3Cnergy

ANNUAL REPORT 2018

SAFELY MOORED, EXPECTING A COMING STORM

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CORPORATE *PROFILE*

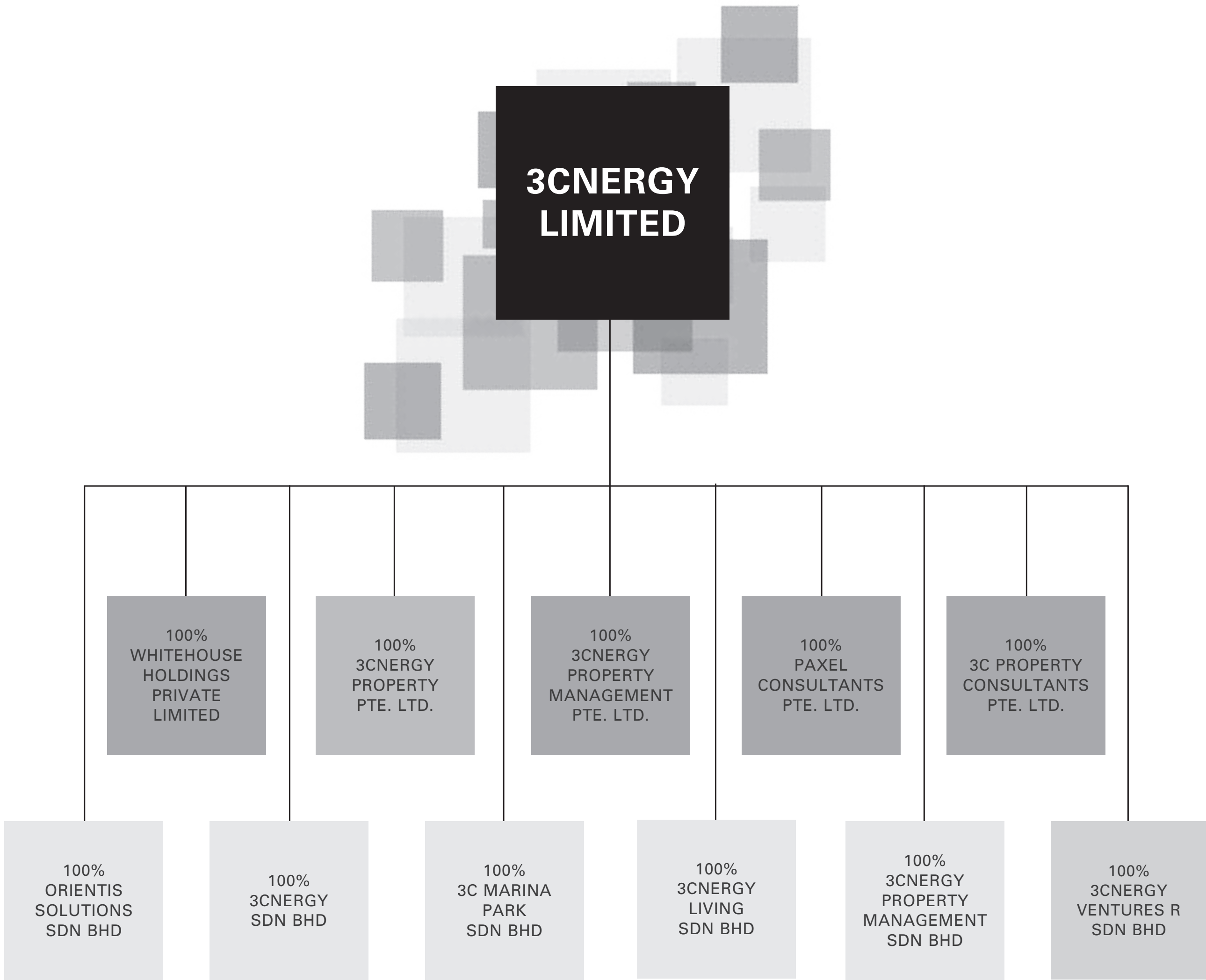
3Cnergy Limited (the "Company") is a Singapore-based investment holding company listed on the Catalist of SGX-ST.

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

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

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

CORPORATE *STRUCTURE*



LEGEND

- Local Subsidiary
- Overseas Subsidiary
- Became a direct subsidiary on 17 December 2018
- Formerly known as HSR Property Consultants Pte Ltd

CHAIRMAN'S AND CEO'S *STATEMENT*

Dear fellow shareholders,

Safely moored, expecting a coming storm

My statement will be very short this year as there is really not much to add from last year's. We deferred MarinaPark development and could not launch in 2017 for a variety of reasons. This include regulatory changes to the proposed integrated developments, freeze on approvals for residential properties above RM1m and a property market that went from challenging to worst.

Newly completed residences in the vicinity were selling below construction costs, if they were selling at all. Banks continued to tighten mortgage approvals especially in Johor. Malaysians are, by and large over-leveraged, with rising cost of living and stagnating wage growth. To top it all, developers continued to add more supply into the market, resulting in huge unsold inventories.

We took the painful and difficult decision to pull the project before launch, albeit after spending quite a considerable amount on professional fees and having built the show gallery on site.

The risk of not selling most of the units on launch was too high, in our judgement. Even with a differentiated product and at a competitive price, we think the market simply was not there and forcing out sales at huge discounts and at a loss would serve no purpose.

If we had launched and had not been able to sell, the impact on our cash flows and balance sheet would be disastrous. I believe we made the right decision.

The bottom line was that we have a valuable land bank at a prime location, and we will get our values back, only a question of time.

As we mentioned last year, our strategy for 2018 was to minimise cash outflows and costs, raise enough funds to meet our loan obligations and try to secure small projects elsewhere to generate some earnings.

We did exactly that.

We reduced our headcounts, our staff costs and other operating expenses. We raised $33.4m from a Rights Issue and a Subscription to repay our term loans, service interest costs and general working capital. We secured a small consulting project in Kuching for fee income.

Our total bank loans outstanding fell from $76.2m as at 31 December 2017 to $63.2m as at 31 December 2018. We paid $3.3m in net interest expense in FY2018.

For 2019, we started with cash in hand of $23.0m. About $13.2m will be used in 2019 to further pay down the term loan. Total loans outstanding will fall to approximately $50.0m by 31 December 2019.

What is the strategy for 2019? Exactly the same as in 2018.

The outlook for the Johor property market has turned worst and it is my view that this gloomy condition will persist for a few more years. I have chosen to highlight this on the cover of this year's annual report. Consequently, the only rational strategy is to moor our boat in safe harbour and wait.

Not everyone has the luxury to adopt this strategy option. In fact, most developers do not. We are fortunate. We have the land, no unsold properties, no work on site and with very few staff.

But it does not mean we have no challenges. The main one being the ability to meet our loan obligations. We have the funds raised to meet all our obligations for 2019. But we will need to raise more funds to meet those obligations from 2020 onwards, since we will have no cash from operations.

On 1 January 2020, we will owe the bank approximately $50.0m (the loans taken are in Ringgit and therefore this SGD equivalent is at the prevailing exchange rates). We have a number of options. We could raise the full amount in 2019 and pay off the entire loan. We could repay just the outstanding term loan of some $31.9m, leaving the revolving credit line alone. Or we could just raise enough to repay the terms loans of approximately $13.2m due for 2020.

Obviously, there are annual operating costs to cover too besides the interest expense. The total amount we need to raise will have to be slightly more than the loan repayment.

Your board will have to make this decision fairly soon.

Operationally, we have continued to tighten costs and reduce headcounts. Realistically, there are few opportunities to earn fee income as the entire sector has slowed tremendously.

I regret we could not have done better. There are few options in this business when the industry tanks. It is a high-risk and high-reward business. The consolation is that we could have done worst, being stuck with unsold properties, having to pay contractors and with piling up debts. While it is impossible to predict the turnaround and how long we have to wait, I take comfort from the fact that if we could meet our loan obligations, we would own the land, a really valuable asset.

Thank you,

Tong Kooi Ong Chairman	Chung Chee Khuen CEO

Predicting rain doesn't count.
Building arks does.

Warren Buffet

BOARD OF *DIRECTORS*

TONG KOOI ONG

NON-INDEPENDENT NON-EXECUTIVE CHAIRMAN

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

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

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

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

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

CHUNG CHEE KHUEN

GROUP MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER ("CEO")

Mr Chung is the Group Managing Director and CEO of 3CL and was appointed to the Board on 30 June 2018. He is a Malaysian with over 25 years of corporate and finance experience in various industries encompassing financial services, property development, postal and courier services, media and real estate industries.

He joined the Group as the Group Financial Controller on 15 May 2015.

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

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

LOH CHEN PENG

LEAD INDEPENDENT DIRECTOR

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

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

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

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

ONG PAI KOO @ SYLVESTER

INDEPENDENT NON-EXECUTIVE DIRECTOR

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

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

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

KEY MANAGEMENT *PROFILE*

ANGIE TUNG SHAO YIN

EXECUTIVE DIRECTOR,
ORIENTIS SOLUTIONS SDN BHD

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

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

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

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

LEOW SOON HOE

GROUP FINANCIAL CONTROLLER

Mr Leow joined the Group as Finance Manager on 2 May 2017 and was appointed as Group Financial Controller on 30 June 2018. He is responsible for the accounting, finance and reporting functions of the Group.

Prior to joining the Group, he was an auditor with RSM Chio Lim LLP and BDO Malaysia where he covered a wide range of companies both private and public-listed in the retail, manufacturing, logistics, property development and construction industries.

He holds a Bachelor of Accountancy from Universiti Utara Malaysia, and is a member of the Association of Chartered Certified Accountants (ACCA).

FINANCIAL AND OPERATIONS *REVIEW*

In May 2018, the Company completed a rights issue ("Rights Issue") of 1,431,889,098 new ordinary shares in the capital of the Company (the "Rights Shares") at an issue price of S$0.022 for each Rights Share and the Rights Shares were listed on Catalist on 22 May 2018. In addition, the Company had also completed a placement of 101,637,891 new ordinary shares (the "Subscription Shares") in the capital of the Company (the "Subscription") at an issue price of S$0.022 for each Subscription Share in May 2018. Following the allotment and issue of both the Rights Shares and Subscription Shares, the number of issued shares had increased from 1,533,526,989 shares to 3,067,053,978 shares.

In May 2017, the Company had completed a renounceable non-underwritten rights cum warrants Issue ("Rights cum Warrants Issue") of 383,381,747 new ordinary shares at $0.067 per share. As announced on 4 July 2018, the proceeds of S$25.69 million raised from the Rights cum Warrants Issue has been fully utilised in accordance with the change of use and re-allocation of the proceeds from the Rights cum Warrants Issue as stated in the announcement dated 8 February 2018 as well as intended uses as disclosed in the offer information statement.

The Company announced on 11 July 2018 that the proceeds of S$2.24 million raised from the Subscription has been fully utilised in accordance with the intended uses as disclosed in the announcement dated 15 May 2018.

As announced on 1 March 2019 on the update on the use of Rights Issue proceeds in the full year results announcement, a total amount of S$11.60 million has been utilised. S$0.26 million and S$8.50 million have been used for expenses incurred in relation to the Rights Issue and partial repayment of term loans respectively, while S$2.85 million have been used for general working capital purpose. The use of proceeds from the Rights Issue is in accordance with the intended uses as disclosed in the Offer Information Statement. The Board will continue to provide periodic announcements on the utilisation of the balance of the proceeds from the Rights Issue as and when the proceeds are materially disbursed.

The Group's loss, net of tax had increased from approximately S$3.41 million in financial year ended 31 December 2017 ("FY2017") to approximately S$38.80 million in financial year end 31 December 2018 ("FY2018") mainly due to the increase in general and administrative expenses and finance costs of S$32.50 million and S$3.55 million respectively, which was being offset by the reduction in gross loss of S$0.39 million and increase in other operating income of S$0.19 million.

REVENUE

The Group's revenue mainly derived from project management services rendered by Orientis Solutions Sdn Bhd ("OSSB") and it has decreased by approximately S$104,000 or 28.1% from S$370,000 in FY2017 to S$266,000 in FY2018. The decrease was mainly due to lower revenue recognition from one of the project management contract in FY2018 as compared to FY2017. OSSB provides architectural design, project financial feasibility assessment, engineering expertise and construction management services.

GROSS LOSS

In FY2018, the Group's gross loss decreased by approximately S$385,000 or 63.6% from S$605,000 in FY2017 to S$220,000 in FY2018. It is mainly attributable to cost reduction measures i.e. headcounts reduction taken by the Group during the financial year.

OTHER OPERATING INCOME

Other operating income comprised mainly interest income, negative goodwill and government grants. Other operating income has increased by approximately S$186,000 or 139.8% from S$133,000 in FY2017 to S$319,000 in FY2018. The increase was mainly due to increase in interest income by S$169,000.

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

G&A Expenses comprised mainly impairment loss, salaries and related costs, audit fees, secretarial fees, tax fees, professional fees, rental, and printing and stationeries expenses. The G&A Expenses has increased by approximately S$32.50 million or over 100% from S$2.83 million in FY2017 to S$35.34 million in FY2018. The increase was mainly due to impairment of development costs (included in land held for property development) of S$33.63 million provided in FY2018, arising from the deferment of the project, which also resulted in the reclassification from property development to land held for property development. The increase in G&A Expenses was also due to foreign exchange loss which increased by approximately S$268,000 from approximately S$1,000 recorded in FY2017 to approximately S$269,000 recorded in FY2018. The increase in G&A Expenses was mitigated by the absence of impairment of goodwill in FY2018 as compared to S$1 million recorded in FY2017. Furthermore, staff costs, professional fees and marketing expenses decreased by approximately S$206,000, S$80,000 and S$150,000 respectively in FY2018 as compared to FY2017.

FINANCE COSTS

Finance costs comprised mainly loan interest expense. Interest expense has increased significantly by approximately S$3.55 million or more than 100% from S$8,000 in FY2017 to S$3.56 million in FY2018 mainly due to expensed off loan interest expense directly attributable to property development. The capitalisation of loan interest expense ceased because activities relating to development were suspended in FY2018.

STATEMENT OF FINANCIAL POSITION

Property, plant and equipment decreased by S$118,000 from S$190,000 as at 31 December 2017 to S$72,000 as at 31 December 2018. The decrease was mainly due to depreciation charges in FY2018.

FINANCIAL AND OPERATIONS *REVIEW*

Land held for property development of S$124.53 million as at 31 December 2018 relates to the land cost and borrowing cost previously capitalised for the three parcels of undeveloped lands held by 3C Marina. Land held for property development will be transferred to property development cost when development activities commence and are expected to be complete within the Group's normal operating cycle. Land held for property development increased by approximately S$30.33 million in net mainly due to transfer of property development which was classified under current assets as at 31 December 2017, offset by an impairment loss of S$33.63 million provided in FY2018.

Other intangible assets decreased by approximately S$68,000 from S$274,000 as at 31 December 2017 to S$206,000 as at 31 December 2018, due to amortisation of assets during the financial year.

Investment in joint venture reduced to nil as at 31 December 2018 from S$105,000 as at 31 December 2017 due to the acquisition of remaining 40% equity interest in 3C Property Consultants Pte Ltd by the Company and it became wholly-owned subsidiary on 8 January 2018.

Property development comprised costs of lands, direct materials, direct labour, other direct costs attributable overheads, borrowing costs and payments to subcontractors arising from the land held by 3C Marina. As at 31 December 2018, the property development is nil as compared to S$63.21 million as at 31 December 2017. As it is expected no development activities will be carried on during the next twelve months, hence the whole amount has been transferred to non-current asset, land held for property development.

Cash and cash equivalents increased by approximately S$14.89 million mainly due to proceeds received from the Rights Issue and Subscription, which was partially offset by payments made for term loans instalments and working capital purposes.

Trade payables decreased by S$628,000 from S$670,000 as at 31 December 2017 to S$42,000 as at 31 December 2018, mainly due to payment made for the development expenses.

Other payables and accruals decreased by approximately S$92,000 from S$771,000 as at 31 December 2017 to S$679,000 as at 31 December 2018, mainly due to decrease in payroll accrual and unconsumed leave accrual as at 31 December 2018.

Contract liabilities increased by S$48,000 from S$174,000 as at 31 December 2017 to S$222,000 as at 31 December 2018. The increase was mainly due to the increase in progress billings recognised in 2018 for OSSB.

The current and non-current bank borrowings of the Group amounted to S$63.23 million and S$76.23 million as at 31 December 2018 and 31 December 2017 respectively. The bank borrowings reduced by S$13 million because of repayments made during the financial year.

The current and non-current finance lease liabilities decreased by S$90,000 from S$121,000 as at 31 December 2017 to S$31,000 as at 31 December 2018, mainly due repayments made during the financial year.

The Group reported a negative working capital of S$8.98 million as at 31 December 2018 as compared to positive working capital of S$38.52 million as at 31 December 2017. Cash balance outstanding as at 31 December 2018 stood at approximately S$23.01 million.

STATEMENT OF CASH FLOWS

Net cash used in operating activities in FY2018 was approximately S$5.59 million, mainly due to an operating cash outflow of approximately S$1.69 million before changes in working capital, decrease in payables of S$967,000 and interest paid of S$3.32 million. This was partially offset by interest income received of S$268,000 and cost recovery on land held for property development of S$74,000 during the financial year.

Net cash from investing activities in FY2018 was approximately S$12,000, which was due to the cash inflow from acquisition of a subsidiary.

Net cash from financing activities in FY2018 was approximately S$20.47 million, which was mainly due to proceeds from the Rights Issue and Subscription with total of S$33.74 million, partially offset by the repayments of finance lease commitments and bank borrowings of S$90,000 and S$13.18 million respectively.

The Group recorded a net increase in cash and cash equivalents of approximately S$14.89 million in FY2018 as compared to an increase of S$4.06 million in FY2017.

PROPERTIES HELD FOR *DEVELOPMENT*

As at 31 December 2018

Description and location	Note	Intended Use	Site Area (Sq. Metres)	Gross Floor Area (Sq. Metres)	Tenure	Effective Group Interest (%)
Land site at Puteri Harbour, Johor, Malaysia	(1), (2)	Mixed Development	172,800	–	Freehold	100

Notes:

(1) The carrying value is included in land held for property development, which is in Note 16 of the financial statements.

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

SUSTAINABILITY *REPORT*

ABOUT THIS REPORT

Sustainability has become a critical success factor for companies to ensure long-term value creation. We are pleased to present the Group's annual Sustainability Report, for our financial year ended 31 December 2018. This report is set out on a "comply or explain" basis in accordance with Rule 711B and Practice Note 7F-Sustainability Report Guide of the Listing Manual Section B: Rules of Catalist of the SGX-ST.

BOARD STATEMENT

The key material environmental, social and governance ("**ESG**") factors for the Group have been identified and reviewed by the management of the Group and the board of directors of the Company (the "**Board**") oversees the management and monitoring of these factors. The Board considers sustainability issues when determining the Group's strategic direction and policies. Managing sustainability allows the Group to safeguard the well-being of our stakeholders and deliver long-term value to them.

REPORTING FRAMEWORK

We prepared our report with reference to the principles and requirements in the Sustainability Reporting Guide of the Singapore Exchange Securities Trading Limited (SGX-ST) for Listed Companies, as well as the Global Reporting Initiatives ("**GRI**") Core Reporting Options. This report covers the 2018 financial year from 1 January to 31 December ("**FY2018**").

We have not sought external assurance for FY2018.

REPORTING SCOPE

The status of the property development is under re-planning during FY2018 since the deferment. This report will particularly focus on the economic and operation, governance and social issues that affect our group of companies in general aspects.

FEEDBACK

We are committed to listening to our stakeholders and we look forward to your feedback. Please send your feedback to enquiries@3cnergy.com.sg**.**

GOVERNANCE STRUCTURE

Sustainability is embedded in our organisation's culture and is led from the top. The Group's governance structure supports and drives the sustainable development journey. We are guided by our code of conduct and ethics established to promote healthy corporate culture, ethical business practices and sustainability. Comprehensive Policies and Systems are also in place to manage sustainable practices across our various business activities.

Sustainability Governance is led by the Board of Directors and supported by all levels of the Group.

Board of Directors	• **Oversees the sustainability direction, strategies, policies**
Management	• **Advises and supports the Board on sustainability matters, strategies, policies** • **Overall management and monitoring of sustainability performance and targets**
Staff	• **Implement sustainability initiatives and provide feedback on improvements**

SUSTAINABILITY *REPORT*

STAKEHOLDER ENGAGEMENT

The Group's stakeholders include, but are not limited to, customers, shareholders, employees, suppliers and local government. We prioritise our stakeholders for engagement based on the significance of their influence on our business and our dependency on them. We engage with our key stakeholders on a regular basis to ensure two-way communication and this is summarised in the table below:

Stakeholder	Topics of Concern	Frequency of engagement	Mode of engagement
Customers	• Product quality • Code of conduct	Ongoing	• Meetings • Email/phone call communication
Shareholders	Economic performance	Half yearly/Annually	• Annual report • Annual general meeting • SGX announcements
Employees	• Staff rights and welfare • Personal development • Good working environment	Ad hoc/Annually	• Employee handbook • Regular email communication • Staff appraisal
Suppliers	• Compliance with terms and conditions of purchasing policies and procedures • Maintenance of ethical standards	Ongoing	• Meetings • Email/phone call communication
Government and Regulators	• Compliance with rules and regulations	Ad hoc	• Government Publication/ written communication

MATERIALITY ASSESSMENT

In order to determine what ESG factors are most relevant to us, we conducted a materiality assessment involving key internal stakeholders. After assessing ESG related business risks and opportunities and ESG related issues, we have identified ESG factors that we believe to be most material to us this year and they are illustrated in the materiality matrix below.

ECONOMIC PERFORMANCE

Economic performance is very important to a company's stakeholders particularly its investors or owners, because this performance eventually provides them with a return on their investment. Other stakeholders, like the firm's employees and the society at large, are also deemed to benefit from such performance, albeit less directly.

SUSTAINABILITY *REPORT*

One of the Group's growth strategies is to develop the lands into a mixed-use development featuring the largest tropical "Rambla" in Iskandar Puteri, Malaysia ("Land Development"). It consists of SOHO, serviced apartments, condominium, office lots, office tower, hotel, street front retail and activity retail, a mixed development with predominantly residential components and complemented with retail and commercial components. As such, the Group believes that the Land Development will increase shareholders' value and will act as the catalyst of growth for the Group. However, the Land Development is under re-planning status during FY2018 since the deferment.

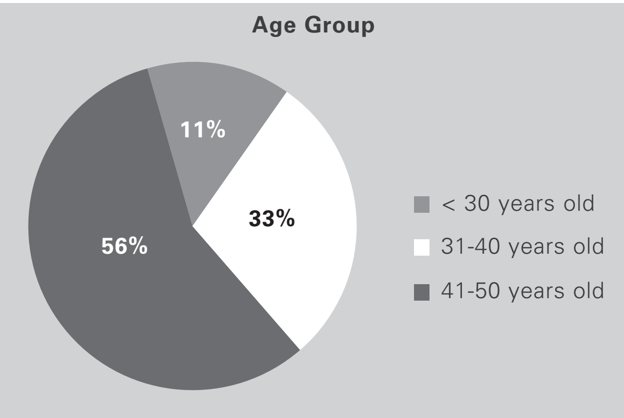
Target: To preserve cash for repayment of term loan commitment. At the same time, the Group will pursue and explore new business opportunities for property development as and when they arise.

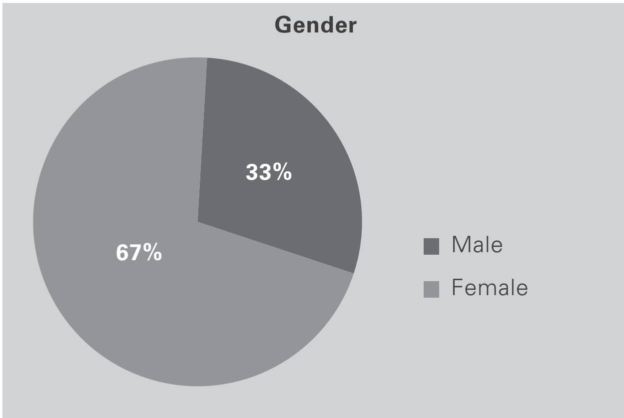
For detailed information, please refer to the financial statements section of this Annual Report.

EMPLOYMENT

The Group is also committed to carry out its social responsibility at the workplace for employees, and recognise that it is important to provide a safe and conducive working environment for employees. In addition, employees are employed under fair and equitable terms. Furthermore, employees are also given equal opportunities with regard to their career advancement.

Employee information of the Group as at 31 December 2018:





We treat all employees fairly, with respect and dignity, regardless of nationality, gender, age, race or religion. The hiring procedures are fair and non-discriminative. Staff are hired on the basis of merit, skills, experience or competency to perform the job.

The Group ensures compliance with labour and employment laws, including working hours and believes in good work-life balance for our employees.

- Code of Work Ethics

All employees are expected to uphold and ensure that they do not engage in any interest that conflicts with any of the Company's businesses. The code of work ethics is published in our Company's Employee Handbook.

Target: To cultivate a transparent and inclusive environment to attract and retain talent while ensuring a top-down approach to promote fair and ethical business dealings. The Group will also committed in compliance with labour and employment laws and safeguarding our employees' health and safety against any potential workplace hazards.

GOOD GOVERNANCE AND REGULATORY

The Group strives to comply with the best practices of good governance, guided by the Singapore's Code of Corporate Governance 2018 (the "**Code**"), throughout its operations to safeguard the interests of all stakeholders. The Group recognises that good corporate governance processes are essential for enhancing corporate sustainability. Please refer to Report on Corporate Governance of this Annual Report for our corporate governance practices.

Target: To ensure no incident of non-compliance with the relevant laws and regulations corruption, bribery, extortion, fraud and money laundering resulting in internal disciplinary action or public allegations.

REPORT ON *CORPORATE GOVERNANCE*

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

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

This report describes the Company's corporate governance processes and structures that are in place during the financial year ended 31 December 2018 ("**FY2018**"), with specific reference made to the principles and guidelines of the Code. Where there are deviations from the Code, appropriate explanations are provided.

A. BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

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

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

The main duties of the Board include:

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

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

REPORT ON *CORPORATE GOVERNANCE*

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

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

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

During the financial year, Mr Chung Chee Khuen joined the Board. Mr Chung has attended the briefing on the roles and obligations being a director of a SGX listed Company.

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

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

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

Attendance at meetings of the Board and Board Committees during FY2018 is disclosed as follows:

Name of Directors	**Board**		**Audit Committee**		**Remuneration Committee**		**Nominating Committee**	
	No. of Meetings held	**No. of meetings attended**	**No. of Meetings held**	**No. of meetings attended**	**No. of Meetings held**	**No. of meetings attended**	**No. of Meetings held**	**No. of meetings attended**
Tong Kooi Ong	2	2	2	2	1	1	1	1
Chung Chee Khuen (1)	2	1	NA	NA	NA	NA	NA	NA
Tong Kooi Lian (2)	2	1	NA	NA	NA	NA	NA	NA
Loh Chen Peng	2	2	2	2	1	1	1	1
Ong Pai Koo @ Sylvester	2	2	2	2	1	1	1	1

(1) Mr Chung Chee Khuen was appointed as Group Managing Director and Chief Executive Officer on 30 June 2018.
(2) Ms Tong Kooi Lian resigned as Director of the Company on 30 June 2018.
NA: Not Applicable

REPORT ON *CORPORATE GOVERNANCE*

BOARD COMPOSITION AND GUIDANCE

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

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

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

The Board considers an Independent Director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interest of the Company.

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

Independent Director	Date of First Appointment	No. of years since Appointment
Loh Chen Peng	8 August 2017	1 year and 8 months
Ong Pai Koo @ Sylvester	15 September 2015	3 years and 7 months

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

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

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

REPORT ON *CORPORATE GOVERNANCE*

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

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

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

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

REPORT ON *CORPORATE GOVERNANCE*

Lead Independent Director

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

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

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

BOARD MEMBERSHIP

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

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

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

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

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

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

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

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

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

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

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

REPORT ON *CORPORATE GOVERNANCE*

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

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

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

The NC has recommended to the Board that Mr Tong Kooi Ong and Mr Chung Chee Khuen be nominated for re-election at the forthcoming AGM. In making the recommendation, the NC had considered the Directors' overall contributions and performance and the Board accepted NC's recommendation.

Mr Tong Kooi Ong, upon re-election as a Director of the Company, will remain as the Non-Independent Non-Executive Chairman of the Board and member of the AC, NC and RC.

Mr Chung Chee Khuen, upon re-election as a Director of the Company, will remain as the Group Managing Director and CEO.

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

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

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

REPORT ON *CORPORATE GOVERNANCE*

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

Name of Director	Appointment	Date of Initial Appointment	Date of Last Re-election	Directorship in other Listed Companies (existing and for the preceding three years)
Tong Kooi Ong	Non-Independent Non-Executive Director	15 May 2013	20 April 2017	Existing Singapore: Avarga Limited (formerly known as UPP Holdings Limited) Canada: Taiga Building Products Limited
Chung Chee Khuen	Group Managing Director and CEO	30 June 2018	–	–
Loh Chen Peng	Independent Director	8 August 2017	10 April 2018	Existing Malaysia: Bermaz Auto Berhad Tropicana Corporation Berhad Past Malaysia: Berjaya Media Berhad
Ong Pai Koo @ Sylvester	Independent Director	15 September 2015	10 April 2018	–

BOARD PERFORMANCE

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

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

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

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

REPORT ON *CORPORATE GOVERNANCE*

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

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

ACCESS TO INFORMATION

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

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

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

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

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

B. REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

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

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

REPORT ON *CORPORATE GOVERNANCE*

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

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

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

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

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

LEVEL AND MIX OF REMUNERATION

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

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

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

DISCLOSURE ON REMUNERATION

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

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

REPORT ON *CORPORATE GOVERNANCE*

A breakdown showing the level and mix of each individual Director's remuneration and key management executive's remuneration for FY2018 is disclosed in the table below:

Name	Fees (%)	Salary(#) (%)	Bonus (%)	Other Benefits (%)	Share-based Compensation (%)	Total (%)	Total (S$'000)
Directors							
Tong Kooi Ong	–	–	–	–	–	–	–
Chung Chee Khuen(1)	–	100	–	–	–	100	94
Tong Kooi Lian(2)	–	100	–	–	–	100	150
Loh Chen Peng	100	–	–	–	–	100	50
Ong Pai Koo @ Sylvester	100	–	–	–	–	100	40

Name	Salary(#) (%)	Bonus (%)	Other Benefits (%)	Share-based Compensation (%)	Total (%)
Key Management Remuneration in the band below S$250,000					
Angie Tung Shao Yin	100	–	–	–	100
Leow Soon Hoe(3)	100	–	–	–	100

(#) Refers to basic salary and CPF contribution by employer
(1) Mr Chung Chee Khuen was appointed as Group Financial Controller on 15 May 2015 and was subsequently appointed as Group Managing Director and Chief Executive Officer on 30 June 2018
(2) Ms Tong Kooi Lian resigned on 30 June 2018
(3) Mr Leow Soon Hoe was appointed as Group Financial Controller on 30 June 2018

Total remuneration paid to the key management personnel (who are not Directors or the CEO) for the financial year ended 31 December 2018 was approximately S$220,000.

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

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

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

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

REPORT ON *CORPORATE GOVERNANCE*

C. ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

Risk Management

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

- ***ERM policies and procedures***

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

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

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

REPORT ON *CORPORATE GOVERNANCE*

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

- ***Risk assessment and monitoring***

Based on the ERM framework, the nature and extent of risks to the Company will be assessed regularly and risk reports covering top risks to the Group will be submitted to the Board on a yearly basis. The risk report of the Company has been submitted and discussed by the Board in FY2018. A set of risk registers to document risks arising from this ERM exercise has also been established to document all key risks and the corresponding countermeasures and will be updated whenever new risks emerge.

Internal Controls

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

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

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

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

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

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

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

The Board, with the concurrence of AC, is of the opinion that, the system of internal controls maintained by the Group's management throughout the financial year ended 31 December 2018 is adequate and effective to address the financial, operational, compliance and information technology risks as at 31 December 2018.

REPORT ON *CORPORATE GOVERNANCE*

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

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

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

Whistle-Blowing Policy

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

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

Interested Person Transactions ("IPT")

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

AUDIT COMMITTEE

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

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

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

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

REPORT ON *CORPORATE GOVERNANCE*

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

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

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

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

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

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

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

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

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

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

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

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

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

REPORT ON *CORPORATE GOVERNANCE*

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

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

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

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

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

INTERNAL AUDIT

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

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

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

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

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

REPORT ON *CORPORATE GOVERNANCE*

D. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS

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

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

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

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

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

COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

– other announcements on the SGXNET; and

– press releases on major developments regarding the Company.

The Company held an AGM and an Extraordinary General Meeting in April 2018 where shareholders attended and shared their views and raised queries which were addressed by the Board. The Company may organise media/analyst briefing to solicit and understand shareholders' view when such need arises.

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

REPORT ON *CORPORATE GOVERNANCE*

CONDUCT OF SHAREHOLDER MEETINGS

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

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

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

The Constitution of the Company allows the Directors at their sole discretion to approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow members who are unable to vote in person at any general meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile. However, as the authentication of shareholder identity and other related security issues still remain a concern, the Company does not practice voting in absentia at this moment.

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

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

E. DEALING IN SECURITIES

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

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

The Company has complied with the internal code of conduct for the financial year ended 31 December 2018.

F. MATERIAL CONTRACTS

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

Interested Party	Nature of Contract	Contract Value
Publiq Development Group Sdn Bhd (f.k.a Rainbow Crest Sdn Bhd)	Project Consultancy Services	RM 9.8 million (equivalent to S$3.28 million based on prevailing exchange rate)

REPORT ON *CORPORATE GOVERNANCE*

G. INTERESTED PERSON TRANSACTIONS

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

The Board had reviewed all IPTs for the financial year under review. The aggregate value of IPT entered into for the financial year under review is as follows:

Name of Interested Person	**Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under Shareholders' general mandate pursuant to Rule 920 of the Catalist Rules)**	**Aggregate value of all interested person transactions conducted under Shareholders' general mandate pursuant to Rule 920 of the Catalist Rules (excluding transactions less than S$100,000)**
	S$'000	**S$'000**
Publiq Development Group Sdn Bhd Project Consultancy Services & recovery of incidentals	–	201

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

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

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

H. NON-SPONSOR FEES

CIMB Bank Berhad, Singapore Branch ("**CIMB**") was appointed Sponsor of the Company with effect from 6 February 2015. In FY2018, approximately S$40,000 of non-sponsor fees were paid to CIMB.

I. AUDIT AND NON-AUDIT FEES

In FY2018, approximately S$55,000 of audit fee and S$8,000 of non-audit fee were paid to the Company's auditors, Deloitte and Touche LLP in the financial year under review.

DIRECTORS' *STATEMENT*

The directors present their statement together with the audited consolidated financial statements of 3Cnergy Limited (the "Company") and its subsidiaries (collectively the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2018.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 37 to 104 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2018 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1. DIRECTORS

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

Mr Tong Kooi Ong
Mr Loh Chen Peng
Mr Ong Pai Koo @ Sylvester
Mr Chung Chee Khuen (Appointed on June 30, 2018)

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

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

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Direct interest		**Deemed interest**	
Name of directors and companies in which interests are held	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
The Company (Ordinary Shares) – 3Cnergy Limited				
Tong Kooi Ong[1]	–	–	723,973,920	1,447,947,840
Immediate Holding Company (Ordinary Shares) – Phileo Capital Limited				
Tong Kooi Ong [2]	–	–	1	1
The Company (Warrants) – 3Cnergy Limited				
Tong Kooi Ong[1]	–	–	361,986,960	467,079,918

DIRECTORS' *STATEMENT*

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

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

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

4. SHARE OPTIONS AND PERFORMANCE SHARES

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

5. WARRANTS

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

Date of issue	Warrants outstanding at 1.1.2018	Warrants issued	Warrants exercised	Warrants expired	Warrants outstanding at 31.12.2018	Date of expiration
29.05.2017	766,763,494	222,608,592	–	–	989,372,086	28.05.2020

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

On May 18, 2018, the Company issued additional 222,608,592 warrants, pursuant to Warrants adjustment, which has the same terms and conditions of the 766,763,494 warrants issued on May 29, 2017 and the exercise price is adjusted from $0.10 to $0.078.

6. AUDIT COMMITTEE

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

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

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

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

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

DIRECTORS' *STATEMENT*

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

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

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

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

7. AUDITORS

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

ON BEHALF OF THE DIRECTORS

Chung Chee Khuen
Group Managing Director and Chief Executive Officer

Tong Kooi Ong
Director

Singapore
March 28, 2019

INDEPENDENT *AUDITOR'S REPORT*

TO THE MEMBERS OF 3CNERGY LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of 3Cnergy Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 37 to 104.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at December 31, 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group, and of the changes in equity of the Company for the year ended on that date.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements, which indicates that as at December 31, 2018, the Group's current liabilities exceeded its current assets by $8,977,000. In addition, the Group incurred a net loss of $38,799,000 and has a net operating cash outflow of $5,594,000 for the financial year then ended. These conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

INDEPENDENT *AUDITOR'S REPORT*

TO THE MEMBERS OF 3CNERGY LIMITED

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current financial year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be a key audit matter to be communicated in our report.

Key Audit Matter	How the matter was addressed in the audit
Recoverable amount of land held for property development	
As at December 31, 2018, the carrying amount of the Group's land held for property development amounted to $124.5 million, net of impairment loss of $33.6 million. The management relied on the valuation performed by independent external valuer to estimate the recoverable amount of land held for property development. The valuation of the recoverable amount of the land held for property development requires the application of significant judgement and estimate in determining the appropriate valuation methodology to be used, use of subjective assumptions and various unobservable inputs. It is underpinned by a number of assumptions which include price per square metre of market comparables used, adjusted for timing, location, tenure, category of land use, plot ratio, size and others.	We have discussed with the component auditors to understand the nature, extent and timing of procedures performed on recoverable amount of land held for property development. We have reviewed the work performed which includes the following procedures: • obtained an understanding of the key controls and processes that management has in place in respect of determining the recoverable amounts of land held for property development; • obtained an understanding of the development plan through discussion with management; • obtained the external valuation report and evaluated the work scope, qualifications, competency, objectivity and independence of the external valuers; • discussed with the external valuer to obtain understanding of their work performed on the properties covering amongst others, the valuation methodology and the significant judgement and appropriateness of assumptions applied; and • discussed and challenged the external valuer on the results of the valuation, and compared the key assumptions used in their valuations with reference to externally available information, where applicable, and considered whether these assumptions are consistent with the current market environment. The key judgement and estimation on the recoverable amount of land held for property development is disclosed in Note 3 to the financial statements, and further information related to land held for property development are provided in Note 16 to the financial statements.

INDEPENDENT *AUDITOR'S REPORT*

TO THE MEMBERS OF 3CNERGY LIMITED

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

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

INDEPENDENT *AUDITOR'S REPORT*

TO THE MEMBERS OF 3CNERGY LIMITED

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporation 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 Mr Kee Cheng Kong, Michael.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants

Singapore
March 28, 2019

CONSOLIDATED STATEMENT OF *PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

	Note	2018 $'000	2017 $'000
Revenue	8a	**266**	370
Cost of services rendered and goods sold		**(486)**	(975)
Gross loss		**(220)**	(605)
Other operating income	8b	**319**	133
Sales and distribution costs		**(6)**	(11)
General and administrative expenses		**(35,338)**	(2,834)
Finance costs	9	**(3,558)**	(8)
Share of loss in a joint venture		**–**	(45)
Loss for the year before tax	10	**(38,803)**	(3,370)
Income tax credit (expense)	11	**4**	(38)
Loss for the year attributable to the owners of the Company		**(38,799)**	(3,408)
Other comprehensive income (loss) for the year, net of tax			
Items that may be reclassified subsequently to profit or loss			
– Exchange differences on translation of foreign subsidiaries		**693**	1,552
Total comprehensive loss for the year attributable to the owners of the Company		**(38,106)**	(1,856)
Loss per share (cents per share)			
Basic and Diluted	30	**(1.56)**	(0.25)

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

STATEMENTS OF *FINANCIAL POSITION*

AS AT DECEMBER 31, 2018

		Group			Company		
	Note	December 31, 2018 $'000	December 31, 2017 $'000	January 1, 2017 $'000	December 31, 2018 $'000	December 31, 2017 $'000	January 1, 2017 $'000
ASSETS							
Non-current assets							
Property, plant and equipment	12	**72**	190	282	**14**	75	127
Goodwill	13	**–**	–	1,000	**–**	–	–
Other intangible assets	13	**206**	274	343	**–**	–	–
Investment in subsidiaries	14	**–**	–	–	**40,208**	85,815	68,015
Investment in joint venture	15	**–**	105	150	**–**	150	150
Land held for property development	16	**124,531**	94,204	90,196	**–**	–	–
Deferred tax assets	27	**3**	–	–	**–**	–	–
		124,812	94,773	91,971	**40,222**	86,040	68,292
Current assets							
Property development	16	**–**	63,214	55,404	**–**	–	–
Trade receivables	17	**19**	25	55	**–**	–	–
Other receivables and deposits	18	**211**	199	126	**69**	31	–
Prepayments		**40**	35	20	**40**	35	19
Amount due from subsidiaries	19	**–**	–	–	**17,805**	170	12
Tax recoverable		**19**	–	–	**–**	–	–
Cash and cash equivalents	20	**22,967**	8,080	4,016	**21,115**	6,074	3,656
Pledged fixed deposit	20	**45**	44	43	**–**	–	–
		23,301	71,597	59,664	**39,029**	6,310	3,687
Total assets		**148,113**	166,370	151,635	**79,251**	92,350	71,979

STATEMENTS OF *FINANCIAL POSITION*

AS AT DECEMBER 31, 2018

		Group			Company		
	Note	**December 31, 2018 $'000**	**December 31, 2017 $'000**	**January 1, 2017 $'000**	**December 31, 2018 $'000**	**December 31, 2017 $'000**	**January 1, 2017 $'000**
LIABILITIES AND EQUITY							
Current liabilities							
Trade payables	21	**42**	670	1	**1**	39	–
Accruals and other payables	22	**679**	771	843	**262**	278	307
Contract liabilities	23	**222**	174	106	**–**	–	–
Amount due to subsidiaries	19	**–**	–	–	**793**	701	702
Amount due to joint venture	24	**–**	127	161	**–**	127	161
Finance lease liability	25	**17**	90	88	**10**	57	55
Bank borrowings	26	**31,318**	31,242	17,556	**–**	–	–
Shareholder loan	6	**–**	–	3,885	**–**	–	3,885
Income tax payable		**–**	3	–	**–**	–	–
		32,278	33,077	22,640	**1,066**	1,202	5,110
Net current (liabilities) assets		**(8,977)**	38,520	37,024	**37,963**	5,108	(1,423)
Non-current liabilities							
Finance lease liability	25	**14**	31	120	**–**	10	67
Bank borrowings	26	**31,915**	44,984	64,426	**–**	–	–
Deferred tax liabilities	27	**–**	4	6	**–**	–	–
Total liabilities		**64,207**	78,096	87,192	**1,066**	1,212	5,177
Net assets		**83,906**	88,274	64,443	**78,185**	91,138	66,802
Equity attributable to owners of the Company							
Share capital	28	**143,292**	109,554	83,867	**177,822**	144,084	118,397
Accumulated losses and other reserves		**(59,386)**	(21,280)	(19,424)	**(99,637)**	(52,946)	(51,595)
		83,906	88,274	64,443	**78,185**	91,138	66,802

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

STATEMENTS OF *CHANGES IN EQUITY*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

	Attributable to owners of the Company			
	Share capital $'000	**Translation reserve[(1)] $'000**	**Accumulated losses $'000**	**Total equity $'000**
Group				
Balance at January 1, 2017	83,867	(2,340)	(17,084)	64,443
Issuance of shares (Note 28), representing transactions with owners, recognised directly in equity	25,687	–	–	25,687
Loss for the year	–	–	(3,408)	(3,408)
Other comprehensive loss for the year, net of tax	–	1,552	–	1,552
Total comprehensive income (loss) for the year	–	1,552	(3,408)	(1,856)
Balance at December 31, 2017	109,554	(788)	(20,492)	88,274
Issuance of shares (Note 28), representing transactions with owners, recognised directly in equity	33,738	–	–	33,738
Loss for the year	–	–	(38,799)	(38,799)
Other comprehensive income for the year, net of tax	–	693	–	693
Total comprehensive income (loss) for the year	–	693	(38,799)	(38,106)
Balance at December 31, 2018	143,292	(95)	(59,291)	83,906

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

	Share capital $'000	**Accumulated losses $'000**	**Total equity $'000**
Company			
Balance at January 1, 2017	118,397	(51,595)	66,802
Issuance of shares (Note 28), representing transactions with owners, recognised directly in equity	25,687	–	25,687
Loss for the year, representing total comprehensive loss for the year	–	(1,351)	(1,351)
Balance at December 31, 2017	144,084	(52,946)	91,138
Issuance of shares (Note 28), representing transactions with owners, recognised directly in equity	33,738	–	33,738
Loss for the year, representing total comprehensive loss for the year	–	(46,691)	(46,691)
Balance at December 31, 2018	177,822	(99,637)	78,185

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

CONSOLIDATED STATEMENT OF *CASH FLOWS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

	Note	2018 $'000	2017 $'000
Operating activities			
Loss before tax		**(38,803)**	(3,370)
Adjustments for:			
Depreciation of property, plant and equipment		**119**	131
Amortisation of other intangible assets		**68**	69
Share of loss in a joint venture		**–**	45
Impairment of goodwill		**–**	1,000
Impairment of land held for property development		**33,633**	–
Interest income		**(268)**	(99)
Interest expense		**3,558**	8
Negative goodwill		**(47)**	–
Unrealised exchange differences		**53**	998
Operating cash flows before changes in working capital		**(1,687)**	(1,218)
Decrease (Increase) in receivables		**10**	(58)
Increase in contract liabilities		**48**	67
(Decrease) Increase in payables		**(967)**	341
Cost recovery (Expenditure) on land held for property development		**74**	(5,356)
Cash used in operations		**(2,522)**	(6,224)
Interest received		**268**	99
Interest paid		**(3,319)**	(3,928)
Income tax paid		**(21)**	(35)
Net cash used in operating activities		**(5,594)**	(10,088)
Investing activities			
Purchase of property, plant and equipment	12	**–**	(26)
Cash inflow from acquisition of a subsidiary	14	**12**	–
Net cash from (used in) investing activities		**12**	(26)

CONSOLIDATED STATEMENT OF *CASH FLOWS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

	Note	2018 $'000	2017 $'000
Financing activities			
Decrease in amount due to a joint venture		**–**	(33)
Repayment of shareholders loan		**–**	(3,885)
Repayment of bank borrowings		**(13,179)**	(7,504)
Repayment of obligations under finance leases		**(90)**	(87)
Proceeds on issue of shares	28	**33,738**	25,687
Net cash from financing activities		**20,469**	14,178
Net increase in cash and cash equivalents		**14,887**	4,064
Cash and cash equivalents at beginning of the year		**8,080**	4,016
Cash and cash equivalents at end of the year	20	**22,967**	8,080

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

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

1. GENERAL

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

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

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 14.

For all periods up to and including the year ended December 31, 2017, the financial statements were prepared in accordance with the previous framework, Financial Reporting Standards in Singapore ("FRSs"). These financial statements for the year ended December 31, 2018 are the first set that the Group and the Company have prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"). Details of first-time adoption of SFRS(I) are included in Note 33.

Material Uncertainty Related to Going Concern

As at December 31, 2018, the Group's current liabilities exceeded its current assets by $8,977,000. In addition, the Group incurred a net loss of $38,799,000 and has a net operating cash outflow of $5,594,000 for the financial year then ended.

On May 18, 2018, the Company completed a rights issue of 1,431,889,098 new ordinary shares in the capital of the Company (the "Rights Shares") at an issue price of $0.022, on the basis of one Rights Share for each existing ordinary share. On the same day, the Company also completed a placement of 101,637,891 new ordinary shares (the "Subscription Shares") in the capital of the Company at an issue price of $0.022. In total, $33,738,000 of proceeds was raised from the issue of the Rights and Subscription Shares. $19,898,000 of the amount raised is yet to be utilised as at March 1, 2019, of which $12,220,000 is earmarked for the repayment of current bank borrowings, and the remaining is for general working capital purposes.

After the planned repayment of $12,220,000 of current bank borrowings, the Group will have approximately $19,098,000 of bank borrowings (Note 26) payable within 12 months from December 31, 2018. The Group's and Company's abilities to continue as going concerns are dependent on the ability to continue to roll over the bank borrowings and the sufficiency of funds to pay their debts as and when they fall due.

As at the date of the approval of these financial statements, the Directors are not aware of any circumstances or reasons which would likely affect its ability to repay and roll over the bank borrowings. In light of the foregoing, the Directors opined that it is appropriate to prepare the financial statements on a going concern basis.

Accordingly, the accompanying financial statements does not include any adjustments relating to the realisation and classification of assets and liabilities that may be necessary if the Group and the Company were unable to continue as a going concern. Should the going concern assumption be inappropriate, adjustments may have to be made to (i) reflect the situation that assets may need to be realised other than in the normal course of the business and at amounts which may differ significantly from the amounts at which they are currently recorded in the statements of financial position; (ii) provide for further liabilities that right arise; and (iii) reclassify non-current assets and non-current liabilities as current. No adjustments have been made in the accompanying financial statements.

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

1. GENERAL (CONTINUED)

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2018 were authorised for issue by the Board of Directors on March 28, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 *Share-based Payment*, leasing transactions that are within the scope of SFRS(I) 1-17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets*.

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

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

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

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

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

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I) s). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in joint ventures and associates.

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively;

- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer are measured in accordance with SFRS(I) 2 *Share-based* Payment at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Classification of financial assets (Continued)

Despite the aforegoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and

- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "other operating income" line item.

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically, for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "general and administrative expenses" line item.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost or at FVTOCI, contract assets, as well as on loan commitments. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor; and
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

For loan commitments, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Impairment of financial assets (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Impairment of financial assets (Continued)

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Group, and commitments issued by the Group to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity instruments (Continued)

Financial liabilities (Continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is 1) contingent consideration of an acquirer in a business combination to which SFRS(I) 3 applies, 2) held for trading, or 3) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and SFRS(I) 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities.

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity instruments (Continued)

Financial liabilities (Continued)

Financial liabilities at FVTPL (Continued)

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Fair value is determined in the manner described in Note 4.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and 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 liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "general and administrative expenses" line item in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

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 of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity instruments (Continued)

Offsetting arrangements

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

PROJECT MANAGEMENT CONTRACTS – Certain entities of the Group enter into fixed price long-term contracts with customers for the provision of services. Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period (the percentage of completion method), when the outcome of a project management contract can be estimated reliably.

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

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

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

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

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

The Group as lessee

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

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

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

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

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The results and assets and liabilities of the joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

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

The requirements of SFRS(I) 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with SFRS(I) 1-36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with SFRS(I) 1-36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with SFRS(I) 9. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

LAND HELD FOR PROPERTY DEVELOPMENT – Land held for property development consists of land on which no significant development work has been undertaken other than earthwork, infrastructure work and professional fees incurred to put the land ready for development or land held for future development in respect of which development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at cost less accumulated impairment losses.

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

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

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

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

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

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

Intangible assets acquired in a business combination

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

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

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior financial years. A reversal of an impairment loss is recognised immediately in profit or loss.

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

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

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

REVENUE RECOGNITION – The Group recognises revenue from commission and the management of long-term project management contracts.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Commission revenue and related services

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

(b) Rendering of services

Revenue from the management of long-term project management contracts are recognised as a performance obligation satisfied over time. Revenue recognised for these services based on the stage of completion of the contract. Management has assessed that the stage of completion is determined as the proportion of the total service period that has elapsed as at the end of the reporting period is an appropriate measure of progress towards complete satisfaction of these performance obligations under SFRS(I) 15. Payment for these services are due in accordance with payment schedules in the customer contract, on straight-line basis over the term of the contract.

BORROWING COSTS – Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

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

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

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

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences relating to that foreign operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have been previously attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. jointly controlled entities that do not result in the Group losing joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying the Group's accounting policies

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

Key sources of estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the CGU to which the goodwill is allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Goodwill has been fully impaired and are disclosed in Note 13.

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

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

Key sources of estimation uncertainty (Continued)

Capitalisation of borrowing costs

The Group determines the amount of borrowing costs eligible for capitalisation as part of the cost of the qualifying assets, which are the property development and land held for property development.

During the financial year, the Group decided to defer its property development project and delay the sales activities for the first phase. Accordingly, the Group did not capitalise any borrowing cost in the current financial year.

The borrowing costs capitalised in prior year attributed to land held for property development and property development are disclosed in Note 16.

Carrying amounts of land held for property development and property development

Land held for property development and property development are stated at the lower of cost and net realisable value.

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

The process of evaluating the net realisable value for each property is subject to management's judgement and the effect of assumptions in respect of development plans, timing of sale and the prevailing market conditions.

Management performs cost studies for each project, taking into account the costs incurred to date, the development status and costs to complete each development project. Any future variation in plans, assumptions and estimates can potentially impact the carrying amounts of the respective properties.

The valuation of the recoverable amount of the land held for property development requires the application of significant judgement and estimate in determining the appropriate valuation methodology to be used, use of subjective assumptions and various unobservable inputs. It is underpinned by a number of assumptions which include price per square metre of market comparables used, adjusted for the timing, location, tenure, category of land use, plot ratio, size and others.

During the financial year, management has decided to defer its plans for the property development. Accordingly, management has decided to re-classify the property development in current assets to land held for property development in non-current assets. In addition, development costs has been fully impaired pending the review of the revised development plan in the future when the economic environment is more conducive for a re-launch.

The carrying amounts of land held for property development and property development are disclosed in Note 16.

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Determination of fair value

Management has determined that the carrying amounts of cash and cash equivalents, trade receivables, other receivables and deposits, amount due from subsidiaries and trade and other payables and accruals reasonably approximate their fair values because these are mostly short term in nature other than finance leases and bank borrowings disclosed in Notes 25 and 26 respectively.

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

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

Group	December 31, 2018		December 31, 2017		January 1 2017	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Finance lease obligations	**31**	**33**	121	127	208	222

Company	December 31, 2018		December 31, 2017		January 1 2017	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Finance lease obligations	**10**	**10**	67	69	122	128

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

5. FINANCIAL RISKS, MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

(a) Categories of financial instruments

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

	Group			Company		
	December 31, 2018 $'000	December 31, 2017 $'000	January 1, 2017 $'000	December 31, 2018 $'000	December 31, 2017 $'000	January 1, 2017 $'000
Financial assets						
Financial assets at amortised cost:						
– Trade receivables	**19**	**25**	**55**	–	–	–
– Other receivables	**211**	**199**	**126**	69	31	–
– Amount due from subsidiaries	**–**	**–**	**–**	17,805	170	12
– Pledged fixed deposit	**45**	**44**	**43**	–	–	–
– Cash and cash equivalents	**22,967**	**8,080**	**4,016**	21,115	6,074	3,656
	23,242	**8,348**	**4,240**	38,989	6,275	3,668
Financial liabilities						
Financial liabilities at amortised cost:						
– Trade and other payables	**721**	**1,441**	**844**	263	317	307
– Amount due to subsidiaries	**–**	**–**	**–**	793	701	702
– Amount due to joint venture	**–**	**127**	**161**	–	127	161
– Shareholder loan	**–**	**–**	**3,885**	–	–	3,885
– Bank borrowings	**63,233**	**76,226**	**81,982**	–	–	–
– Finance lease liability	**31**	**121**	**208**	10	67	122
	63,985	**77,915**	**87,080**	1,066	1,212	5,177

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

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

(b) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and short-term deposits), the Group and Company has adopted a policy of only dealing with high credit rating counterparties. The Group manages these risks by monitoring credit-worthiness and limiting the aggregate risk to any individual counterparty. Therefore, the Group does not expect to incur material credit losses on its financial assets.

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

The Group develops and maintains its credit risk gradings to categorise exposures according to their degree of risk of default. The Group uses its own trading records to rate its major customers and other debtors.

The Group's current credit risk grading framework comprises the following categories:

Category	**Description**	**Basis for recognising expected credit losses (ECL)**
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

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FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

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

(b) Credit risk management (Continued)

The table below details the credit quality of the Group's financial assets and other items, as well as maximum exposure to credit risk rating grades:

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Group						
December 31, 2018						
Trade receivables	17	**Note**	**Lifetime ECL**	**19**	**–**	**19**
Other receivables	18	**Performing**	**12-month ECL**	**211**	**–**	**211**
December 31, 2017						
Trade receivables	17	Note	Lifetime ECL	25	–	25
Other receivables	18	Performing	12-month ECL	199	–	199
January 1, 2017						
Trade receivables	17	Note	Lifetime ECL	55	–	55
Other receivables	18	Performing	12-month ECL	126	–	126
Company						
December 31, 2018						
Other receivables	18	**Performing**	**12-month ECL**	**69**	**–**	**69**
Amount due from subsidiaries	19	**Performing**	**12-month ECL**	**20,414**	**(2,609)**	**17,805**
					(2,609)	
December 31, 2017						
Other receivables	18	Performing	12-month ECL	31	–	31
Amount due from subsidiaries	19	Performing	12-month ECL	2,626	(2,456)	170
					(2,456)	
January 1, 2017						
Amount due from subsidiaries	19	Performing	12-month ECL	2,248	(2,236)	12

Note: For trade receivables, the Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by estimating based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms. Note 17 include further details on the loss allowance for these assets respectively.

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FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

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

(b) Credit risk management (Continued)

Credit risk concentration profile

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

	Group					
	December 31, 2018		December 31, 2017		January 1, 2017	
	$'000	% of total	$'000	% of total	$'000	% of total
By country						
Singapore	**19**	**100%**	25	100%	34	62%
Malaysia	**–**	**0%**	–	0%	21	38%
	19	**100%**	25	100%	55	100%

At the end of the reporting period, approximately 96% (2017: 100%) of the Group's trade receivables were due from 2 major customers (December 31, 2017: 1, January 1, 2017: 2) who is located in Singapore (December 31, 2017: Singapore, January 1, 2017: Malaysia and Singapore).

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

(c) Liquidity risk

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

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

Analysis of financial instruments by remaining contractual maturities

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

	December 31, 2018						December 31, 2017						January 1, 2017					
Group	Weighted average effective interest rate %	One year or less $'000	Two to five years $'000	More than five years $'000	Adjustment $'000	Total $'000	Weighted average effective interest rate %	One year or less $'000	Two to five years $'000	More than five years $'000	Adjustment $'000	Total $'000	Weighted average effective interest rate %	One year or less $'000	Two to five years $'000	More than five years $'000	Adjustment $'000	Total $'000
Financial Assets																		
Trade receivables	**–**	**19**	**–**	**–**	**–**	**19**	–	25	–	–	–	25	–	55	–	–	–	55
Other receivables	**–**	**211**	**–**	**–**	**–**	**211**	–	199	–	–	–	199	–	126	–	–	–	126
Pledged fixed deposit	**3.01**	**46**	**–**	**–**	**(1)**	**45**	3.15	45	–	–	(1)	44	3.15	43	–	–	–	43
Cash and cash equivalents	**0.78**	**23,014**	**–**	**–**	**(47)**	**22,967**	0.08	8,090	–	–	(10)	8,080	0.08	4,016	–	–	–	4,016
Total undiscounted financial assets		**23,290**	**–**	**–**	**(48)**	**23,242**		8,359	–	–	(11)	8,348		4,240	–	–	–	4,240

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FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

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

(c) Liquidity risk (Continued)

***Analysis of financial instruments by remaining contractual maturities** (Continued)*

Group	December 31, 2018 Weighted average effective interest rate %	One year or less $'000	Two to five years $'000	More than five years $'000	Adjustment $'000	Total $'000	December 31, 2017 Weighted average effective interest rate %	One year or less $'000	Two to five years $'000	More than five years $'000	Adjustment $'000	Total $'000
Financial Liabilities												
Trade and other payables	–	721	–	–	–	721	–	1,441	–	–	–	1,441
Amount due to joint venture	–	–	–	–	–	–	–	127	–	–	–	127
Finance lease liability	5	18	15	–	(2)	31	5	94	33	–	(6)	121
Bank borrowings	5	34,157	33,814	–	(4,738)	63,233	5	33,766	48,700	–	(6,240)	76,226
Total undiscounted financial liabilities		34,896	33,829	–	(4,740)	63,985		35,428	48,733	–	(6,246)	77,915
Total net undiscounted financial assets (liabilities)		(11,606)	(33,829)	–	4,692	(40,743)		(27,069)	(48,733)	–	6,235	(69,567)

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

(c) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities *(Continued)*

Group (cont'd)	Weighted average effective interest rate	One year or less	Two to five years	More than five years	Adjustment	Total
	January 1, 2017					
	%	$'000	$'000	$'000	$'000	$'000
Financial Liabilities						
Trade and other payables	–	844	–	–	–	844
Amount due to joint venture	–	161	–	–	–	161
Shareholder loan	–	3,885	–	–	–	3,885
Financial lease liability	5	96	126	–	(14)	208
Bank borrowings	5	21,622	46,606	29,398	(15,644)	81,982
Total undiscounted financial liabilities		26,608	46,732	29,398	(15,658)	87,080
Total net undiscounted financial assets (liabilities)		(22,368)	(46,732)	(29,398)	15,658	(82,840)

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

(c) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities *(Continued)*

	December 31, 2018						December 31, 2017					
Company	Weighted average effective interest rate %	One year or less $'000	Two to five years $'000	More than five years $'000	Adjustment $'000	Total $'000	Weighted average effective interest rate %	One year or less $'000	Two to five years $'000	More than five years $'000	Adjustment $'000	Total $'000
Financial Assets												
Other receivables	–	69	–	–	–	69	–	31	–	–	–	31
Amount due from subsidiaries	–	17,805	–	–	–	17,805	–	170	–	–	–	170
Cash and cash equivalents	0.78	21,162	–	–	(47)	21,115	0.08	6,084	–	–	(10)	6,074
Total undiscounted financial assets		39,036	–	–	(47)	38,989		6,285	–	–	(10)	6,275
Financial Liabilities												
Company												
Trade and other payables	–	263	–	–	–	263	–	317	–	–	–	317
Amount due to subsidiaries	–	793	–	–	–	793	–	701	–	–	–	701
Amount due to joint venture	–	–	–	–	–	–	–	127	–	–	–	127
Finance lease liability	5	10	–	–	–	10	5	59	10	–	(2)	67
Shareholder loan												
Total undiscounted financial liabilities		1,066	–	–	–	1,066		1,204	10	–	(2)	1,212
Total net undiscounted financial assets (liabilities)		37,970	–	–	(47)	37,923		5,081	(10)	–	(8)	5,063

NOTES TO THE *FINANCIAL STATEMENTS*

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

(c) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities *(Continued)*

	January 1, 2017					
Company	**Weighted average effective interest rate %**	**One year or less $'000**	**Two to five years $'000**	**More than five years $'000**	**Adjustment $'000**	**Total $'000**
Financial Assets						
Amount due from subsidiaries	–	12	–	–	–	12
Cash and cash equivalents	0.08	3,656	–	–	–	3,656
Total undiscounted financial assets		3,668	–	–	–	3,668
Financial Liabilities						
Company						
Trade and other payables	–	307	–	–	–	307
Amount due to subsidiaries	–	702	–	–	–	702
Amount due to joint venture	–	161	–	–	–	161
Finance lease liability	5	59	69	–	(6)	122
Shareholder loan	–	3,885	–	–	–	3,885
Total undiscounted financial liabilities		5,114	69	–	(6)	5,177
Total net undiscounted financial assets (liabilities)		(1,446)	(69)	–	6	(1,509)

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

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

(d) Foreign currency risk

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

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

(e) Interest rate risk

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

The Group is exposed to interest rate risk through the impact of interest rate changes on interest-bearing liabilities, which consist of the bank borrowings (Note 26).

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

If interest rates had been 100 basis points higher and all other variables were held constant, and on the assumption that no interest expense is capitalised, loss for the year ended December 31, 2018 would increase by approximately $632,000 (2017: $762,000). If interest rates had been 100 basis points lower and all other variables were held constant, the effect on loss for the year will be vice versa.

(f) Capital management

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

The Group manages its capital structure consisting of equity attributable to owners of the Company, comprising share capital net of accumulated losses and makes adjustments to it in accordance to its capital requirements. No changes were made in the objectives, policies or processes during the years ended December 31, 2018 and December 31, 2017. The Group monitors the level of debt and equity, which is the equity attributable to the owners of the Company.

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

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

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

(f) Capital management (Continued)

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

	December 31, 2018 $'000	**December 31, 2017 $'000**	**January 1, 2017 $'000**
Debt	**63,264**	76,347	86,075
Equity	**83,906**	88,274	64,443
Net debt to equity ratio	**75%**	86%	134%

6. HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

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

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

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

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

	Group and Company	
	2018 $'000	**2017 $'000**
Repayment of shareholder loan	–	3,885

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

7. RELATED PARTY TRANSACTIONS

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

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Income				
Project Management Consultancy & recovery of incidentals received from a company in which a director of the Company has substantial interest	**201**	353	**–**	–
Management fees charged to subsidiary	**–**	–	**31**	–
Management fees charged to joint venture company	**–**	31	**–**	31
Expense				
Rental related cost paid to a company in which a substantial shareholder of the Company has substantial interest	**53**	–	**–**	–
Rental related cost paid to a company in which a director of the Company has substantial interest	**–**	14	**–**	–

Transactions with companies related to non-executive chairman

A subsidiary, Orientis Solutions Sdn Bhd ("Orientis") has project management contracts with Publiq Development Group Sdn Bhd, in which a non-executive director has substantial interest. The total fees for these contracts amount to RM9.8 million ($3,277,000).

The revenue recognised for Publiq Development Group Sdn Bhd for the year ended December 31, 2018 is $153,000 (2017: $370,000).

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

7. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Group	
	2018	**2017**
	$'000	**$'000**
Short-term employee benefits	**387**	568
Central Provident Fund contributions	**30**	25
	417	593
Comprises amounts paid to:		
Directors of the Company	**197**	300
Other key management personnel	**220**	293
	417	593

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

8a. REVENUE

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following major product lines. This is consistent with the revenue information that is disclosed for each reportable segment under SFRS(I) 8 (see Note 31).

	Group	
	2018	**2017**
	$'000	**$'000**
Project management fees – recognised over time	**70**	370
Project management fees – recognised at a point in time	**153**	–
Valuation service fees – recognised at a point in time	**43**	–
	266	370

8b. OTHER OPERATING INCOME

	Group	
	2018	**2017**
	$'000	**$'000**
Government grants	**3**	1
Interest income	**268**	99
Others	**48**	33
	319	133

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

9. FINANCE COSTS

	Group	
	2018	**2017**
	$'000	**$'000**
Interest expenses on:		
Bank loans	**3,554**	–
Finance lease	**4**	8
	3,558	8

10. LOSS FOR THE YEAR BEFORE TAX

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

Cost of services rendered and goods sold comprises:

	Group	
	2018	**2017**
	$'000	**$'000**
Project management costs	**470**	975
Valuation service costs	**16**	–
	486	975

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

	Group	
	2018	**2017**
	$'000	**$'000**
Audit fees paid/payable to:		
– Auditor of the Company		
– Current year	**55**	55
– Other auditors	**13**	11
Non-audit fees paid/payable to:		
– Auditors of the Company	**8**	5
– Other auditors	**16**	23
Net foreign exchange loss	**269**	1
Staff costs (Note 32)	**368**	574
Depreciation of property, plant and equipment (Note 12)	**119**	131
Amortisation of other intangible assets	**68**	69
Non-executive directors' fees	**90**	101
Impairment on goodwill	**–**	1,000
Impairment of land held for property development	**33,633**	–

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

11. INCOME TAX (CREDIT) EXPENSE

Major components of income tax (credit) expense for the years ended December 31, 2018 and 2017 are:

	Group	
	2018	**2017**
	$'000	**$'000**
Tax credit in respect of loss for the year		
Current income tax:		
– Current year	**–**	37
– Underprovision in respect of prior years	**3**	3
	3	40
Deferred income tax		
– Current year	**(7)**	(1)
– Overprovision in respect of prior years	**–**	(1)
Income tax (credit) expense for the year	**(4)**	38

Relationship between tax (credit) expense and accounting loss

The reconciliation between tax (credit) expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended December 31, 2018 and 2017 is as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Loss for the year before tax	**(38,803)**	(3,370)
Tax at Singapore statutory tax rate of 17%	**(6,597)**	(573)
Income not subject to taxation	**(47)**	(13)
Expenses not deductible for tax purposes	**35**	594
Deferred tax assets not recognised	**9,218**	40
Underprovision of tax	**3**	3
Others	**2**	1
Effect of difference in tax rate	**(2,618)**	(14)
	(4)	38

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

11. INCOME TAX (CREDIT) EXPENSE (CONTINUED)

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

Deferred tax assets has not been recognised as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Tax losses		
Amount at beginning of year	**2,360**	2,243
Tax losses for the year	**6,142**	232
Utilised during the year	**(10)**	
Exchange difference	**59**	(47)
Effect of difference in tax rate	**(1,418)**	(68)
Amount at end of year	**7,133**	2,360
Other temporary differences		
Amount at beginning of year	**9**	6
Amount during the year	**47,492**	5
Exchange difference	**–**	(1)
Effect of difference in tax rate	**(13,849)**	(1)
Amount at end of year	**33,652**	9
Total	**40,785**	2,369
Deferred tax assets at 17% (2017: 17%) not taken up in the financial statements	**6,933**	403

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

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

12. PROPERTY, PLANT AND EQUIPMENT

Group	At cost								
	Air-conditioners $'000	Computers $'000	Electrical installation $'000	Renovation $'000	Kitchen equipment $'000	Furniture and fixture $'000	Office equipment $'000	Motor vehicles $'000	Total $'000
Cost:									
At January 1, 2017	119	417	49	30	27	384	565	253	1,844
Additions	–	3	–	12	–	15	8	–	38
Exchange difference	–	7	1	(9)	–	3	–	2	4
At December 31, 2017	119	427	50	33	27	402	573	255	1,886
Write off	(119)	(346)	(44)	–	(27)	(360)	(360)	–	(1,256)
Exchange difference	–	1	–	–	–	–	–	1	2
At December 31, 2018	**–**	**82**	**6**	**33**	**–**	**42**	**213**	**256**	**632**
Accumulated depreciation:									
At January 1, 2017	119	400	48	11	27	366	440	151	1,562
Depreciation charge for the year	–	13	1	10	–	3	56	48	131
Exchange difference	–	7	–	(9)	–	2	1	2	3
At December 31, 2017	119	420	49	12	27	371	497	201	1,696
Depreciation charge for the year	–	4	–	8	–	4	56	47	119
Write off	(119)	(346)	(44)	–	(27)	(360)	(360)	–	(1,256)
Exchange difference	–	–	–	–	–	–	–	1	1
At December 31, 2018	**–**	**78**	**5**	**20**	**–**	**15**	**193**	**249**	**560**
Carrying amount:									
At December 31, 2018	**–**	**4**	**1**	**13**	**–**	**27**	**20**	**7**	**72**
At December 31, 2017	–	7	1	21	–	31	76	54	190
At January 1, 2017	–	17	1	19	–	18	125	102	282

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Assets held under finance lease:

The carrying amount of property, plant and equipment under finance lease at the end of the reporting period was $21,000 (December 31, 2017: $121,000, January 1, 2017: $224,000).

Non-cash transactions:

Included in additions to plant and equipment in 2017 is an amount of $12,000 being provision for restoration costs capitalised. The cash outflow of acquisition of plant and equipment amounted to $26,000.

	At cost			
Company	**Computer $'000**	**Renovation $'000**	**Office equipment $'000**	**Total $'000**
Cost:				
At January 1, 2017	10	–	199	209
Additions	1	12	–	13
At December 31, 2017 and December 31, 2018	11	12	199	222
Accumulated depreciation:				
At January 1, 2017	5	–	77	82
Depreciation charge for the year	3	7	55	65
At December 31, 2017	8	7	132	147
Depreciation charge for the year	2	5	54	61
At December 31, 2018	**10**	**12**	**186**	**208**
Carrying amount:				
At December 31, 2018	**1**	**–**	**13**	**14**
At December 31, 2017	3	5	67	75
At January 1, 2017	5	–	122	127

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FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

13. GOODWILL AND OTHER INTANGIBLE ASSETS

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

	Group		
	Goodwill $'000	**Other intangible assets $'000**	**Total $'000**
Cost:			
At January 1, 2017	3,439	3,000	6,439
Exchange differences	329	–	329
At December 31, 2017 and December 31, 2018	3,768	3,000	6,768
Accumulated amortisation and impairment:			
At January 1, 2017	(2,768)	(2,657)	(5,425)
Impairment	(1,000)	–	(1,000)
Amortisation	–	(69)	(69)
At December 31, 2017	(3,768)	(2,726)	(6,494)
Amortisation	–	(68)	(68)
At December 31, 2018	**(3,768)**	**(2,794)**	**(6,562)**
Carrying amount:			
At December 31, 2018	**–**	**206**	**206**
At December 31, 2017	–	274	274
At January 1, 2017	1,000	343	1,343

Other intangible assets

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

Amortisation expense

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

Impairment testing of goodwill

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

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

Due to the slowing economy in Malaysia, the real estate and property development consultancy CGU has therefore been reduced to Nil through the recognition of an impairment loss against goodwill of $1 million in 2017 (Note 10).

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FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

14. INVESTMENT IN SUBSIDIARIES

	Company		
	December 31, 2018 $'000	**December 31, 2017 $'000**	**January 1, 2017 $'000**
Unquoted shares, at cost	**92,965**	92,792	9,036
Issuance of shares for acquisition of subsidiary	**–**	–	65,956
Allowance for impairment loss	**(52,757)**	(6,977)	(6,977)
	40,208	85,815	68,015

Movement in the above allowance:

	Company	
	2018 $'000	**2017 $'000**
At January 1	**6,977**	6,977
Charge to profit or loss during the year	**45,780**	–
At December 31	**52,757**	6,977

Management has assessed the impairment loss of the investment based on the operating and financial performance of the subsidiaries.

Impairment testing of investment in subsidiaries

Assessment of impairment in investment in subsidiaries is carried out every year end by comparing against the net tangible assets which approximates the recoverable amount and the necessary allowances are accordingly made. In 2016, an impairment loss of $4,134,000 was recognised for the investment in Whitehouse Holdings Pte Ltd, 3Cnergy Property Management Pte Ltd and Orientis Solutions Sdn Bhd for amount of $818,000, $2,000 and $3,314,000 respectively due to the losses incurred. No additional impairment loss is recognised in 2017. In 2018, an impairment loss of $45,780,000 was recognised for the investment in 3C Marina Park Sdn Bhd and Orientis Solutions Sdn Bhd for amount of $44,980,000 and $800,000 respectively due to losses incurred.

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FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Investments in subsidiaries are as follows:

Name	Principal activities	Country of incorporation	Effective interest December 31, 2018 %	Effective interest December 31, 2017 %	Effective interest January 1, 2017 %
Held by the Company:					
3Cnergy Property Pte Ltd [ii, vi]	Dormant	Singapore	**100**	100	100
Whitehouse Holdings Pte Ltd [ii]	Dormant	Singapore	**100**	100	100
HSR Global (Australia) Pty Ltd [iv]	Dormant	Australia	**–**	–	100
3Cnergy Property Management Pte Ltd [ii]	Dormant	Singapore	**100**	100	100
3Cnergy Sdn. Bhd. [iii]	Management and research on real estate	Malaysia	**100**	100	100
Orientis Solutions Sdn Bhd [iii]	Providing architectural design, project financial feasibility assessment, engineering expertise and construction management services.	Malaysia	**100**	100	100
3C Marina Park Sdn Bhd [iii]	Property developer	Malaysia	**100**	100	100
Paxel Consultants Pte Ltd [ii]	Dormant	Singapore	**100**	100	100
3Cnergy Living Sdn Bhd [v]	Dormant	Malaysia	**100**	100	–
3Cnergy Property Management Sdn Bhd [v]	Dormant	Malaysia	**100**	100	–
3C Property Consultants Pte Ltd [i]	Property valuation	Singapore	**100**	–	–
3Cnergy Ventures R Sdn Bhd [vii]	Dormant	Malaysia	**100**	–	–

i Audited by Deloitte & Touche LLP, Singapore.
ii Not audited as the Company is dormant.
iii Audited by Deloitte PLT, Malaysia, a member firm of Deloitte Touche Tohmatsu Limited.
iv Deregistered on December 21, 2017.
v Audited by another firm of auditors, not a member firm of Deloitte Touche Tohmatsu Limited.
vi Formerly known as HSR Property Consultants Pte Ltd.
vii Incorporated on December 17, 2018, not yet appointed auditors as at December 31, 2018.

NOTES TO THE *FINANCIAL STATEMENTS*

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14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Acquisition of subsidiary- 3C Property Consultants Pte Ltd

The Company has on January 8, 2018 entered into a share sale agreement with GB Global Pte Ltd (the "Vendor") to acquire the Vendor's 40% equity interest ("Sale Shares") in 3C Property Consultants Pte Ltd ("3CPC") at aggregate sum of $23,300. Upon completion of the acquisition, 3CPC became a wholly-owned subsidiary of the Company (Note 15).

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

	2018 **$'000**
Current assets	
Trade and other receivables	**8**
Amount due from holding company	**52**
Cash and bank balances	**14**
	74
Current liabilities	
Other payables and accruals	**4**
Total identifiable net asset at fair value	**70**
Total consideration settled	**(23)**
Negative goodwill	**47**
<u>Effect of the acquisition on cash flows</u>	
Cash and bank balances of subsidiary acquired	**35**
Less: Total consideration, settled in cash	**(23)**
Net cash inflow on acquisition	**12**

15. INVESTMENT IN JOINT VENTURE

In 2017, the Group has 60% interest in the ownership and voting rights in a joint venture, 3C Property Consultants Pte Ltd. The joint venture is incorporated in Singapore and is in the business of property valuation. The Group jointly controls the venture with other partner under the contractual agreement and requires unanimous consent for all major decisions over the relevant activities.

The Company has on January 8, 2018 entered into a share sale agreement with GB Global Pte Ltd (the "Vendor") to acquire the Vendor's 40% equity interest ("Sale Shares") in 3C Property Consultants Pte Ltd ("3CPC") at aggregate sum of $23,300. Upon completion of the acquisition, 3CPC became a wholly-owned subsidiary of the Company (Note 14).

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15. INVESTMENT IN JOINT VENTURE (CONTINUED)

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

Summarised statement of financial position

	December 31, 2017 $'000	January 1, 2017 $'000
Cash and cash equivalents	36	53
Unbilled receivables	5	5
Trade receivables	–	5
Other receivables	143	202
Total assets	184	265
Total liabilities	(9)	(15)
Net assets	175	250
Proportion of the Group's ownership	60%	60%
Group's share of net assets/carrying amount of the investment	105	150

Summarised statement of comprehensive income

	2017 $'000
Revenue	85
Cost of service	(15)
Gross profit	70
Operating expenses	(145)
Loss before tax	(75)
Income tax expense	–
Loss after tax	(75)
Total comprehensive loss	(75)

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

16. PROPERTY DEVELOPMENT ACTIVITIES

(a) Land held for property development

	Group	
	2018	**2017**
	$'000	**$'000**
At cost:		
At beginning of year	**94,204**	90,196
Additions	**–**	2,181
Exchange difference	**2,635**	1,827
Transfer from (to) property development	**61,325**	–
Impairment	**(33,633)**	–
At end of year	**124,531**	94,204
Included in the land held for property development are as follows:		
– freehold land	**124,531**	79,655
– development costs	**–**	14,549
	124,531	94,204

During the financial year, property development costs has been fully impaired following the deferment and pending review of the development plan in the future when the economic environment is more conducive for re-launch.

Land held for property development of the Group amounting to $124,531,000 (December 31, 2017: $94,204,000, January 1, 2017: $90,196,000) has been pledged to the bank to secure credit facilities granted to the Group as disclosed in Note 26.

In 2017, interest expense of $2,023,000 was capitalised in the land held for property development. The weighted average capitalisation rate on funds borrowed is 5.00% per annum.

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16. PROPERTY DEVELOPMENT ACTIVITIES (CONTINUED)

(b) Property development

	Group	
	2018	**2017**
	$'000	**$'000**
At beginning of year	**63,214**	55,404
Additions	**–**	7,353
Exchange difference	**(1,889)**	457
Transfer (to) from land held for property development	**(61,325)**	–
At end of year	**–**	63,214
Included in property development are as follows:		
– freehold land	**–**	44,597
– development costs	**–**	18,617
	–	63,214

In 2017, property development of the Group amounting to $63,214,000 (January 1, 2017: $55,404,000) has been charged to bank for credit facilities granted to the Group as disclosed in Note 26.

In 2017, interest expense during the year amounting to $1,975,000 is capitalised in the property development. The weighted average capitalisation rate on funds borrowed is 5.00% per annum.

17. TRADE RECEIVABLES

	Group			Company		
	December 31, 2018	**December 31, 2017**	**January 1, 2017**	**December 31, 2018**	**December 31, 2017**	**January 1, 2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Trade receivables	**19**	25	55	**–**	–	–

The average credit period on trade receivables is 14 to 60 days (2017: 14 to 60 days). Trade receivables are non-interest bearing and are generally due upon billing. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Loss allowance for trade receivables are measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of the conditions at the reporting date. The Group has determined that the trade receivables are subject to insignificant credit loss.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for trade receivables.

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FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

17. TRADE RECEIVABLES (CONTINUED)

Receivables that are past due but not impaired

The Group has trade receivables amounting to $17,000 (December 31, 2017: $25,000, January 1, 2017: $34,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group		
	December 31, 2018 $'000	**December 31, 2017 $'000**	**January 1, 2017 $'000**
Past due:			
– More than 180 days	**17**	25	34

18. OTHER RECEIVABLES AND DEPOSITS

	Group			Company		
	December 31, 2018 $'000	**December 31, 2017 $'000**	**January 1, 2017 $'000**	**December 31, 2018 $'000**	**December 31, 2017 $'000**	**January 1, 2017 $'000**
Financial assets:						
Current						
– Other receivables	**76**	22	3	**48**	10	–
– Deposits	**135**	177	123	**21**	21	–
	211	199	126	**69**	31	–

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

Loss allowance for other receivables are measured at an amount equal to 12 months expected credit losses (ECL). For purpose of impairment assessment, other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. The Group has determined that the other receivables are subject to immaterial credit loss.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

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FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

19. AMOUNT DUE FROM (TO) SUBSIDIARIES

	Company		
	December 31, 2018 $'000	**December 31, 2017 $'000**	**January 1, 2017 $'000**
Amount due from subsidiaries	**20,414**	2,626	2,248
Less: Allowance for doubtful debts	**(2,609)**	(2,456)	(2,236)
Amount due from subsidiaries, net	**17,805**	170	12
Movement in allowance accounts:			
– At January 1	**2,456**	2,236	2,214
– Charge for the year	**153**	220	22
At December 31	**2,609**	2,456	2,236
Amount due to subsidiaries	**793**	701	702

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

For the purpose of impairment assessment, the other receivables are considered to have low credit risk as the timing of payment is controlled by the ultimate holding company taking into account cash flow management within the ultimate holding company's group of companies and there has been no significant increase in the risk of default on the amounts due from related parties since initial recognition. Accordingly, for the purpose of impairment assessment for the amounts due from subsidiaries, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL).

In determining the ECL, management has taken into account the financial position of the related parties, adjusted for factors that are specific to the related parties and general economic conditions of the industry in which the related parties operate, in estimating the probability of default of the trade amounts due from related parties as well as the loss upon default. Management determines the trade amounts due from related parties are subject to immaterial credit loss.

Allowance for ECL

At the end of the reporting period, the Company provided an allowance of $153,000 (2017: $220,000) for amounts due from subsidiaries of $20,414,000 (2017: $2,626,000) as the subsidiaries have been suffering financial losses for the current and past financial years.

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20. CASH AND CASH EQUIVALENTS

	Group			Company		
	December 31, 2018 $'000	**December 31, 2017 $'000**	**January 1, 2017 $'000**	**December 31, 2018 $'000**	**December 31, 2017 $'000**	**January 1, 2017 $'000**
Fixed deposits with a licensed bank	**20,646**	4,845	43	**20,600**	4,800	–
Cash at banks	**2,366**	3,279	4,016	**515**	1,274	3,656
	23,012	8,124	4,059	**21,115**	6,074	3,656
Less: Pledged fixed deposit	**(45)**	(44)	(43)	**–**	–	–
Cash and cash equivalents	**22,967**	8,080	4,016	**21,115**	6,074	3,656

Cash at banks earns interest at floating rates based on daily bank deposit rates ranging from 0.05% to 1.05% (2017: 0.05% to 1.05%) per annum.

The fixed deposits with a licensed bank has been pledged to a licensed bank as security for revolving credit facility granted to the Group as disclosed in Note 26. The fixed deposits earn interest at 3.01% (2017: 3.15%) per annum.

21. TRADE PAYABLES

	Group			Company		
	December 31, 2018 $'000	**December 31, 2017 $'000**	**January 1, 2017 $'000**	**December 31, 2018 $'000**	**December 31, 2017 $'000**	**January 1, 2017 $'000**
Trade payables	**42**	670	1	**1**	39	–

22. ACCRUALS AND OTHER PAYABLES

	Group			Company		
	December 31, 2018 $'000	**December 31, 2017 $'000**	**January 1, 2017 $'000**	**December 31, 2018 $'000**	**December 31, 2017 $'000**	**January 1, 2017 $'000**
Other payables	**288**	339	386	**143**	135	170
Accrued expenses	**384**	425	450	**119**	143	137
Deposits collected	**7**	7	7	**–**	–	–
	679	771	843	**262**	278	307

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

23. CONTRACT LIABILITIES

	Group		
	December 31, 2018 $'000	**December 31, 2017 $'000**	**January 1, 2017 $'000**
Gross amount due to customers for project management contracts	**(222)**	(174)	(106)

Contract liability relating to gross amount due to customer for project management contracts. These arise when a particular milestones payment exceeds the revenue recognised to date under the cost-to-cost method.

There were no significant changes in the contract liabilities balances during the reporting period.

The following table shows how much of the revenue recognised in the current reporting period relates to brought-forward contract liabilities. There was no revenue recognised in the current reporting period that related to performance obligations that were satisfied in a prior year.

The Group's revenue recognised that was included in the contract liabilities balance at the beginning of the period:

	Group	
	2018 $'000	**2017 $'000**
Gross amount due to customers for project management contracts	**174**	106

24. AMOUNT DUE TO JOINT VENTURE

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

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25. FINANCE LEASE LIABILITY

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

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

	December 31, 2018		**December 31, 2017**		**January 1, 2017**	
	Minimum lease payments $'000	**Present value of payments $'000**	**Minimum lease payments $'000**	**Present value of payments $'000**	**Minimum lease payments $'000**	**Present value of payments $'000**
Group						
Within one year	**18**	**17**	94	90	96	88
Between two to five years	**15**	**14**	33	31	126	120
More than five years	**–**	**–**	–	–	–	–
Total minimum lease payments	**33**	**31**	127	121	222	208
Finance charges allocated to future years	**(2)**	**–**	(6)	–	(14)	–
Present value of minimum lease payments	**31**	**31**	121	121	208	208
Less: Amount due for settlement within 12 months (shown under Current liabilities)	**(17)**	**(17)**	(90)	(90)	(88)	(88)
Amount due for settlement after 12 months	**14**	**14**	31	31	120	120
Company						
Within one year	**10**	**10**	59	57	59	55
Between two to five years	**–**	**–**	10	10	69	67
Total minimum lease payments	**10**	**10**	69	67	128	122
Finance charges allocated to future years	**–**	**–**	(2)	–	(6)	–
Present value of minimum lease payments	**10**	**10**	67	67	122	122
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(10)**	**(10)**	(57)	(57)	(55)	(55)
Amount due for settlement after 12 months	**–**	**–**	10	10	67	67

Effective interest rate is 5% (2017: 5%) per annum. These obligations are secured by a charge over the leased assets (Note 12).

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26. BANK BORROWINGS

	Group		
	December 31, 2018 $'000	**December 31, 2017 $'000**	**January 1, 2017 $'000**
Term loans	**45,094**	58,131	64,426
Revolving credit	**18,139**	18,095	17,556
	63,233	76,226	81,982
The bank borrowings are repayable as follows:			
Current:			
– Repayable not later than 1 year	**31,318**	31,242	17,556
Non-current:			
– Repayable later than 1 year and not later than 2 years	**13,179**	13,147	–
– Repayable later than 2 years and not later than 5 years	**18,736**	31,837	36,472
– Repayable more than 5 years	**–**	–	27,954
	31,915	44,984	64,426
	63,233	76,226	81,982

(a) Term loans:

As of December 31, 2018, the Group has a term loan facility from a licensed bank of $58,131,000. Interest rate for the term loans is 5.09% per annum. These term loans were secured by way of the following:

(i) the facility agreements;

(ii) a charge over the freehold land as disclosed in Note 16; and

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

(b) Revolving credit:

As of December 31, 2018, the Group has a revolving credit facility from a licensed bank of $18,095,000. Interest rate for the revolving credit is ranging from 5.09% to 5.19% per annum. The revolving credit was secured by way of the following:

(i) existing facility agreements;

(ii) a charge over the freehold land as disclosed in Note 16;

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

(iii) fixed deposits as disclosed in Note 20.

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

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

27. DEFERRED TAX ASSETS (LIABILITIES)

Deferred tax as at December 31 relates to the following:

	Group		
	December 31, 2018 $'000	**December 31, 2017 $'000**	**January 1, 2017 $'000**
Deferred tax assets (liabilities):			
– Differences in depreciation for tax purposes	**(3)**	(4)	(6)
– Tax losses	**5**	–	–

	Difference In depreciation for tax purpose $'000	**Tax losses $'000**	**Total $'000**
Group			
At January 1, 2017	(6)	–	(6)
Charge to profit or loss for the year (Note 10)	2	–	2
At December 31, 2017	(4)	–	(4)
Charge to profit or loss for the year (Note 10)	2	5	7
At December 31, 2018	(2)	5	3

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

28. SHARE CAPITAL

	Group			
	2018	**2017**	**2018**	**2017**
	Number of ordinary shares		**$'000**	**$'000**
Issued and paid up				
At the beginning of year	**1,533,526,989**	1,150,145,242	**109,554**	83,867
Issue of shares	**1,533,526,989**	383,381,747	**33,738**	25,687
At end of year	**3,067,053,978**	1,533,526,989	**143,292**	109,554

	Company			
	2018	**2017**	**2018**	**2017**
	Number of ordinary shares		**$'000**	**$'000**
Issued and paid up				
At the beginning of year	**1,533,526,989**	1,150,145,242	**144,084**	118,397
Issue of shares	**1,533,526,989**	383,381,747	**33,738**	25,687
At end of year	**3,067,053,978**	1,533,526,989	**177,822**	144,084

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

28. SHARE CAPITAL (CONTINUED)

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

In 2018, the Company made a non-underwritten rights issue of 1,431,889,098 new ordinary shares in the capital of the Company (the "Rights Shares") at an issue price of S$0.022 for each Rights Share.

In 2018, the Company had also completed placement of 101,637,891 new ordinary shares in the capital of the Company (the "Subscription Shares") at an issue price of S$0.022 for each Subscription Share.

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

29. OPERATING LEASE COMMITMENTS

(a) Operating lease commitments – as lessee

	Group	
	2018	**2017**
	$'000	**$'000**
Payment recognised as an expense during the year		
Minimum lease payments under operating leases	**134**	131

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

	Group		
	December 31, 2018	**December 31, 2017**	**January 1, 2017**
	$'000	**$'000**	**$'000**
Within 1 year	**140**	90	–
Within 2 to 5 years	**154**	–	–

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

30. LOSS PER SHARE

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

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

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

	Group	
	2018	**2017**
	$'000	**$'000**
Loss for the year attributable to owners of the Company used in the computation of basic and diluted earnings per share	**(38,799)**	(3,408)

	2018	**2017**
	No of shares	
	'000	**'000**
Weighted average number of ordinary shares for basic and diluted loss per share computation	**2,491,456**	1,377,023

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

31. SEGMENT INFORMATION

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

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

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

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

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

31. SEGMENT INFORMATION (CONTINUED)

Geographical segments

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

	Revenue		Non-current assets		
	2018	2017	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000	$'000	$'000
Singapore	**43**	–	**14**	180	277
Malaysia	**223**	370	**124,798**	94,593	91,694
	266	370	**124,812**	94,773	91,971

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

Information about major customers

Revenue from the major customers which accounts for 10% of the Group's revenue are as follows:

	Group	
	2018	2017
	$'000	$'000
Customer 1	**153**	370
Customer 2	**70**	N/A

32. EMPLOYEE BENEFITS

	Group	
	2018	2017
	$'000	$'000
Employee benefits expense (including directors):		
– Salaries and bonuses	**343**	506
– Provident Fund contributions	**25**	26
– Other short-term benefits	**–**	42
	368	574

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

33. ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK

The Group and the Company adopted the new financial reporting framework – Singapore Financial Reporting Standards (International) ("SFRS(I)") for the first time for financial year ended December 31, 2018 and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) has been applied in the first set of SFRS(I) financial statements. SFRS(I) is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

As a first-time adopter of SFRS(I), the Group and the Company have applied retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (December 31, 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ended December 31, 2018, an additional opening statement of financial position as at date of transition (January 1, 2017) is presented, together with related notes. Reconciliation statements from previously reported FRS amounts are not presented for equity as at date of transition (January 1, 2017) and as at end of last financial period under FRS (December 31, 2017), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended December 31, 2017) as there were no changes compared to the amounts previously reported except for the changed of the presentation of certain amounts as follow:

The Group has changed the presentation of certain amounts in the balance sheet as at December 31, 2017 on adopting SFRS(I) 15. Contract liabilities in relation to project management contracts were previously presented as "amounts due to customers for project management contracts" of $174,000 (January 1, 2017: $106,000) under FRS.

There is no change to the Group's and the Company's previous accounting policies under FRS or material adjustments on the initial transition to the new framework as (i) the application for SFRS(I) 9 impairment requirements has not resulted in additional loss allowance to be recognised, and (ii) no changes to the revenue recognition policy was assessed to be required upon application of SFRS(I) 15.

Management has elected the following transition exemption:

a) SFRS(I) 3 *Business Combinations* has not been applied to acquisitions of subsidiaries that are considered businesses under SFRS(I) that occurred before January 1, 2017. The FRS carrying amounts of assets and liabilities determined in that business combination, that are required to be recognised under SFRS(I), are the deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with SFRS(I). Assets and liabilities that do not qualify for recognition under SFRS(I) are excluded from the opening SFRS(I) statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of SFRS(I) recognition requirements.

   SFRS(I) 1 also requires that the FRS carrying amount of goodwill must be used in the opening SFRS(I) statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). There was no goodwill that had arose from the previous acquisitions.

b) As permitted under SFRS(I) 1, the transaction price allocated to (partially) unsatisfied performance obligations as of December 31, 2017 is not disclosed using the transition provisions of SFRS(I) 15.

   Management has not elected the transition exemption under SFRS(I) 9 and full retrospective application and disclosure have been made. The transition to SFRS(I) and the initial application of SFRS(I) 9 and SFRS(I) 15 have not had a material impact on the statement of cash flows.

NOTES TO THE *FINANCIAL STATEMENTS*

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

34. STANDARDS ISSUED BUT NOT EFFECTIVE

At the date of authorisation of these financial statements, the following SFRS(I) pronouncements were issued but not effective and are expected to have an impact to the Group and the Company in the periods of their initial application.

SFRS(I) 16 Leases
Effective for annual periods beginning or after 1 January 2019

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

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

SFRS(I) 1-17 does not require the recognition of any right-of-use asset or liability for future payments for the operating leases that the Group enters into. Under SFRS(I) 16, the Group may be required to recognise a right-of-use asset and a corresponding liability in respect of all leases unless they qualify for low value or short-term leases upon the application of SFRS(I) 16. Additional disclosures may also be made with respect to leases, including any significant judgement and estimation made in distinguishing between leases and service contracts, on the basis of whether an identified asset controlled by the customer exists.

The management has yet to complete its detailed assessment of the possible impact of implementing SFRS(I) 16. The Group does not have significant operating leases at the end of the reporting period (Note 29). Accordingly, management anticipates that there is no material impact on the Group's financial statements in the period of initial application except for additional disclosure requirements.

35. TENTATIVE AGENDA DECISION ISSUED BY THE INTERNATIONAL FINANCIAL REPORTING STANDARDS INTERPRETATIONS COMMITTEE

As stated in Note 2 to the financial statements, cost of land held for property development and property development comprise costs that related directly to the development which include borrowing costs. During the year ended December 31, 2018, the International Financial Reporting Standards ("IFRS") Interpretation Committee received a submission about the capitalisation of borrowing costs in relation to the construction of a residential multi-unit real estate development (building). In a Tentative Agenda Decision issued in November 2018, the Interpretations Committee tentatively concluded that, the entity in the fact pattern in the submission should not capitalise borrowing costs. The Agenda Decision has been subsequently finalised in March 2019, subject to some editorial changes. This conclusion is different from the accounting policies applied currently by the Group. The Group has not capitalised any borrowing costs during the year due to deferment of its development project and all borrowing costs were expensed to profit or loss. Accordingly, there is no material impact on the financial statements for the current year ended.

STATISTICS OF *SHAREHOLDINGS*

AS AT 15 MARCH 2019

Class of shares	:	Ordinary Shares
Voting rights	:	One vote per ordinary share
Number of issued shares	:	3,067,053,978
Number of treasury shares	:	NIL
Number of subsidiary holdings	:	NIL

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 15 MARCH 2019

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	3	0.50	126	0.00
100 – 1,000	268	44.89	151,100	0.00
1,001 – 10,000	125	20.94	516,550	0.02
10,001 – 1,000,000	170	28.48	31,164,414	1.02
1,000,001 AND ABOVE	31	5.19	3,035,221,788	98.96
	597	100.00	3,067,053,978	100.00

TWENTY LARGEST SHAREHOLDERS AS AT 15 MARCH 2019

	SHAREHOLDER'S NAME	NO. OF SHARES	%
1	UOB KAY HIAN PTE LTD	1,809,062,940	58.98
2	CHAMPION BRAVE SDN BHD	636,815,920	20.76
3	CITIBANK NOMINEES SINGAPORE PTE LTD	212,758,405	6.94
4	OCBC SECURITIES PRIVATE LTD	122,986,985	4.01
5	MERITON CAPITAL LIMITED	101,637,891	3.31
6	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	33,947,332	1.11
7	RAFFLES NOMINEES (PTE) LIMITED	25,313,900	0.83
8	DBS NOMINEES PTE LTD	21,944,666	0.72
9	TAN AI NEO GRACIE	13,333,332	0.43
10	MAYBANK KIM ENG SECURITIES PTE. LTD.	8,090,767	0.26
11	GOH GUAN SIONG (WU YUANXIANG)	4,519,000	0.15
12	ALPHA SECURITIES PTE LTD	4,000,000	0.13
13	HSBC (SINGAPORE) NOMINEES PTE LTD	4,000,000	0.13
14	RAMESH S/O PRITAMDAS CHANDIRAMANI	3,349,800	0.11
15	LIM AND TAN SECURITIES PTE LTD	3,041,332	0.10
16	GOH BENG HWA	3,000,000	0.10
17	LIM CHYE HUAT @ BOBBY LIM CHYE HUAT	2,998,000	0.10
18	PHILLIP SECURITIES PTE LTD	2,697,065	0.09
19	ONG PUAY HOON IRENE	2,675,300	0.09
20	BENJAMIN HIRAM PAUL	2,666,820	0.09
	TOTAL:	**3,018,839,455**	**98.44**

Shareholding held in the hands of public

Based on information available to the Company as at 15 March 2019, approximately 11.26% of the issued ordinary shares of the Company were held in the hands of the public. Accordingly, Rule 723 of the Catalist Rules is complied with.

STATISTICS OF *SHAREHOLDINGS*

AS AT 15 MARCH 2019

SUBSTANTIAL SHAREHOLDERS AS AT 15 MARCH 2019

(As recorded in the Register of Substantial Shareholders)

		Direct Interest		Deemed Interest	
No.	**Name**	**No. of shares**	**%**	**No. of shares**	**%**
1	Phileo Capital Limited	1,447,947,840	47.21	–	–
2	TMF Trustees Singapore Limited(1)	–	–	1,447,947,840	47.21
3	Tong Kooi Ong(2)	–	–	1,447,947,840	47.21
4	Halfmoon Bay Capital Limited	199,004,973	6.49	–	–
5	Tan Sri Wan Azmi bin Wan Hamzah(3)	–	–	318,407,958	10.38
6	Champion Brave Sdn. Bhd.	636,815,920	20.76	–	–
7	Tan Sri Lee Oi Hian(4)	–	–	636,815,920	20.76
8	Casi Management Sdn Bhd(5)	318,407,958	10.38	–	–
9	Hanton Capital Limited(6)	–	–	318,407,958	10.38
10	Tan Sri Dato' Surin Upatkoon(7)	–	–	318,407,958	10.38

Notes:–

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

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

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

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

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

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

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

STATISTICS OF *WARRANTHOLDINGS*

AS AT 15 MARCH 2019

DISTRIBUTION OF WARRANTHOLDERS BY SIZE OF WARRANTHOLDINGS AS AT 15 MARCH 2019

SIZE OF WARRANTHOLDINGS	NO. OF WARRANTHOLDERS	%	NO. OF WARRANTS	%
1 – 99	0	0.00	0	0.00
100 – 1,000	1	0.60	322	0.00
1,001 – 10,000	22	13.17	77,061	0.01
10,001 – 1,000,000	115	68.86	19,928,258	2.01
1,000,001 AND ABOVE	29	17.37	969,366,445	97.98
	167	100.00	989,372,086	100.00

TWENTY LARGEST WARRANTHOLDERS AS AT 15 MARCH 2019

	WARRANTHOLDER'S NAME	NO. OF WARRANTS	%
1	UOB KAY HIAN PTE LTD	571,927,379	57.81
2	CHAMPION BRAVE SDN BHD	205,424,477	20.76
3	CITIBANK NOMINEES SINGAPORE PTE LTD	108,066,984	10.92
4	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	10,967,737	1.11
5	PHILLIP SECURITIES PTE LTD	8,775,596	0.89
6	MAYBANK KIM ENG SECURITIES PTE. LTD.	8,275,006	0.84
7	RAFFLES NOMINEES (PTE) LIMITED	6,435,125	0.65
8	LIM AND TAN SECURITIES PTE LTD	5,942,814	0.60
9	GOH GUAN SIONG (WU YUANXIANG)	4,516,866	0.46
10	TAN AI NEO GRACIE	4,301,073	0.43
11	VASHDEV DADLANI	3,225,806	0.33
12	PAY AH SIN	2,582,451	0.26
13	OCBC SECURITIES PRIVATE LTD	2,580,645	0.26
14	RAMESH S/O PRITAMDAS CHANDIRAMANI	2,580,645	0.26
15	TAN WEIREN VINCENT (CHEN WEIREN VINCENT)	2,451,612	0.25
16	TAN LYE SENG	2,144,938	0.22
17	DBS NOMINEES PTE LTD	1,936,083	0.20
18	LOW PECK HIANG ELIZABETH	1,935,483	0.20
19	PENG CHEE SENG (PENG ZHICHENG)	1,806,451	0.18
20	TING BEE WAH	1,806,451	0.18
	TOTAL:	**957,683,622**	**96.81**

NOTICE OF *ANNUAL GENERAL MEETING*

NOTICE IS HEREBY GIVEN that the annual general meeting of 3Cnergy Limited (the "**Company**") will be held at Nordic Conference Room, 1st Floor, No. 3 International Business Park, Nordic European Centre, Singapore 609927 on Thursday, 25 April 2019 at 2.30 p.m. (the "**AGM**") for the following purposes:

Ordinary Business

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

2. To approve the payment of Directors' fees of S$140,000/- for the financial year ending 31 December 2019 [2018: S$140,000], to be paid half yearly in arrears.
(Resolution 2)

3. To re-elect Mr Chung Chee Khuen who is retiring pursuant to article 103 of the Company's Constitution.
(Resolution 3)
[see Explanatory Note (i)]

4. To re-elect Mr Tong Kooi Ong who is retiring pursuant to article 99 of the Company's Constitution.
(Resolution 4)
[see Explanatory Note (ii)]

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

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

Special Business

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

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

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

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

(b) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures, convertible securities or other instruments convertible into Shares,

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

NOTICE OF *ANNUAL GENERAL MEETING*

(II) notwithstanding that the authority conferred by this resolution may have ceased to be in force, issue Shares in pursuance of any Instruments made or granted by the Directors while this resolution was in force, provided that:

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

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

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

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

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

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

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

(Resolution 6)

[see Explanatory Note (iii)]

NOTICE OF *ANNUAL GENERAL MEETING*

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

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

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

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

That:

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

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

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

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

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

By Order of the Board

Selena Leong Siew Tee
Company Secretary

Singapore, 10 April 2019

NOTICE OF *ANNUAL GENERAL MEETING*

Explanatory Notes:

(i) Details on Mr Chung Chee Khuen

Date of Appointment: 30 June 2018

Date of last re-appointment (if applicable): Not applicable

Age: 51

Country of principal residence: Malaysia

The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process): Please refer to the Corporate Governance section in the Company's 2018 Annual Report.

Whether appointment is executive, and if so, the area of responsibility: Executive. Mr Chung Chee Khuen is responsible for the overall management of 3Cnergy Group.

Job Title: Group Managing Director and Chief Executive Officer

Professional Qualifications: Please refer to the Board of Directors section in the Company's 2018 Annual Report

Working experience and occupation(s) during the past 10 years: Please refer to the Board of Directors section in the Company's 2018 Annual Report

Shareholding interest in the listed issuer and its subsidiaries: No

Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries: No

Conflict of interest (including any competing business): None

Undertaking (in the format set out in Appendix 7H) under rule 704(6) of the Rules of Catalist has been submitted to the listed issuer – Yes

Mr Chung Chee Khuen will, upon re-election as a Director of the Company, remain as the Group Managing Director and Chief Executive Officer.

(ii) Details on Mr Tong Kooi Ong

Date of Appointment: 15 May 2013

Date of last re-appointment (if applicable): 20 April 2017

Age: 60

Country of principal residence: Singapore

The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process): Please refer to the Corporate Governance section in the Company's 2018 Annual Report.

Whether appointment is executive, and if so, the area of responsibility: Non-executive.

Job Title: Non-Independent Non-Executive Chairman

Professional Qualifications: Please refer to the Board of Directors section in the Company's 2018 Annual Report

Working experience and occupation(s) during the past 10 years: Please refer to the Board of Directors section in the Company's 2018 Annual Report

Shareholding interest in the listed issuer and its subsidiaries:
3Cnergy Limited:
– Deemed interest: 1,447,947,840 ordinary shares and 467,079,918 warrants (held by Phileo Capital Limited)

Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries: Mr Tong Kooi Ong is the sole ultimate beneficial owner of Phileo Capital Limited (substantial shareholder) through TMF Trustees Singapore Limited, the trustee of a family trust of which Mr Tong is the sole beneficiary

Conflict of interest (including any competing business): None

Undertaking (in the format set out in Appendix 7H) under rule 704(6) of the Rules of Catalist has been submitted to the listed issuer – Yes

Mr Tong Kooi Ong will, upon re-election as a Director of the Company, remain as the Non-Independent Non-Executive Chairman of the Board of Directors and member of the Audit, Nominating and Remuneration Committees.

NOTICE OF *ANNUAL GENERAL MEETING*

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

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

(v) Ordinary Resolution 8, if passed, renews the IPT Mandate, which was given by shareholders on 10 April 2018 allowing the Company, its subsidiaries and associated companies that are entities at risk to enter into transactions with interested persons as defined in Chapter 9. The Audit Committee confirms that the methods or procedures for determining the prices of interested party transactions ("**IPT**") have not changed since laast shareholders' approval and such methods and procedures are sufficient to ensure that the IPT will be carried out in normal commercial terms and will not be prejudicial to the interest of the Company and/or its minority shareholders.

NOTES:

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

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

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

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

3. The instrument appointing a proxy or proxies must be under the hand of the appointor or by his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

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

Personal data privacy:

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

(a) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**");

(b) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and

(c) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

3CNERGY LIMITED
(Company Registration No.: 197300314D)
(Incorporated in the Republic of Singapore)

ANNUAL GENERAL MEETING PROXY FORM

(Please refer to notes overleaf before completing this Form)

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

*I/We ______________________________

*NRIC/Passport/Co. Registration No. ______________________________

of ______________________________

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

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

* and/or

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

or failing *him/her/them, the Chairman of the annual general meeting ("AGM"), as *my/our *proxy/proxies to attend, speak and vote for *me/us on *my/our behalf at the AGM of the Company to be held at Nordic Conference Room, 1st Floor, No. 3 International Business Park, Nordic European Centre, Singapore 609927 on Thursday, 25 April 2019 at 2.30 p.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the AGM as indicated with a "√" in the spaces provided hereunder. If no specific directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as *he/she/they may on any other matter arising at the AGM.

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

No.	Resolutions	For	Against
	ORDINARY BUSINESS		
1.	To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2018 together with the Auditors' Report thereon.		
2.	To approve the payment of Directors' fees of S$140,000/- for the financial year ending 31 December 2019, to be paid half yearly in arrears.		
3.	To re-elect Mr Chung Chee Khuen as Director.		
4.	To re-elect Mr Tong Kooi Ong as Director.		
5.	To re-appoint Messrs Deloitte & Touche LLP as the Company's auditors and to authorise the Directors to fix their remuneration.		
	SPECIAL BUSINESS		
6.	To authorise Directors to allot and issue shares.		
7.	To authorise Directors to issue shares under the 3Cnergy Performance Share Plan.		
8.	To approve renewal of shareholders' mandate for interested person transactions.		

Dated this ____________ day of ____________________ 2019.

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

____
Signature of Member(s) or Common Seal

** Delete accordingly*

IMPORTANT: Please Read Notes for this Proxy Form

NOTES:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of shares. If you have shares registered in your name in the Register of Members (maintained by or on behalf of the Company), you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

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

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

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

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

4. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of a director or an officer or attorney duly authorised.

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

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

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

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

GENERAL:

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

Personal data privacy:

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

(a) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes");

(b) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and

(c) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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CORPORATE *INFORMATION*

DIRECTORS

Mr Tong Kooi Ong
Non-Independent Non-Executive Chairman

Mr Chung Chee Khuen
Group Managing Director and Chief Executive Officer
(Appointed on 30 June 2018)

Mr Loh Chen Peng
Lead Independent Director

Mr Ong Pai Koo @ Sylvester
Independent Non-Executive Director

AUDIT COMMITTEE

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

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Ms Selena Leong Siew Tee

REGISTERED OFFICE

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

SPONSOR

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

SHARE REGISTRAR

Tricor Barbinder Share Registration Services
80 Robinson Road
#02-00
Singapore 068898

AUDITORS

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

AUDIT PARTNER-IN-CHARGE

Mr Michael Kee Cheng Kong
Partner-in-charge since financial year ended
31 December 2015

BANKERS

CIMB Bank Berhad
United Overseas Bank Limited
Public Bank Berhad

COMPANY REGISTRATION

No. 197300314D

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