)	673	25	–	698
Currency re-alignment	(27)	(1)	–	(28)
At 31 December 2016	646	24	2	672
Accumulated amortisation and impairment				
At 1 January 2016	–	–	1	1
Amortisation	61	–	1	62
Impairment loss	–	7	–	7
Currency re-alignment	(2)	–	–	(2)
At 31 December 2016	59	7	2	68
Carrying amount				
At 31 December 2016	587	17	–	604
Cost				
At 1 January 2015 and 31 December 2015	–	–	2	2
Accumulated amortisation				
At 1 January 2015	–	–	1	1
Amortisation	–	–	–*	–*
At 31 December 2015	–	–	1	1
Carrying amount				
At 31 December 2015	–	–	1	1

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

7. INTANGIBLE ASSETS (CONTINUED)

Company	Software US\$'000
Cost	
At 1 January 2016 and 31 December 2016	2
Accumulated amortisation	
At 1 January 2016	1
Amortisation	1
At 31 December 2016	2
Carrying amount	
At 31 December 2016	–
Cost	
At 1 January 2015 and 31 December 2015	2
Accumulated amortisation	
At 1 January 2015	1
Amortisation	–*
At 31 December 2015	1
Carrying amount	
At 31 December 2015	1

* Amount less than US\$1,000.

The remaining useful lives of the construction contracts range from 1 to 3 years from the date of acquisition of subsidiary.

Amortisation expense has been included in “Administrative and other operating expenses”.

8. SUBSIDIARIES

	Company	
	2016 US\$'000	2015 US\$'000
Unquoted equity investments, at cost	21,420	4,799
Allowance for impairment losses	(2,998)	(2,998)
Carrying amount of investments	18,422	1,801
Due from subsidiaries – non-trade	5,216	5,216
	23,638	7,017

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. SUBSIDIARIES (CONTINUED)

Movements in the unquoted equity investments, at cost:

	Company	
	2016 US\$'000	2015 US\$'000
At 1 January	4,799	10,190
Acquisition of subsidiary (Note 8)	16,621	–
Derecognised on liquidation of a subsidiary	–	(5,391)
At 31 December	21,420	4,799

The acquisition included the purchase consideration of cash paid of US\$6,908,000, ordinary shares of the Company issued at US\$7,211,000, and the previously held interest in the associate at cost amounting to US\$2,502,000 (Note 9).

Movements in allowance for impairment losses:

	Company	
	2016 US\$'000	2015 US\$'000
At 1 January	2,998	8,330
Written-off	–	(5,332)
At 31 December	2,998	2,998

Liquidation of a subsidiary

On 30 September 2015, the Company's wholly-owned subsidiary incorporated in the People's Republic of China, Ocean Star Apparel (Guangzhou) Pte Ltd, was wound up by way of member's voluntary liquidation, resulting in the derecognition of the cost of investment (and relating impairment in previous years) on the liquidation of the subsidiary. Accordingly, all of the accumulated exchange difference in the foreign currency translation reserve in respect of the subsidiary amounting to US\$546,000 was reclassified to profit or loss in the previous financial year.

Due from subsidiary – non-trade

As at 31 December 2016, non-trade receivables from subsidiary comprised advances of US\$5,216,000 (2015: US\$5,216,000) which were unsecured, interest-free and with no fixed terms of repayment. The settlement of the advances will be made upon the sale of the investment property held by the subsidiary in the future.

It is not practicable to determine the fair value of the non-trade receivables of US\$5,216,000 as at 31 December 2016 (2015: US\$5,216,000) as there is no fixed terms of repayment and these are not expected to be repaid within the next 12 months.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. SUBSIDIARIES (CONTINUED)

Due from subsidiary – non-trade (Continued)

Details of significant subsidiaries are as follows:

Name of subsidiary	Country of incorporation and principal place of business	Proportion of equity interest	
		2016 %	2015 %
<i>Held by Ocean Sky International Limited</i>			
Suntex Investment Co. Ltd ⁽¹⁾⁽²⁾	Cambodia	100	100
Ang Tong Seng Brothers Enterprises Pte Ltd ⁽³⁾⁽⁴⁾	Singapore	100	–

Notes:

(1) Audited by BDO (Cambodia) Limited, Cambodia.

(2) The subsidiary's principal activity is that of investment and lease of its freehold land for rental income.

(3) Audited by BDO LLP, Singapore.

(4) The subsidiary's principal activity is those of building and civil engineering contractors.

Acquisition of subsidiary

On 30 November 2016, the Company acquired the remaining 70% equity interest in Ang Tong Seng Brothers Enterprises Pte Ltd ("ATS"), former associate, with an aggregate purchase consideration of US\$14,119,000 which was satisfied by cash consideration of US\$6,908,000 and allotment and issuance of 100,219,780 of the Company's ordinary shares at US\$0.072 per share amounting to US\$7,211,000. Upon the acquisition, ATS became a subsidiary of the Group. The Company acquired ATS to expand its core civil engineering and construction business.

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

	Fair value recognised on date of acquisition US\$'000
Property, plant and equipment	12,215
Intangible assets	698
Inventories	11
Investment in joint venture	–*
Trade and other receivables	5,071
Due from customer for contract work	165
Cash and cash equivalents	2,157
Total assets	20,317

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. SUBSIDIARIES (CONTINUED)

Acquisition of subsidiary (Continued)

	Fair value recognised on date of acquisition US\$'000
Bank borrowings	(7,364)
Finance lease liabilities	(614)
Trade and other payables	(2,561)
Deferred tax liabilities	(310)
Provisions	(346)
Income tax payable	(450)
Total liabilities	<u>(11,645)</u>
Net identifiable assets at fair value	<u>8,672</u>

* Amount less than US\$1,000.

The fair value of trade and other receivables was US\$5,071,000 included trade receivables of US\$4,940,000. The gross contractual amounts of trade receivables was US\$4,956,000, of which US\$16,000 was expected to be uncollectible.

	US\$'000
Consideration for acquisition of subsidiary	
– Cash paid	6,908
– 100,219,780 ordinary shares of the Company issued at US\$0.072 each	<u>7,211</u>
Total consideration transferred	14,119
Add: Fair value of previously held 30% equity interest at acquisition date	3,007
Less: Fair value of net identified assets	<u>(8,672)</u>
Goodwill arising from acquisition	<u>8,454</u>

In connection with the acquisition of the 70% equity interest in ATS, the Company issued 100,219,780 ordinary shares at a fair value of US\$0.072 each. The fair value of the shares issued was the published price of the shares close to the acquisition date. The fair value of the previously held 30% equity interest at acquisition date was derived using the 5 year discounted cash flows of ATS with a terminal value after applying the marketability discount and minority discount.

The loss of US\$734,000 recognised as a result of remeasuring the previously held equity interest in ATS and the reclassification of foreign exchange loss from foreign currency translation reserve amounted to US\$350,000 and US\$384,000 respectively, have been recognised in “Administrative and other operating expenses” line item in the Group’s profit or loss for the financial year ended 31 December 2016.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. SUBSIDIARIES (CONTINUED)

Acquisition of subsidiary (Continued)

The attributable cost of the issuance of shares as consideration of US\$33,000 has been recognised directly in equity as a deduction from share capital (Note 19).

For the period from the date of acquisition to the end of the financial year, ATS contributed US\$1,656,000 and loss of US\$275,000 to the revenue and profit after income tax of the Group respectively. If the combination had taken place at the beginning of the financial year, the Group's revenue and profit after income tax would have been approximately US\$18,902,000 and US\$2,256,000 respectively.

Goodwill of approximately US\$8,454,000 arising from the acquisition is mainly due to premium paid for ATS's profitable business with strong operating track record that can contribute positively to the Group's revenue and profits.

None of the goodwill is expected to be deductible for tax purposes.

Transaction costs related to the acquisition of approximately US\$394,000 have been recognised in "Administrative and other operating expenses" line item in the Group's profit or loss for the financial year ended 31 December 2016.

The effects of the acquisition of the subsidiary on cash flows are as follows:

	<u>US\$'000</u>
Consideration settled in cash	6,908
Less: Cash and cash equivalents of subsidiary acquired	<u>(2,003)</u>
Net cash outflow on acquisition	<u>4,905</u>

The cash and cash equivalents in the subsidiary acquired exclude fixed deposit pledged of US\$154,000.

9. INVESTMENT IN ASSOCIATE

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Unquoted equity shares, at cost	2,502	2,502	2,502	2,502
Share of post-acquisition results	2,109	1,357	-	-
Dividend	(1,254)	-	-	-
Deemed disposal	(3,357)	-	(2,502)	-
	-	3,859	-	2,502

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9. INVESTMENT IN ASSOCIATE (CONTINUED)

The details of the associate are as follows:

Name of associate (Country of incorporation/operation)	Principal activities	Proportion of ownership interest and voting power	
		2016 %	2015 %
Ang Tong Seng Brothers Enterprises Pte Ltd ⁽¹⁾ (Singapore)	Building and civil engineering contractors	–	30

Note:

(1) Audited by BDO LLP, Singapore

The associate is a strategic partnership for the Group in the development of its civil engineering, construction and property businesses. The associate is accounted for using the equity method in these consolidated financial statements up to the date of the acquisition of the remaining 70% equity interest in the associate on 30 November 2016 as disclosed in Note 8 to the financial statements.

The summarised financial information of the associate not adjusted for the proportion of ownership interest held by the Group is set out below:

	Group 2015 US\$'000
Current assets	11,658
Non-current assets	5,878
Current liabilities	(4,162)
Non-current liabilities	(2,877)
Net assets	<u>10,497</u>
Revenue	20,205
Net profit and total comprehensive income	<u>2,289</u>

During the financial year, the Company received dividend income of US\$1,254,000 from the associate.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9. INVESTMENT IN ASSOCIATE (CONTINUED)

Reconciliation of summarised financial information

Reconciliation of the above summarised financial information presented, to the carrying amount of the Group's interest in the associate, is as follows:

	Group 2015 US\$'000
Net assets of the associate	10,497
Proportion of the Group's ownership interest	3,149
Goodwill	710
Carrying amount of the Group's interest in the associate	<u>3,859</u>

10. INVESTMENT IN JOINT VENTURE

On 18 November 2016, ATS, together with a third party, incorporated a joint venture company, JDC-ATS JV Pte. Ltd. ("JDC-ATS JV") to formalise a co-operative relationship in relation to the parties' tender bid for a certain project. The joint venture was recognised as a result of the acquisition in ATS.

JDC-ATS JV was incorporated in Singapore with principal activity of building construction and construction of other civil engineering projects. The Group has a 45% participating interest in JDC-ATS JV. Pursuant to the Constitution of JDC-ATS JV dated 18 November 2016, both parties agree to be jointly and severally responsible for the execution of the project.

There has been no contribution made to the joint venture except for the issued and paid-up capital of S\$100. JDC-ATS JV remains dormant since incorporation on 18 November 2016.

11. DUE FROM CUSTOMERS FOR CONTRACT WORK

	Group 2016 US\$'000
Cumulative contract work-in-progress at cost and cumulative attributable profits recognised to date	46,724
Less: Cumulative progress billings	(46,702)
	<u>22</u>

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Trade receivables				
– third parties	5,058	730	–	730
Allowance for doubtful receivables	(15)	(730)	–	(730)
	5,043	–	–	–
Other receivables – third parties	17	7	–	–
Deposits	53	31	–	31
Prepayments	132	8	58	8
Total trade and other receivables	5,245	46	58	39
Less: Prepayments	(132)	(8)	(58)	(8)
Add:				
Due from subsidiaries (Note 8)	–	–	5,216	5,216
Due from customers for contract work (Note 11)	22	–	–	–
Cash and cash equivalents (Note 13)	14,268	19,003	10,864	18,484
Total loans and receivables	19,403	19,041	16,080	23,731

- (a) Trade receivables are non-interest bearing and generally have credit terms of 14 to 90 days (2015: 14 to 90 days). Included in the Group's trade receivables owing from third parties are retention sum arising from construction contracts of US\$1,988,000 (2015: US\$ Nil).
- (b) The non-trade receivables due from third parties comprise mainly receivables from sub-contractors for purchases of materials on their behalf by one of the subsidiaries.

Movements in the allowance for doubtful trade receivables are as follows:

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
At 1 January	730	730	730	730
Acquisition of subsidiary (Note 8)	16	–	–	–
Write-off	(730)	–	(730)	–
Currency re-alignment	(1)	–	–	–
At 31 December	15	730	–	730

The impaired trade receivables relates mainly due to amounts which has been outstanding more than a year despite collection efforts.

The Group and the Company have trade receivables which are past due and impaired amounted to US\$730,000. The amounts were written off during the current financial year as the trade receivables are deemed no longer collectible.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Cash and bank balances	9,121	9,003	5,864	8,484
Fixed deposits	5,147	10,000	5,000	10,000
Cash and cash equivalents on statements of financial position	14,268	19,003	10,864	18,484
Fixed deposits pledged	(147)	–	–	–
Cash and cash equivalents on consolidated statement of cash flows	14,121	19,003	10,864	18,484

Banker's performance guarantees issued in favour of customers amounted to US\$167,000 (2015: US\$Nil).

Fixed deposits earn interest ranging from 0.15% to 0.34% (2015: 0.25%) per annum and have tenors of approximately 28 to 180 (2015: 28 to 33) days.

Fixed deposits of the Group amounting to US\$147,000 (2015: US\$Nil) is pledged to a bank to secure credit facilities granted to a certain subsidiary which included term loan II (Note 16).

14. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Trade payables				
– third parties	2,131	184	18	181
Other payables				
– third parties	1,586	1,742	153	112
– subsidiaries	–	–	2,023	2,025
Goods and services tax payable	138	–	–	–
Accrued expenses	1,177	96	104	96
Provision for penalties and interest (Note 34)	278	278	–	–
Accrued Directors' fee	21	99	21	99
Total trade and other payables	5,331	2,399	2,319	2,513
Less:				
– Goods and services tax payable	(138)	–	–	–
– Provision for penalties and interest	(278)	(278)	–	–
Add:				
– Bank term loans (Note 16)	7,054	–	–	–
– Finance lease payable (Note 17)	781	108	217	108
Total financial liabilities carried at amortised cost	12,750	2,229	2,536	2,621

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

14. TRADE AND OTHER PAYABLES (CONTINUED)

- (a) Included in the Group's trade payables owing to third parties are retention sum payables of US\$513,000 (2015: US\$Nil). Trade payables due to third parties are non-interest bearing and are generally settled on 30 to 90 (2015: 30 to 90) days' credit terms.
- (b) The non-trade amounts due to subsidiaries are unsecured, interest-free and repayable on demand.
- (c) The non-trade payables due to third parties include an amount of US\$1,440,000 (2015: US\$1,440,000) pertaining to rental deposit received for the investment property (Note 5).

15. PROVISIONS

	Group 2016 US\$'000
Provision for defects liabilities	321

The provision for defects liabilities represent the best estimate of the Group's contractual obligations as at the end of the financial year. The provision is based on past experience of the level of rectification work. The majority of the costs is expected to be incurred over the applicable warranty periods.

The assumptions used to estimate the above provisions are reviewed periodically in light of actual experience.

The movements in provisions are as follows:

	Group 2016 US\$'000
<i>Provision for defects liabilities</i>	
At 1 January	–
Acquisition of subsidiary (Note 8)	346
Addition during the financial year	7
Utilised during the financial year	(18)
Currency re-alignment	(14)
At 31 December	321

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16. BANK TERM LOANS

	Group 2016 US\$'000
Current	
<i>Secured</i>	
Term loan I	85
Term loan II	195
	<u>280</u>
Non-current	
<i>Secured</i>	
Term loan I	2,356
Term loan II	4,418
	<u>6,774</u>
	<u>7,054</u>
Effective interest rate per annum	
Bank term loans	<u>1.79% to 2.91%</u>

Term loan I

Term loan I is repayable in 300 monthly instalments commencing 8 August 2012.

Term loan I is secured against the leasehold property amounting to approximately US\$3,530,000 accounted for as property, plant and equipment.

Term loan II

Term loan II is repayable in 360 monthly instalments commencing 13 September 2016.

Term loan II is secured against the leasehold property amounting to approximately US\$5,732,000 accounted for as property, plant and equipment.

Fixed deposits amounting to US\$147,000 was pledged to bank to secure credit facilities to a certain subsidiary which included term loan II granted.

As at the end of the financial year, the fair value of bank term loans approximates the carrying amount as the interest rate approximates the prevailing market rate.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

17. FINANCE LEASE PAYABLE

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Minimum lease payments due:				
Within one year	337	40	52	40
After one year but within five years	518	80	194	80
	855	120	246	120
Future finance charges	(74)	(12)	(29)	(12)
Present value of finance lease liabilities	781	108	217	108

The present value of finance lease payable is repayable as follows:

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Within one year	312	36	46	36
After one year but within five years	469	72	171	72
	781	108	217	108

- The term of the financial leases are for 3 to 7 years (2015: 5 years).
- Finance lease liabilities are secured by rights to the leased assets which will revert to the lessor in the event of default.
- The interest rate charged is 2.41% to 5.43% (2015: 4.33%) per annum. The finance leases were on a fixed repayment basis and no arrangements had been entered into for contingent rental payments.

The management estimates that the carrying amount of the Group's and the Company's finance lease payable approximates its fair value.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

18. DEFERRED TAX LIABILITIES

	Group 2016 US\$'000
At 1 January	–
Acquisition of subsidiary (Note 8)	310
Charge to profit or loss (Note 26)	(100)
Currency re-alignment	(11)
At 31 December	199

The following are the major deferred tax liabilities and assets recognised by the Group and the movements during the financial year.

	Accelerated tax depreciation US\$'000	Group Fair value adjustments US\$'000	Total US\$'000
At 1 January 2016	–	–	–
Acquisition of subsidiary (Note 8)	155	155	310
Charge to profit or loss (Note 26)	(33)	(67)	(100)
Currency re-alignment	(6)	(5)	(11)
At 31 December 2016	116	83	199

Deferred tax liabilities are attributable to temporary differences between the tax written down values and the carrying amounts of the property, plant and equipment computed at the statutory income tax rate of 17%.

19. SHARE CAPITAL

	Group and Company			
	2016		2015	
	Number of ordinary shares	US\$'000	Number of ordinary shares	US\$'000
Issued and fully paid				
At 1 January	449,441,053	29,344	449,441,053	29,344
Share consolidation	(224,720,531)	–	–	–
Acquisition of subsidiary (Note 8)	100,219,780	7,211	–	–
Share issuance expense (Note 8)	–	(33)	–	–
At 31 December	324,940,302	36,522	449,441,053	29,344

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

19. SHARE CAPITAL (CONTINUED)

On 30 November 2016, the Company consolidated every two existing shares in the capital of the Company into one share, resulting a reduced number of shares to 224,720,522.

Concurrently on the same date, the Company issued 100,219,780 ordinary shares at US\$0.072 per share pursuant to the completion of the acquisition of a subsidiary (Note 8).

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

20. RESERVES

	Group	
	2016 US\$'000	2015 US\$'000
Foreign currency translation reserve	(521)	(191)
Revaluation reserve	5,289	5,289
	4,768	5,098

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Revaluation reserve

The revaluation reserve represents the increase in the fair value of freehold land net of tax, prior to the change in use from property, plant and equipment to investment property, and is distributable.

	Group	
	2016 US\$'000	2015 US\$'000
At 1 January and 31 December	5,289	5,289

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

20. RESERVES (CONTINUED)

Accumulated losses

Movement in the accumulated losses of the Company is as follows:

	Company	
	2016	2015
	US\$'000	US\$'000
At 1 January	(3,690)	(1,979)
Total comprehensive income for the financial year	(423)	(1,711)
At 31 December	(4,113)	(3,690)

21. REVENUE

	Group	
	2016	2015
	US\$'000	US\$'000
Construction contracts	1,656	–
Rental income	720	720
	2,376	720

22. OTHER INCOME

	Group	
	2016	2015
	US\$'000	US\$'000
Fair value gain on investment property (Note 5)	2,666	–
Interest income	27	25
Gain on disposal of plant and equipment	36	–
Miscellaneous income	4	9
	2,733	34

23. FINANCE COSTS

	Group	
	2016	2015
	US\$'000	US\$'000
Interest expense		
– Bank term loans	14	–
– Finance leases	23	3
	37	3

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

24. PROFIT/(LOSS)BEFORE TAX

Profit/(Loss) before income tax for the year is arrived at after charging (crediting) the following:

	Group	
	2016	2015
	US\$'000	US\$'000
<i>Cost of works</i>		
Depreciation of property, plant and equipment	386	–
Material costs	352	–
Operating lease expense	15	–
<i>Administrative expenses</i>		
Audit fees		
– auditors of the Company	57	47
– other auditors	4	3
Non-audit fees		
– auditors of the Company	20	13
– other auditors	9	13
Professional fees for acquisition of subsidiary	394	–
Depreciation of property, plant and equipment	114	105
Amortisation of intangible assets	62	–
Fair value loss on investment property (Note 5)	–	340
Loss on disposal of property, plant and equipment	–	7
Loss on deemed disposal of associate (Note 8)	734	–
Property, plant and equipment written off	7	–
Operating lease expenses	115	133
Reclassified loss from foreign currency translation reserve on liquidation of a foreign subsidiary (Note 8)	–	546
Professional fees	207	235
Unrealised foreign exchange gain, net	(187)	(101)
Provision for penalties and interest (Note 34)	–	278

25. EMPLOYEE BENEFITS EXPENSES

	Group	
	2016	2015
	US\$'000	US\$'000
Directors' fees	92	99
Short-term employee benefits	1,042	743
Post-employment benefits	132	29
	1,266	871

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

25. EMPLOYEE BENEFITS EXPENSES (CONTINUED)

The employee benefits expenses are recognised in the following line items of profit or loss:

	Group	
	2016 US\$'000	2015 US\$'000
Cost of works	349	–
Administrative expenses	917	871
	1,266	871

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

	Group	
	2016 US\$'000	2015 US\$'000
Directors of the Company		
Short-term employee benefits	642	561
Post-employment benefits	16	8
	658	569
Other key management personnel		
Short-term employee benefits	32	120
Post-employment benefits	3	10
	35	130

26. INCOME TAX EXPENSE

	Group	
	2016 US\$'000	2015 US\$'000
Current tax:		
– Current year	622	118
– (Over)/under provision in prior years	(29)	172
	593	290
Deferred tax:		
– Current year	(100)	–
Total income tax expense	493	290

Domestic income tax is calculated at 17% (2015: 17%) of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

26. INCOME TAX EXPENSE (CONTINUED)

Reconciliation of effective tax rate

	Group	
	2016	2015
	US\$'000	US\$'000
Profit/(Loss) before income tax from	1,352	(1,478)
Income tax using Singapore tax rate of 17% (2015: 17%)	230	(251)
Effect of income not subject to tax	(196)	(70)
Effect of expenses not deductible for tax purposes	415	384
Income tax exemption	(3)	–
Effect of different tax rates in other countries	99	55
(Over)/under provision of current income tax in prior years	(29)	172
Others	(23)	–
	493	290

27. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share attributable to owners of the parent is based on the following data:

	Group	
	2016	2015
	US\$'000	US\$'000
Earnings/(Loss)		
Profit/(Loss) for the financial year attributable to owners of the parent	859	(1,768)
	Group	
	2016	2015
	'000	'000
Number of shares		
Actual number of ordinary shares in issue	324,940	449,441
Weighted average number of ordinary shares for the purpose of basic earnings per share and diluted earnings per share	233,483	224,721*
	US cents	US cents
Earnings/(Loss) per share		
Basic and diluted	0.37	(0.79)

* The number of shares in issue has been adjusted for the share consolidation on 30 November 2016 as disclosed in Note 19 to the financial statements for comparative purpose.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. OPERATING LEASE ARRANGEMENTS

The Group and Company as lessees

At the end of the financial year, commitments in respect of non-cancellable operating leases for office premises were as follows:

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Within one year	27	75	–	75

Leases for site workers' dormitories and office premises are negotiated annually with no arrangement on contingent rents. The Group and the Company are given an option to renew the leases before expiry. Lease payments are usually increased upon renewals to reflect market rentals.

The Group as lessor

At the end of the financial year, the Group has contracted with tenants for the following minimum lease receivables:

	Group	
	2016 US\$'000	2015 US\$'000
Within one year	720	720
Within two to five years	2,880	2,880
More than five years	7,920	8,640
	11,520	12,240

The lease for the investment property was negotiated for a term of 20 years commencing from 4 January 2013 with no arrangement on contingent rents. There is an option to renew for a first term of 10 years and a further second term of 15 years. Lease payments will be reviewed upon renewal to reflect market rentals.

29. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purpose of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have 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.

The outstanding balances with related parties as at the end of the financial year are unsecured, interest-free and repayable on demand, unless otherwise stated.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

30. SEGMENT REPORTING

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker.

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 Cambodia. Singapore remains as the Corporate Headquarters and with the acquisition of ATS (Note 8) is engaged in the building and civil engineering business, while Cambodia is engaged in investment property holding business.

The Group has two reportable segments being construction and investment property holding.

The construction segment is in the business of building and civil engineering contractors.

The investment property segment is in the business of leasing the freehold land acquired in Cambodia.

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

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 purposes of making decisions about resources to be allocated and assessing performance. Segment performance is evaluated based on operating 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 as 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 operations before tax expense not including non-recurring gains and losses and foreign exchange gains or losses and foreign exchange gains or losses.

There is no change from prior periods in the measurement methods used to determine reported segment profit or loss. The construction segment is a new segment during the financial year after the acquisition of the subsidiary, Ang Tong Seng Brothers Enterprises Pte Ltd.

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. Profit or loss is reviewed after elimination of intersegment transactions.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

30. SEGMENT REPORTING (CONTINUED)

	Notes	Construction US\$'000	Investment property holding US\$'000	Unallocated US\$'000	Consolidated US\$'000
2016					
Revenue					
Revenues from external customers		1,656	720	–	2,376
Total revenue		1,656	720	–	2,376
Results					
Segment results	A	154	651	(1,565)	(760)
Interest income		2	–	25	27
Interest expense		(31)	–	(6)	(37)
Depreciation and amortisation		(467)	–	(95)	(562)
Share of results of an associate		–	–	752	752
Fair value gain on investment property		–	2,666	–	2,666
Loss on deemed disposal of associate		–	–	(734)	(734)
Profit/(Loss) before income tax		(342)	3,317	(1,623)	1,352
Income tax expense					(493)
Profit for the financial year					859
2016					
Capital expenditure					
Additions to non-current assets	B	13,148	–	313	13,461
Assets and liabilities					
Segment assets	C	27,904	13,867	11,310	53,081
Segment liabilities	D	11,495	2,504	688	14,687
Deferred tax liabilities					199
Total liabilities					14,886

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

30. SEGMENT REPORTING (CONTINUED)

	Notes	Investment property holding US\$'000	Unallocated US\$'000	Consolidated US\$'000
2015				
Revenue				
Revenues from external customers		720	–	720
Total revenue		720	–	720
Results				
Segment results	A	584	(2,326)	(1,742)
Interest income		–	25	25
Interest expense		–	(3)	(3)
Depreciation and amortisation		–	(105)	(105)
Share of results of an associate		–	687	687
Fair value loss on investment property		(340)	–	(340)
Profit/(Loss) before income tax		244	(1,722)	(1,478)
Income tax expense				(290)
Loss for the financial year				(1,768)
Capital expenditure				
Additions to non-current assets	B	–	96	96
Assets and liabilities				
Segment assets	C	10,668	22,617	33,285
Segment liabilities	D	2,025	772	2,797

Notes:

- A. Unallocated segment results comprise mainly Corporate Headquarter expenses.
- B. Additions to non-current assets consist of additions to property, plant and equipment and acquisition of subsidiary's property, plant and equipment and intangible assets.
- C. Unallocated segment assets comprise mainly cash and cash equivalents held at the Corporate Headquarter.
- D. Unallocated segment liabilities comprise mainly finance leases and trade and other payables at the Corporate Headquarter.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

30. SEGMENT REPORTING (CONTINUED)

Geographic information

Revenues from external customers

	Singapore US\$'000	Cambodia US\$'000	Consolidated US\$'000
2016			
Revenues from external customers	1,656	720	2,376
2015			
Revenues from external customers	–	720	720

The revenue information above is based on the location of the customers.

Location of non-current assets

	Singapore US\$'000	Cambodia US\$'000	Consolidated US\$'000
2016			
Non-current assets	20,662	12,810	33,472
2015			
Non-current assets	4,092	10,144	14,236

Non-current assets consist of property, plant and equipment, investment property, goodwill, intangible assets, and investment in associate.

Major customer

The Group's revenue from rental income of US\$720,000 (2015: US\$720,000) is derived from a single customer.

The Group's revenue from construction contracts of US\$1,656,000 (2015: US\$ Nil) are derived from various customers in Singapore. No one single customer accounted for 10% or more of the Group's total revenue for each of the reporting period.

31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

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

31.1 Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require collateral.

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 Company's non-trade receivables from its subsidiary of US\$5,216,000 (2015: US\$5,216,000) which are neither past due nor impaired. As at 31 December 2016, these receivables comprised 99.9% (2015: 99.3%) of the Company's total current and non-current receivables.

The Group's and Company's major classes of financial assets are trade and other receivables, cash and cash equivalents, and amounts due from contract customers.

Cash and cash equivalents are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies.

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

The age analysis of third parties trade receivables that are past due but not impaired as at end of the reporting period is as follows:

	Group 2016 US\$'000
Past due for 1 to 30 days	230
Past due for 31 to 60 days	12
Past due for 61 to 90 days	18
Past due for more than 90 days	13

The Company has no trade receivables which are past due but not impaired.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

31.2 Liquidity risk

The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of receipts and payments. The Group manages liquidity risks by keeping committed lines of credit available.

The following table details the Group and the Company's remaining contractual maturity for its financial instruments. 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. The table includes both interest and principal cash flows.

	Within 1 year US\$'000	After 1 year but within 5 years US\$'000	After 5 years US\$'000	Total US\$'000
Group				
2016				
Financial liabilities				
Trade and other payables	4,915	–	–	4,915
Finance lease payable	337	518	–	855
Bank term loans	435	2,176	6,167	8,778
As at 31 December 2016	5,687	2,694	6,167	14,548
2015				
Financial liabilities				
Trade and other payables	2,121	–	–	2,121
Finance lease payable	40	80	–	120
As at 31 December 2015	2,161	80	–	2,241
Company				
2016				
Financial liabilities				
Trade and other payables	2,319	–	–	2,319
Finance lease payable	52	194	–	246
As at 31 December 2016	2,371	194	–	2,565
2015				
Financial liabilities				
Trade and other payables	2,513	–	–	2,513
Finance lease payable	40	80	–	120
As at 31 December 2015	2,553	80	–	2,633

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

31.3 Currency risk

The Group has foreign currency exposures arising from monetary assets and liabilities that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Hong Kong dollar.

The Group does not have a formal hedging policy against foreign exchange fluctuations. The Group continuously monitors the exchange rates on a daily basis so as to realise the currencies at the most favourable exchange rate.

The Group's and the Company's exposure from foreign currency denominated monetary assets and monetary liabilities as at the end of the financial year is as follows:

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Monetary assets				
Hong Kong dollar	3,303	3,305	3,303	3,305

The Group is mainly exposed to Hong Kong dollar (HKD) denominated monetary assets and the Group does not have monetary liabilities denominated in HKD.

The following table details the Group's sensitivity to a 2% (2015: 5%) change in HKD against United States dollar (USD). The sensitivity analysis assumes an instantaneous 2% (2015: 5%) change in the foreign currency exchange rates from the end of the financial year, with all variables held constant. The results of the model are also constrained by the fact that only monetary items, including external loans and loans to foreign operations, which are denominated in HKD are included in the analysis. Consequently, reported changes in the values of some of the financial instruments impacting the results of the sensitivity analysis are not matched with the offsetting changes in the values of certain excluded items that those instruments are designed to finance or hedge.

	Increase/(Decrease)			
	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
HKD				
Strengthens against USD	66	165	66	165
Weakens against USD	(66)	(165)	(66)	(165)

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

31.4 Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to bank term loans as shown in Note 16 to the financial statements. The Company is not exposed to interest rate risk as it does not have any bank borrowings at the end of the reporting period.

The Group's results 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 policy to obtain quotes from banks to ensure that the most favourable rates are made available to the Group.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risks for financial liabilities at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. The sensitivity analysis assumes an instantaneous 100 basis points change in the interest rates from the end of the reporting period, with all variables held constant.

If the interest rate increases or decreases by 100 basis points, the Group's profit or loss, will decrease or increase by:

	Group Year ended 31 December 2016 US\$'000
Bank term loans	70

32. CAPITAL MANAGEMENT POLICIES AND OBJECTIVES

The Group's objectives when managing capital are:

- (i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- (ii) to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The capital structure of the Group consists of equity attributable to owners of the parent, comprising issued capital, reserves and retained earnings.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

32. CAPITAL MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

In the current financial year, the Group has complied with all externally-imposed capital requirements which comprise loan covenants imposed by banks in respect of bank term loans granted to a certain subsidiary. The Group does not have externally-imposed capital requirement in the previous financial year.

The Group's overall strategy remains unchanged from 2015.

33. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The management of the Group has determined that the carrying amounts of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The carrying amounts of the Group's bank term loans approximates its fair value as they are mostly at floating interest rates. The fair values of other classes of financial liabilities are disclosed in the respective notes to the financial statements.

34. CONTINGENT LIABILITIES

In the previous financial year, a subsidiary in Cambodia received a notice of tax reassessment for years 2008 to 2011 ("Tax Reassessment") from the General Department of Taxation, Cambodia (the "GDT") of approximately US\$1.0 million for underpayment of (i) tax on profit in relation to undeclared revenue ("Revenue Tax") and intercompany loan principal deemed as income ("Loan Income Tax"); (ii) value added tax on undeclared revenue ("Revenue VAT") and (iii) withholding tax on loan interest expense ("Loan Interest WHT"), and related penalties and interests.

Although management is not aware of any revenue undeclared, management has, without admission of the correctness of the Tax Reassessment received and pending clarification from the GDT, made a provision of US\$172,000 in relation to Revenue Tax and Revenue VAT and has recorded this amount as an under provision of current income tax, and US\$278,000 for related penalties and interests and has recorded this amount under "Administration and other operating expenses" in the previous financial year. The above amounts are recognised in the statement of financial position under "Income tax payable" and "Trade and other payables" respectively.

In the current financial year, based on a written advice received from an independent tax advisor, management has determined that no further provision is required for the Tax Reassessment as the Cambodian tax authority, following a meeting with the Company's tax advisor, has verbally agreed to remove Loan Income Tax and Loan Interest WHT and will issue a revised Tax Reassessment. As at the date of these financial statements, the revised Tax Reassessment has not been issued by the Cambodian tax authority.

35. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Subsequent to the financial year end, the Company incorporated two new wholly-owned subsidiaries known as Atlantic Sky Investment Pte Ltd ("ASI") and Pacific Sky Investment Pte Ltd ("PSI").

These subsidiaries were incorporated in Singapore with an issued and paid-up capital of S\$1.00 and US\$1.00 respectively, comprising 1 ordinary share each. The principal activities of ASI and PSI are that of investment holding and property development; and investment holding, respectively.

Statistics of Shareholdings

AS AT 24 MARCH 2017

Issued and Fully Paid-Up Capital	:	S\$58,092,235.42
No. of Shares Issued	:	324,940,302
Class of Shares	:	Ordinary Shares
Voting Rights	:	1 vote per Ordinary Share
No. of Treasury Shares and Subsidiary Holdings	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	7	0.58	304	0.00
100 – 1,000	59	4.91	40,507	0.01
1,001 – 10,000	504	41.93	3,208,450	0.99
10,001 – 1,000,000	620	51.58	44,372,528	13.66
1,000,001 AND ABOVE	12	1.00	277,318,513	85.34
TOTAL	1,202	100.00	324,940,302	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	RAFFLES NOMINEES (PTE) LIMITED	126,062,461	38.80
2	ANG BOON CHEOW EDWARD	93,061,224	28.64
3	DBS NOMINEES (PRIVATE) LIMITED	14,477,211	4.46
4	CITIBANK NOMINEES SINGAPORE PTE LTD	14,218,700	4.38
5	WONG SIEW HUI	8,093,556	2.49
6	ANG SIEW TIONG	6,691,098	2.06
7	UOB KAY HIAN PRIVATE LIMITED	5,616,500	1.73
8	TAN KIM SENG	2,500,000	0.77
9	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,497,500	0.77
10	YEO YEOK SOO	1,539,463	0.47
11	PHILLIP SECURITIES PTE LTD	1,457,850	0.45
12	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,102,950	0.34
13	FORTE CAPITAL MANAGEMENT PTE LTD	887,600	0.27
14	AU SOO LUAN	869,950	0.27
15	ANNE YANG BOOT TA	860,500	0.26
16	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	821,500	0.25
17	OCBC SECURITIES PRIVATE LIMITED	749,149	0.23
18	LIM TECK SENG	733,000	0.23
19	HSBC (SINGAPORE) NOMINEES PTE LTD	700,190	0.22
20	TAY YEE TIAN	697,500	0.21
TOTAL		283,637,902	87.30

Statistics of Shareholdings

AS AT 24 MARCH 2017

SUBSTANTIAL SHAREHOLDERS (AS SHOWN IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS)

Substantial Shareholder	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
ANG BOON CHEOW EDWARD ⁽¹⁾	93,061,224	28.64	69,907,317	21.51
ANG BOON CHONG ⁽²⁾	–	–	31,847,044	9.80%
ANA ASIA LIMITED ⁽³⁾	–	–	66,614,817	20.50%
CHARISMA ASIA LIMITED ⁽³⁾	–	–	24,604,544	7.57%
ANG SHER YIN CELESTINE ⁽⁴⁾	–	–	22,472,000	6.92%

Notes:

- (1) Ang Boon Cheow Edward is deemed interested in 69,907,317 shares of which 3,292,500 shares are owned by Ang Boon Cheow Edward and registered in the name of Raffles Nominees (Pte) Limited. The remaining shares are held indirectly by ANA Asia Limited ("ANA") which is wholly-owned by Ang Boon Cheow Edward. Ang Boon Cheow Edward is, by virtue of his interest in ANA, deemed interested in the 66,614,817 shares deemed held by ANA.
- (2) Ang Boon Chong is deemed interested in 31,847,044 shares of which 7,242,500 shares are owned by Ang Boon Chong and registered in the name of Raffles Nominees (Pte) Limited. The remaining shares are held indirectly by Charisma Asia Limited ("CAL") which is wholly-owned by Ang Boon Chong. Ang Boon Chong is, by virtue of his interest in CAL, deemed interested in the 24,604,544 shares deemed held by CAL.
- (3) The shares held by ANA and CAL are registered in the name of Raffles Nominees (Pte) Limited.
- (4) Ang Sher Yin Celestine is deemed interested in 22,472,000 shares of which 22,472,000 shares are owned by Ang Sher Yin Celestine and registered in the name of Raffles Nominees (Pte) Limited.

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the information provided and to the best knowledge of the Directors, approximately 30.63% of the issued ordinary shares in the capital of the Company are held in the hands of the public as at 24 March 2017. Rule 723 of the Listing Manual (Section B: Rules of Catalyst) of the Singapore Exchange Securities Trading Limited has therefore been complied with.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Ocean Sky International Limited (the “**Company**”) will be held at Raffles Marina, Bridge Room, Level 2, 10 Tuas West Drive, Singapore 638404 on Thursday, 27 April 2017 at 10.30 a.m. to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2016 together with the Directors’ Statement and the Independent Auditor’s Report thereon. **(Resolution 1)**
2. To re-elect Mr Chia Yau Leong as Director who is retiring pursuant to Article 88 of the Company’s Constitution.
[See Explanatory Note (i)] **(Resolution 2)**
3. To re-elect Ms Tan Min-Li as Director who is retiring pursuant to Article 89 of the Company’s Constitution.
[See Explanatory Note (ii)] **(Resolution 3)**
4. To approve the payment of directors’ fees of S\$120,000 for the financial year ending 31 December 2017, payable quarterly in arrears (FY2016: S\$140,000). **(Resolution 4)**
5. To re-appoint Messrs BDO LLP as auditors of the Company and authorise the Directors to fix their remuneration. **(Resolution 5)**

AS SPECIAL BUSINESS

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

6. **Authority to issue shares and convertible securities**

“That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the “**Act**”), the Constitution and Rule 806 of the Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), authority be and is hereby given to the Directors of the Company to:

- (a) (i) allot and issue shares in the capital of the Company (the “**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 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

Notice of Annual General Meeting

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue:
 - (i) additional instruments as adjustments in accordance with the terms and conditions of the Instruments made or granted by the directors while this Resolution was in force; and
 - (ii) Shares in pursuance of any Instruments made or granted by the directors while this Resolution was in force or such additional Instruments in (b)(i) above,

provided that:

- (1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed one hundred per cent. (100%) of the total number of issued Shares (excluding treasury shares, if any) (as calculated in accordance with sub-paragraph (2) below) or such other limit as may be prescribed by the Catalist Rules as at the date of this Resolution is passed, of which the aggregate number of Shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including shares to be issued in pursuance of the 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) (as calculated in accordance with sub-paragraph (2) below) or any such other limit as may be prescribed by the Catalist Rules as at the date of this Resolution is passed;
- (2) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares, if any) shall be calculated based on the total number of issued Shares (excluding treasury shares, if any) at the time of the passing of this Resolution, after adjusting for:–
 - (a) new Shares arising from the conversion or exercise of convertible securities;
 - (b) new Shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed, 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
 - (c) any subsequent bonus issue, consolidation or subdivision of Shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act, and otherwise, the Constitution for the time being of the Company; and

Notice of Annual General Meeting

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

(Resolution 6)

[See Explanatory Note (iii)]

7. **Renewal of Share Purchase Mandate**

“That:

- (a) for the purposes of the Companies Act, Chapter 50 of Singapore (the “**Act**”), the exercise by the Directors of the Company of all the powers of the Company to use Funds (as hereafter defined) to purchase or otherwise acquire the ordinary shares in the capital of the Company (“**Shares**”) not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:
- (i) on-market purchases (each an “**On-Market Purchase**”) on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”); and/or
 - (ii) off-market purchases (each an “**Off-Market Purchase**”) effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the Directors of the Company as they consider fit based on the requirements of section 76C of the Act,

and in accordance with all other laws and regulations of Singapore and the listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the “**Share Purchase Mandate**”)

- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:
- (i) the date on which the next annual general meeting of the Company (“**AGM**”) is held or required by the law to be held;
 - (ii) the date on which the share purchases are carried out to the full extent mandated; or
 - (iii) the date on which the authority contained in the Share Purchase Mandate is revoked or varied;

Notice of Annual General Meeting

(c) in this Resolution:

“Funds” means internal sources of funds and/or external borrowings as may be determined by the Directors of the Company. Illustrations of the financial impact of the use of Funds are set out in the Appendix 1;

“Maximum Limit” means that number of Shares representing ten per cent. (10%) of the issued ordinary share capital of the Company as at the date of passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Act, at any time during the Relevant Period (as defined hereinafter), 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 (excluding any treasury shares that may be held by the Company from time to time);

“Relevant Period” means the period commencing from the date on which the last AGM was held and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier, after the date of this Resolution; and

“Maximum Price”, in relation to a Share to be purchased or acquired, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

- (i) in the case of an On-Market Purchase: 105% of the Average Closing Price;
- (ii) in the case of an Off-Market Purchase: 130% of the Highest Last Dealt Price, where:

“Average Closing Price” means the average of the closing market prices of a share over the last five (5) market days, on which transactions in the Shares were recorded, preceding the day of the On-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) market days period;

“Highest Last Dealt Price” means the highest price transacted for a share on the market day on which the Shares were transacted on the SGX-ST immediately preceding the date of the making of the offer pursuant to the Off-Market Purchase;

“date of the making of the offer” means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

(d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution.”

(Resolution 7)

[See Explanatory Note (iv)]

Notice of Annual General Meeting

Any Other Business

8. To transact any other business which may properly be transacted at an Annual General Meeting.

By Order of the Board

Chia Yau Leong
Executive Director and Company Secretary

Singapore, 12 April 2017

Explanatory Notes:

- (i) Mr Chia Yau Leong will, upon re-election as Director of the Company, remain as an Executive Director of the Company. Detailed information on Mr Chia Yau Leong can be found under the "Board of Directors" section in the Company's Annual Report.
- (ii) Ms Tan Min-Li will, upon re-election as Director of the Company, remain as Chairman of Nominating Committee and a member of the Audit Committee and Remuneration Committees. Ms Tan Min-Li will be considered as an Independent Director of the Company. There are no relationships (including immediate family relationships) between Ms Tan Min-Li and the other directors, the Company and its ten per cent (10%) shareholders. Detailed information on Ms Tan Min-Li can be found under the "Board of Directors" section in the Company's Annual Report.
- (iii) **Ordinary Resolution 6**, if passed, will empower the Directors from the date of the this AGM until the date of the next annual general meeting or the date by which the next general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue shares, make or grant Instruments convertible into shares and to issue share pursuant to such Instruments. The aggregate number of share (including shares to be made in pursuance of Instruments made or granted pursuant to this Resolution) which the Directors may allot and issue, shall not exceed, in total, one hundred per cent. (100%) of the total number of issued shares (excluding treasury shares, if any) of the Company, of which the total number of shares issued other than on a pro-rata basis to existing shareholders of the Company, shall not exceed fifty per cent. (50%) of the total number of issued shares (excluding treasury shares, if any) of the Company.
- (iv) **Ordinary Resolution 7**, if passed, will empower the Directors of the Company to make purchases or otherwise acquire the Company's issued shares from time to time subject to and in accordance with the guidelines set out in the Appendix 1 accompanying this Notice. The authority will expire at 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, unless previously revoked or waived at a general meeting.

Notes:

1. A member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.
2. If the appointer is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.
3. A member who is a Relevant Intermediary is entitled to appoint two or more proxies to attend and vote in his/her stead, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares to be represented by each proxy must be stated. "Relevant Intermediary" has the meaning ascribed to it in Section 181(6) of the Companies Act, Chapter 50 of Singapore.
4. The instrument appointing a proxy or proxies, duly executed, must be deposited at the registered office of the Company at 29 Tuas South Street 1, Singapore 638036, not less than forty-eight (48) hours before the time appointed for the holding of the Annual General Meeting.

Personal data privacy:

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

Appendix 1

OCEAN SKY INTERNATIONAL LIMITED

(Registration No. 198803225E)

(Incorporated in the Republic of Singapore)

SUMMARY SHEET FOR RENEWAL OF SHARE PURCHASE MANDATE

The Sponsor and the SGX-ST assume no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Appendix. If you are in doubt as to the action that you should take, you should consult your stockbroker or other professional adviser immediately.

(A) Shares Purchased In The Previous Twelve Months

The Company has not made any share purchases pursuant to the Share Purchase Mandate obtained at the Annual General Meeting on 26 April 2016 in the last 12 months immediately preceding 24 March 2017 (the "**Latest Practicable Date**").

(B) Renewal of The Share Purchase Mandate

The Ordinary Resolution No. 7 if passed at the Annual General Meeting to be held on 27 April 2017 ("**2017 AGM**"), will renew the Share Purchase Mandate (the "**Proposed Share Purchase Mandate**") approved by the shareholders of the Company from the date of the Annual General Meeting until the date that the next annual general meeting of the Company is held or is required by law to be held, whichever is the earlier (the "**Relevant Period**").

(C) Rationale For The Share Purchase Mandate

The Proposed Share Purchase Mandate will provide the Company with the flexibility to undertake share purchases of up to the ten per cent. (10%) limit during the period when the Proposed Share Purchase Mandate is in force.

In addition to the growth and expansion of the Group's business, a share purchase at the appropriate price level may also increase shareholders' value in the Company as it is one of the ways in which the return on equity of the Group may be enhanced.

Share purchases may also provide the Company with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements in an expedient, effective and cost-efficient manner. It will also provide the Directors with greater flexibility over the Company's share capital structure with a view to enhancing the earnings per share and/or net tangible assets value per share.

The Directors may also purchase or acquire shares pursuant to the Proposed Share Purchase Mandate, hold the repurchased shares as treasury shares and utilise such treasury shares for the purposes of or pursuant to an employees' share scheme or as (part) consideration for the acquisition of shares in or assets of another company.

Short term speculation may at times cause the market price of the Shares to be depressed below the true value of the Group. In a depressed share price situation, the Directors further believe that share purchases by the Company will help mitigate short-term market volatility, offset the effects of short-term speculation which in turn protect shareholders' investments and bolster shareholder confidence.

Appendix 1

The Directors will only effect a share purchase as and when the circumstances permit, after taking into account, amongst other things, the Company's financial condition, the prevailing market conditions and whether such share purchases represent the most cost-effective and efficient approach in enhancing share value. The Directors do not propose to carry out share purchases to an extent that would, or in circumstances that might, result in a material adverse effect on the liquidity and/or the orderly trading of the Shares and/or the financial position of the Group.

The Directors will ensure that the share purchases will not have any effect on the listing of the Company's securities including the Shares listed on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). Rule 723 of the Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") of the SGX-ST requires at least ten per cent. (10%) of any class of a company's listed securities to be held by the public at all times. The Directors shall safeguard the interests of public shareholders before undertaking any share purchases. Before exercising the Proposed Share Purchase Mandate, the Directors shall at all times take due cognisance of (a) the then shareholding spread of the Company in respect of the number of Shares held by substantial shareholders and by non-substantial shareholders and (b) the volume of trading on the SGX-ST in respect of the Shares immediately before the exercise of any share purchase.

Currently, 99,514,161 Shares (30.63%) of a total of 324,940,302 Shares issued by the Company are held by 1,199 public shareholders. The Company is of the view that there is sufficient number of Shares in issue held by public shareholders which would permit the Company to undertake share purchases of up to ten per cent. (10%) of its issued ordinary share capital without affecting the listing status of the Shares on the SGX-ST. The Company will ensure that the share purchases will not cause market illiquidity or affect orderly trade.

(D) Financial Impact Of The Proposed Shares Purchases

1. The purchased Shares shall be cancelled immediately on purchase or acquisition unless held in treasury in accordance with Section 76H of the Companies Act, Chapter 50 (the "**Act**"). Section 76H of the Act allows purchased Shares to be:
 - (i) held by the Company; or
 - (ii) dealt with, at any time, in accordance with Section 76K of the Act, as treasury shares.

Section 76K of the Act allows the Company to:

- (i) sell the Shares (or any of them) for cash;
- (ii) transfer the Shares (or any of them) for the purposes of or pursuant to an employees' share scheme;
- (iii) transfer the Shares (or any of them) as consideration for the acquisition of shares in or assets of another company or assets of a person; or
- (iv) cancel the Shares (or any of them).

Appendix 1

The aggregate number of Shares held as treasury shares shall not at any time exceed ten per cent. (10%) of the total number of Shares at that time. Any Shares in excess of this limit shall be disposed of or cancelled in accordance with Section 76K of the Act within six (6) months.

Any share purchase will:

- (i) reduce the amount of the Company's share capital where the Shares were purchased or acquired out of the capital of the Company;
- (ii) reduce the amount of the Company's profits where the Shares were purchased or acquired out of the profits of the Company; or
- (iii) reduce the amount of the Company's share capital and profits proportionately where the Shares were purchased or acquired out of both the capital and the profits of the Company;

by the total amount of the purchase price paid by the Company for the Shares cancelled.

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Act, the Company shall be treated as having no right to vote and the treasury shares will be treated as having no voting rights.

2. The financial effects on the Company and the Group arising from the proposed purchases of the Company's Shares which may be made pursuant to the Proposed Share Purchase Mandate will depend on, *inter alia*, the aggregate number of Shares purchased and the consideration paid at the relevant time.
3. Based on the existing issued and paid-up share capital of the Company of US\$36,521,857 comprising 324,940,302 shares in issue as at the Latest Practicable Date, the proposed purchases by the Company of up to a maximum of ten per cent. (10%) of its issued share capital under the Proposed Share Purchase Mandate will result in the purchase of 32,494,030 Shares.
4. An illustration of the impact of share purchases by the Company pursuant to the Proposed Share Purchase Mandate on the Group's and the Company's financial position is set out below based on the following assumptions:
 - (a) audited accounts of the Group and the Company as at 31 December 2016;
 - (b) in full exercise of the Proposed Share Purchase Mandate, 32,494,030 Shares were purchased;
 - (c) the maximum price for the On-Market Purchases is S\$0.087, which is 105% above the Average Closing Price (as defined in paragraph F(2));
 - (d) the maximum price for the Off-Market Purchases is S\$0.109, which is 130% of the Highest Last Dealt Price (as defined in paragraph F(2));

Appendix 1

- (e) the maximum amount of funds required for the share purchases in the aggregate is approximately US\$1.95 million and US\$2.45 million for On-Market Purchases and Off-Market Purchases respectively.

On-Market Purchases and held as Treasury Shares or cancelled

	Company before share purchases (US\$'000)	Company after share purchases (US\$'000)	Group before share purchases (US\$'000)	Group after share purchases (US\$'000)
As at 31 December 2016				
Shareholders' funds	32,409	30,455	38,195	36,241
Net tangible assets	32,409	30,455	29,469	27,515
Current assets	10,922	8,968	19,609	17,655
Current liabilities	2,365	2,365	7,444	7,444
Net current assets	8,557	6,603	12,165	10,211
Total borrowings	217	217	7,835	7,835
Cash, bank balances and fixed deposits	10,864	8,910	14,268	12,314
Number of shares ('000)	324,940	292,446	324,940	292,446
(Treasury shares) ('000)		(32,494)		(32,494)
Weighted average number of shares ('000)	233,483	210,135	233,483	210,135
Financial Ratios				
Net tangible assets per share (US cents)	9.97	10.41	9.07	9.41
Basic earnings per share (US cents)	(0.18)	(0.20)	0.37	0.41
Gearing ratio (net) (times)	NM	NM	NM	NM
Current ratio (times)	4.62	3.79	2.63	2.37

NM – Not meaningful

Appendix 1

Off-Market Purchases and held as Treasury Shares or cancelled

	Company before share purchases (US\$'000)	Company after share purchases (US\$'000)	Group before share purchases (US\$'000)	Group after share purchases (US\$'000)
As at 31 December 2016				
Shareholders' funds	32,409	29,962	38,195	35,748
Net tangible assets	32,409	29,962	29,469	27,022
Current assets	10,922	8,475	19,609	17,162
Current liabilities	2,365	2,365	7,444	7,444
Net current assets	8,557	6,110	12,165	9,718
Total borrowings	217	217	7,835	7,835
Cash, bank balances and fixed deposits	10,864	8,417	14,268	11,821
Number of shares ('000)	324,940	292,446	324,940	292,446
(Treasury shares) ('000)		(32,494)		(32,494)
Weighted average number of shares ('000)	233,483	210,135	233,483	210,135
Financial Ratios				
Net tangible assets per share (US cents)	9.97	10.25	9.07	9.24
Basic earnings per share (US cents)	(0.18)	(0.20)	0.37	0.41
Gearing ratio (net) (times)	NM	NM	NM	NM
Current ratio (times)	4.62	3.58	2.63	2.31

5. Shareholders should note that the financial effects set out above are based on the audited financial accounts of the Group and the Company for the financial year ended 31 December 2016 and are for illustration only. The results of the Group and the Company for the financial year ended 31 December 2016 may not be representative of future performance.
6. The Company intends to use its internal sources of funds to finance its purchases of the Shares. The Company does not intend to obtain or incur any borrowings to finance its purchases of the Shares. The Directors do not propose to exercise the Proposed Share Purchase Mandate in a manner and to such extent that the working capital requirements of the Group would be materially affected.
7. The Company will take into account both financial and non-financial factors, among other things, the market conditions at such time, the Company's financial condition, the performance of the Shares and whether such share purchases would represent the most efficient and cost-effective approach to enhance the share value. Share purchases will only be made if the Board believes that such purchases are likely to benefit the Company and increase economic value for shareholders.

Appendix 1

(E) Consequences of Shares Purchases Under The Singapore Code on Take-overs and Mergers

1. In accordance with The Singapore Code on Take-overs and Mergers (the “**Take-over Code**”), a person will be required to make a general offer for a public company if:
 - (a) he acquires 30 per cent. (30%) or more of the voting rights of the company; or
 - (b) he already holds between 30 per cent. (30%) and 50 per cent. (50%) of the voting rights of the company, and he increases his voting rights in the company by more than one per cent. (1%) in any six-month period.
2. As at the Latest Practicable Date, the substantial shareholders’ and Directors’ interests are as follows:

	←- Direct Interest -→		←- Deemed Interest -→		←- Total Interest -→	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
<u>Directors</u>						
Ang Boon Cheow Edward ^{(1),(2)}	93,061,224	28.64	69,907,317	21.51	162,968,541	50.15
Chia Yau Leong	45,000	0.01	–	–	45,000	0.01
<u>Substantial Shareholders</u>						
Ang Boon Chong ^{(1),(3)}	–	–	31,847,044	9.80	31,847,044	9.80
Ang Sher Yin Celestine ^{(1),(4)}	–	–	22,472,000	6.92	22,472,000	6.92
ANA Asia Limited (“ ANA ”) ^{(2),(5)}	–	–	66,614,817	20.50	66,614,817	20.50
Charisma Asia Limited (“ CAL ”) ^{(3),(5)}	–	–	24,604,544	7.57	24,604,544	7.57

Notes:

- (1) Mr Ang Boon Cheow Edward and Mr Ang Boon Chong are brothers. Ms Ang Sher Yin Celestine is the daughter of Mr Ang Boon Chong.
- (2) Mr Ang Boon Cheow Edward is deemed interested in 69,907,317 Shares of which 3,292,500 Shares are owned by Mr Ang Boon Cheow Edward and registered in the name of Raffles Nominees (Pte) Limited. The remaining Shares are held indirectly by ANA which is wholly-owned by Mr Ang Boon Cheow Edward. Mr Ang Boon Cheow Edward is, by virtue of his interest in ANA, deemed interested in the 66,614,817 Shares held by ANA.
- (3) Mr Ang Boon Chong is deemed interested in 31,847,044 Shares of which 7,242,500 Shares are owned by Mr Ang Boon Chong and registered in the name of Raffles Nominees (Pte) Limited. The remaining Shares are held indirectly by CAL which is wholly-owned by Mr Ang Boon Chong. Mr Ang Boon Chong is, by virtue of his interest in CAL, deemed interested in the 24,604,544 Shares deemed held by CAL.
- (4) Ms Ang Sher Yin Celestine is deemed interested in 22,472,000 Shares, all of which are owned by Ms Ang Sher Yin Celestine and registered in the name of Raffles Nominees (Pte) Limited.
- (5) The Shares held by ANA and CAL are registered in the name of Raffles Nominees (Pte) Limited.

In the event the Company undertakes share purchases within the Relevant Period of up to ten per cent. (10%) of the issued share capital of the Company as permitted by the Proposed Share Purchase Mandate, the shareholdings and voting rights of Mr Ang Boon Cheow Edward, Mr Ang Boon Chong and Ms Ang Sher Yin Celestine and their concert parties, ANA and CAL, will remain above 50%. Accordingly, Mr Ang Boon Cheow Edward, Mr Ang Boon Chong and Ms Ang Sher Yin Celestine and their concert parties, ANA and CAL, are not required to make a general offer pursuant to the Take-over Code.

Appendix 1

(F) Miscellaneous

1. The maximum number of Shares that may be purchased or acquired by the Company is limited to that number of Shares representing not more than ten per cent. (10%) of the issued ordinary share capital of the Company as at the date of the 2017 AGM at which the renewal of the Proposed Share Purchase Mandate is approved (unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies 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 (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 the purposes of computing the ten per cent. (10%) limit. As at the Latest Practicable Date, the Company does not hold any treasury shares.
2. Any share purchases undertaken by the Company shall be at a price of up to but not exceeding:
 - (a) in the case of an On-Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and
 - (b) in the case of an Off-Market Purchase, 130% of the Highest Last Dealt Price,(the "**Maximum Price**") in either case, excluding related expenses of the purchase.

For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of a share over the last five (5) Market Days, on which transactions in the Shares were recorded, preceding the day of the On-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) day period.

"**Highest Last Dealt Price**" means the highest price transacted for a share on the Market Day on which the Shares were transacted on the SGX-ST immediately preceding the date of the making of the offer pursuant to the Off-Market Purchase; and

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

Appendix 1

3. In making share purchases, the Company will comply with the requirements of the SGX-ST Catalist Rules, in particular, Rule 871 with respect to notification to the SGX-ST of any share purchases. Rule 871 is reproduced below:
 - “(1) An issuer must announce any share buy-back as follows:
 - (a) In the case of an On-Market acquisition, by 9.00 am on the market day following the day on which it purchased shares,
 - (b) In the case of an Off-Market acquisition under an equal access scheme, by 9.00 am on the second market day after the close of acceptances of the offer.
 - (2) The announcement must be in the form of Appendix 8D.”
4. Share purchases will be made in accordance with the “Terms of the Share Buyback Mandate” as set out in the Company’s Circular to Shareholders dated 9 April 2009. All information required under the Act relating to the Proposed Share Purchase Mandate is contained in the said Terms.
5. The SGX-ST Catalist Rules does not expressly prohibit any purchase of shares by a listed company during any particular time or times. However, as a listed company would be considered an “insider” in relation to any proposed purchase or acquisition of its shares, the Company will undertake not to purchase or acquire shares pursuant to the Proposed Share Purchase Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, the Company will not purchase or acquire any shares during the period commencing one month immediately preceding the announcement of the Company’s full-year and half year (if applicable) results and the period of two weeks immediately preceding the announcement of its quarterly results.

(G) Directors’ Responsibility Statement

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the Proposed Share Purchase Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading.

Where information in the Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or, reproduced in this Appendix in its proper form and context.

Appendix 1

(H) Directors' Recommendation

The Directors of the Company are of the opinion that the renewal of the Proposed Share Purchase Mandate is in the best interests of the Company. Accordingly, the Directors of the Company recommend that shareholders vote in favour of Ordinary Resolution No. 7.

(I) Taxation

Shareholders who are in doubt as to their respective tax positions or any tax implications, or who may be subject to tax in a jurisdiction outside Singapore, should consult their own professional tax advisers.

(J) Documents For Inspection

Copies of the following documents may be inspected at the registered office of the Company at 29 Tuas South Street 1, Singapore 638036 during normal business hours up to and including the date of the Annual General Meeting:

- (a) the Constitution of the Company; and
- (b) the audited financial statements of the Company for the financial year ended 31 December 2016.

This page has been intentionally left blank

OCEAN SKY INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 198803225E)

ANNUAL GENERAL MEETING PROXY FORM

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see Note 3 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or is purported to be used by them

I/We, _____ (Name),

NRIC/Passport No./Company Registration No. _____

of _____ (Address)

being a member/members of OCEAN SKY INTERNATIONAL LIMITED, (the "Company"), hereby appoint:

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

and/or (delete as appropriate):

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

or failing him/her, the Chairman of the Annual General Meeting as my/our proxy to attend and vote for me/us on my/our behalf, by poll, at the Annual General Meeting of the Company to be held at Raffles Marina, Bridge Room, Level 2, 10 Tuas West Drive, Singapore 638404 on Thursday, 27 April 2017 at 10.30 a.m. and at any adjournment thereof (the "AGM").

I/We direct my/our proxy/proxies to vote for and against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting.

Please indicate your vote "For" or "Against" with an "X" within the boxes provided.

No.	Resolutions relating to:	For	Against
1.	Adoption of Audited Financial Statements for the financial year ended 31 December 2016 together with the Directors' Statement and the Independent Auditor's Report.		
2.	Re-election of Mr Chia Yau Leong as Director		
3.	Re-election of Ms Tan Min-Li as Director		
4.	Approval of directors' fees of S\$120,000 for financial year ending 31 December 2017, payable quarterly in arrears		
5.	Re-appointment of Messrs BDO LLP as auditors and authority to fix their remuneration		
6.	Authority to issue shares or convertible securities		
7.	Renewal of Share Purchase Mandate		

* If you wish to exercise all your votes "For" or "Against", please tick within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2017

Total number of shares held in:	No. of Shares
(a) Depository Register	
(b) Register of Members	

Signature(s) of Member(s)/and, Common Seal of Corporate Member

IMPORTANT: PLEASE READ NOTES OVERLEAF



Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Singapore Companies Act, Chapter 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.
3. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint two or more proxies to attend and vote at the Annual General Meeting. Relevant intermediary is either:
 - (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
 - (b) a capital markets services license holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or
 - (c) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.
4. Where a Member appoints more than one proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 29 Tuas South Street 1, Singapore 638036, not less than forty-eight (48) hours before the time appointed for the Annual General Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointer or of his/her 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 appointer by an attorney, the letter or the 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 of proxy may be treated as invalid.
8. A corporation which is a member may authorise by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the Annual General Meeting.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the members, being the appointer, is not shown to have shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2017.

Notes

Notes

OCEAN SKY

OCEAN SKY INTERNATIONAL LIMITED

29 Tuas South Street 1
Singapore 638036
T (65) 6789 9988
F (65) 6789 9933

